

A large Olathe, Kansas flag is shown waving against a clear blue sky. The flag is white with a blue border at the top and bottom. In the center, there is a stylized sun with rays and the words "OLATHE KANSAS" in blue capital letters.

QUARTERLY FINANCIAL REPORT

GENERAL FUND

4th Quarter 2019





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General Fund

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The Quarterly Financial Report is intended to highlight the current and anticipated performance of the City's General Fund. This report is prepared by the City of Olathe's Office of Performance and Budget Services.

This report is broken up into 3 sections:

Economic Conditions presents data on economic indicators for the City of Olathe, Johnson County, and the surrounding region. Altogether, the indicators create a composite view of the economy and can help staff forecast and financially plan for the City.

Revenues presents data on monies brought into the General Fund and includes a detailed breakdown of 4 major revenue categories:

- *Sales tax* is collected from both residents and non-residents who purchase goods within Olathe.
- *Property tax* is collected from real and personal property.
- *Franchise fees* are collected from electric, gas, internet, telephone, and cable service providers.
- *Fines and forfeits* are collected by the city as penalties for breaking the law.

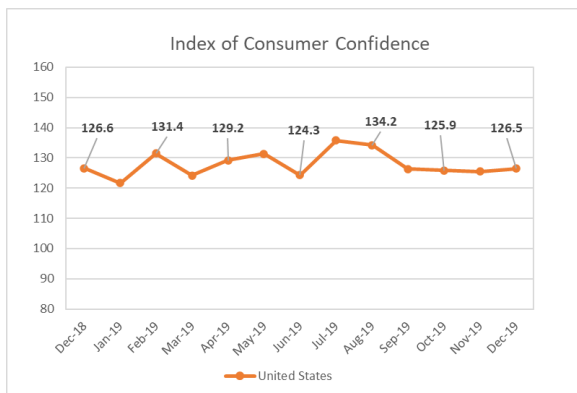
Expenditures presents data on current city spending from the General Fund and includes a detailed breakdown of 3 major expenditure categories:

- *Personal services* expenditures cover the salaries and benefits of those employed by the City of Olathe.
- *Contractual services* expenditures cover privately contracted goods and personnel that are provided to Olathe.
- *Commodities* expenditures cover the items used by each city department.

As good financial stewards of Olathe, we seek to balance revenues and expenditures.

ECONOMIC CONDITIONS

Consumer Confidence



From Q3 2019 to Q4 2019, U.S. consumer confidence remained steady and ended the year at a reading of 126.5, nearly identical to the end of 2018. While consumers' assessment of current conditions improved slightly, their short-term expectations declined, driven primarily by a softening in their short-term outlook regarding jobs and financial prospects.¹ Q4 2019 featured low unemployment, low inflation, low interest rates, higher wages/job gains, and advances in the stock market. Together, these factors kept consumer confidence at an elevated level and powered a 4.1% increase in retail purchases during the holiday season.² Overall, Americans enjoyed job security, remained confident in the economy, and continued to spend, but the trade war with China dented growth prospects which led most economists to forecast a slower paced expansion in 2020 as 2019 came to a close.³

¹ The Conference Board Press Release, December 31st, 2019.

² National Retail Federation, "Monthly Economic Review: February 2020", January 30th, 2020

³ MarketWatch, "Consumers Confident in the Economy at the End of 2019, but Don't Expect Faster Growth", December 31st, 2019.

Significant Non-Residential Development

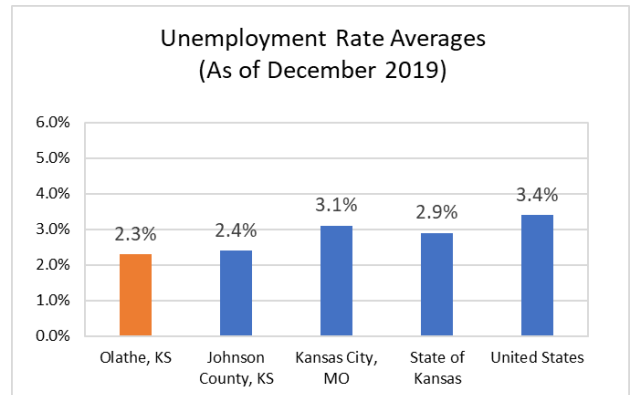
The City of Olathe issued 3 non-residential building permits (for New Structures/Additions over \$250,000) in Q4 2019, accounting for 15% of all non-residential building permits issued in Johnson County during Q4 2019.⁴ Recent new development in Q4 2019 included permits issued for the construction of a Four Points (Sheraton) Hotel, an Aldi grocery store, and Villa St. Francis Hospice Care addition.

Unemployment

The Olathe unemployment rate for December 2019 was 2.3%. The Johnson County unemployment rate for December 2019 was 2.4%. Both the City and County continue to remain below Kansas City, state, and national averages in Q4 2019.⁵

Inflation

The U.S. inflation rate increased from 1.8% in October 2019 to 2.3% in December 2019. Inflation was bolstered by a sharp rebound in energy costs along with increases in medical care commodities, services, and shelter.⁶

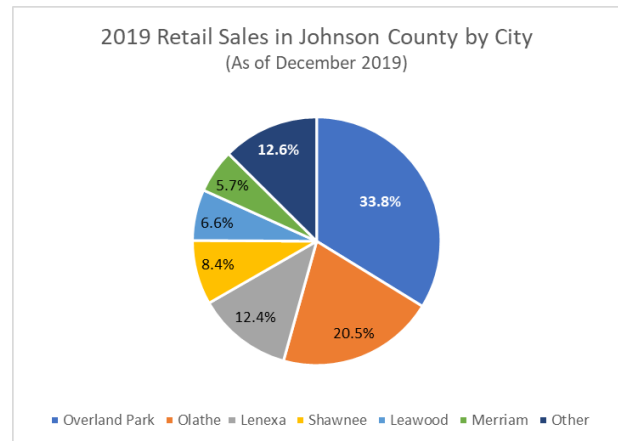
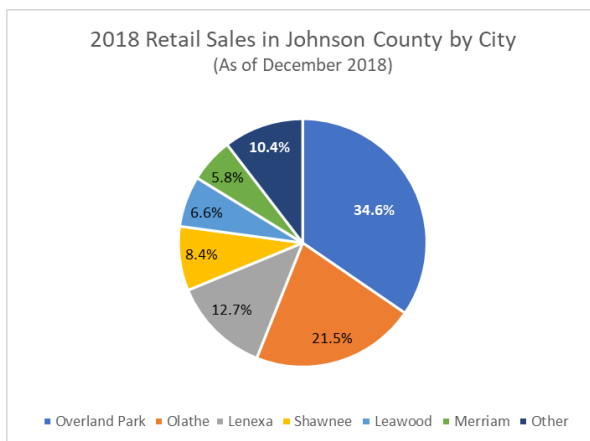


Housing and Residential Construction

The average price of all homes sold in Johnson County continues to climb with a YTD average price of \$348,438 (as of December 2019), up from last year's YTD average of \$333,937 (through December of 2018).⁷ Within Johnson County, 1,684 single family building permits were issued through December 2019, which is just slightly below 1,757 building permits, the average through December of the previous 5 years.⁸ 916 multi-family building permits were issued through December 2019, which is below 1,582 building permits, the average through December of the previous 5 years.

Retail Sales

Data provided by the Kansas Department of Revenue indicates Olathe's share of YTD retail sales in Johnson County to be 21.0%, With the most recent data provided by CERI, taxable retail sales in Olathe total \$3,024,793,000 as of December 2019.⁹



Conclusion

Total sales tax revenue (including the major use tax rebates for a state authorized economic incentive project within the City) received by the City of Olathe through Q4 of 2019 was down 1.14% from total sales tax revenues recorded through Q4 2018 (see "Revenue Category Detail" page). Through Q4 2019, local unemployment rates remained about 1 percentage point below the U.S. national average, single family building permits (recorded county-wide) held steady compared to 2018, and the 2019 Johnson County average home sale price surpassed the 2018 EOY average. All of these economic indicators point towards a high performing local economy and stable consumer confidence at the end of 2019.

⁴ CERI (County Economic Research Institute) Johnson County Non-Residential Building Permit (October, November, and December 2019 Reports)

⁵ U.S. Bureau of Labor Statistics

⁶ Data gathered from Trading Economics <http://www.tradingeconomics.com/united-states/inflation-cpi>

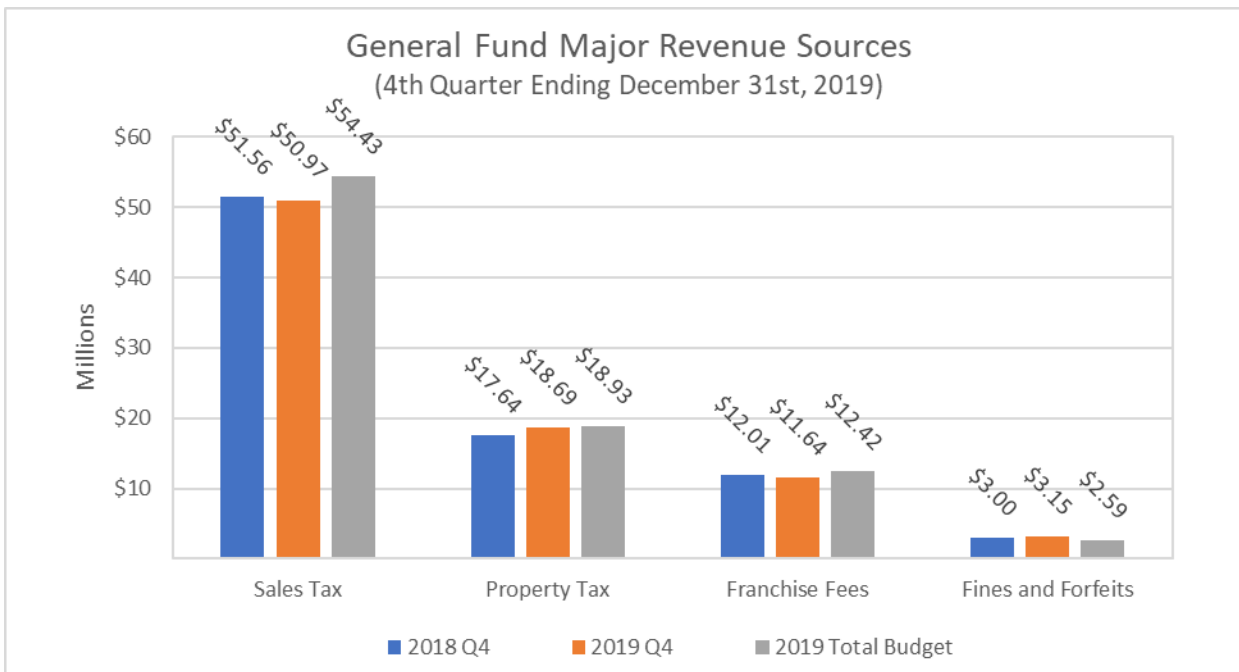
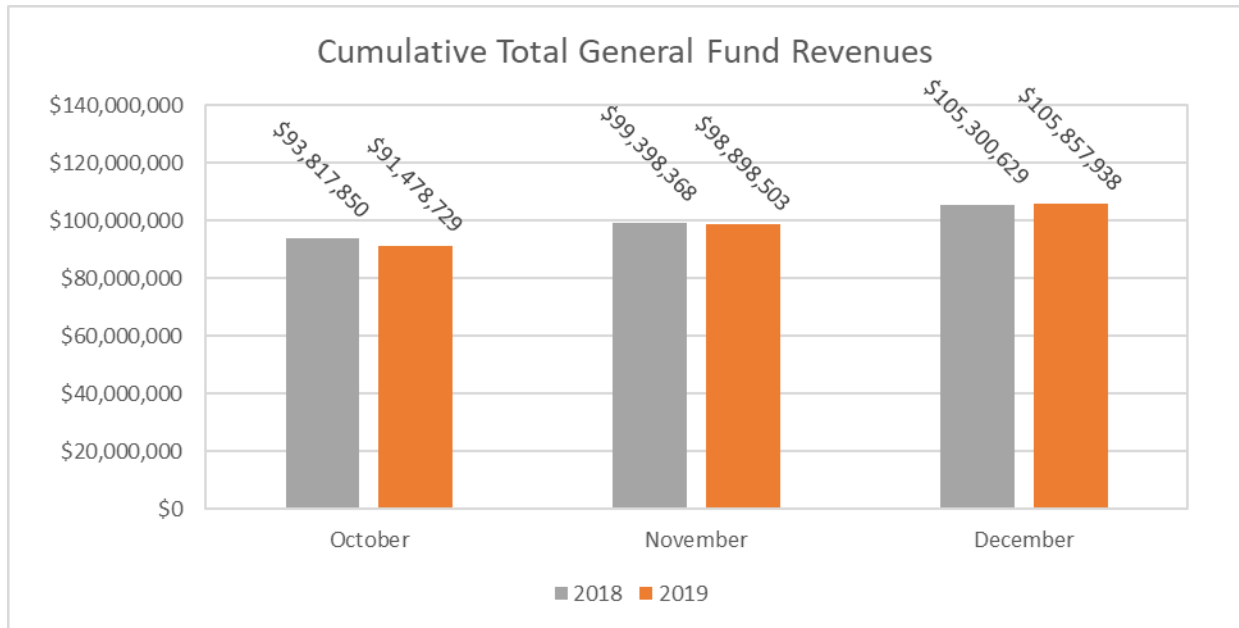
⁷ CERI (County Economic Research Institute) Johnson County Indicators, February 2020 Issue (Pricing data originally sourced from Heartland MLS)

⁸ CERI (County Economic Research Institute) Johnson County Selected Data Analysis, February 2020 Edition

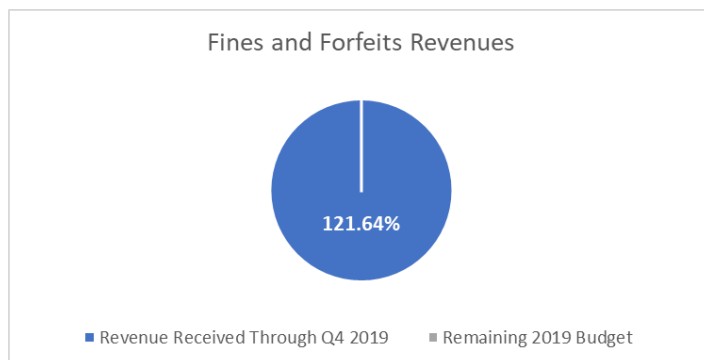
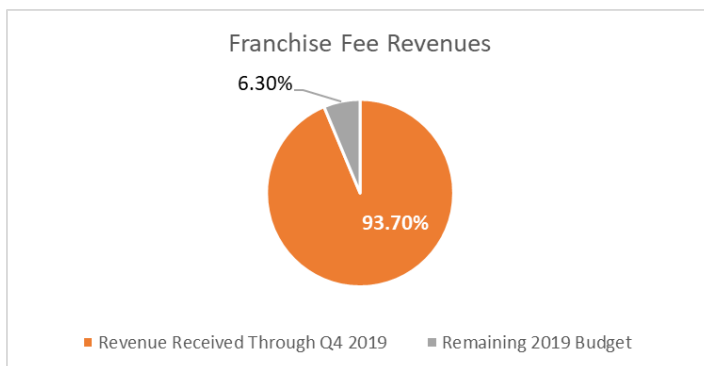
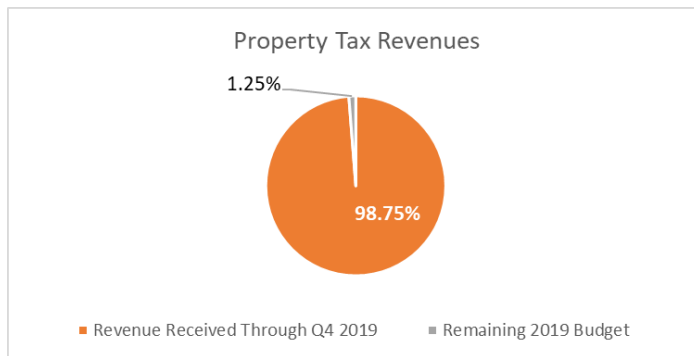
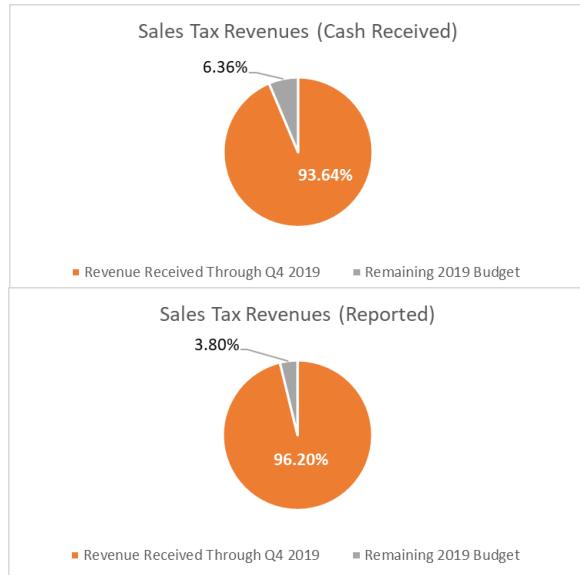
⁹ CERI (County Economic Research Institute) Johnson County Indicators, March 2020 Issue

General Fund Revenues

Overview: Total revenue received (including the major use tax rebates for a state authorized economic incentive project within the City) through Q4 2019 is \$105,857,938, which is an increase of \$557,309, or 0.53%, more than revenues recorded through Q4 2018. Below are charts tracking cumulative total revenues by month and by major revenue source. Revenue received to budget by revenue category can be found on the next page. Staff monitors actual revenues against forecasted revenues monthly and will inform the City Council of any adjustments that may be necessary.



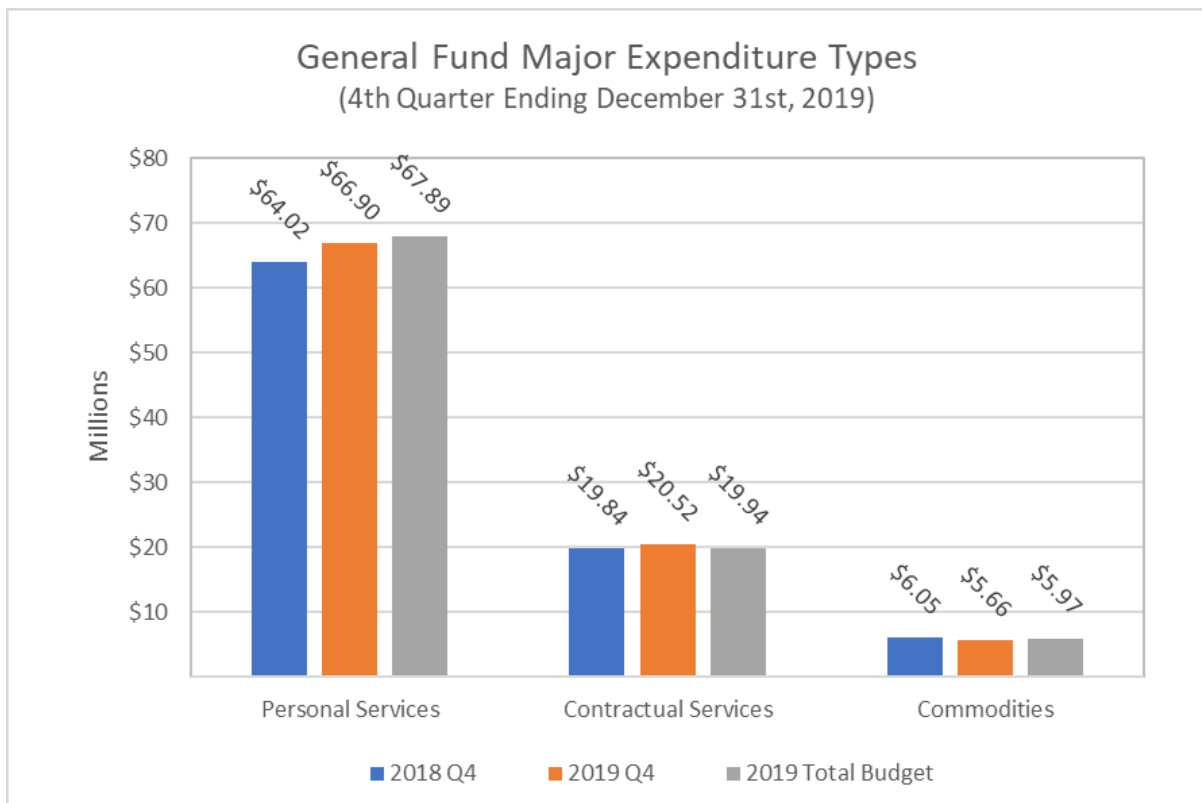
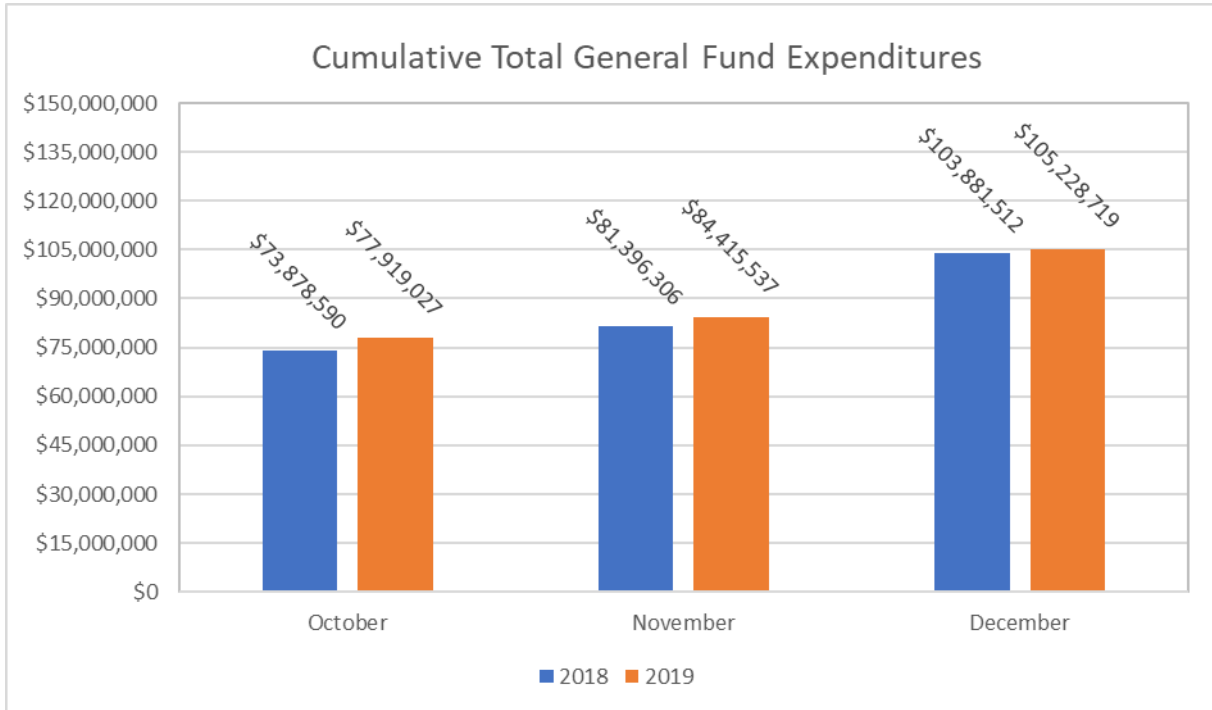
Revenue Category Detail



- **Sales tax revenues** (cash received) through Q4 2019 are \$50,969,434. That amount (cash received) is \$588,873, or -1.14%, lower than revenue received from sales taxes through Q4 2018. Sales tax revenues (reported) through Q4 2019 are \$52,368,191. That amount (reported) is \$809,885, or 1.57%, higher than revenue received from sales taxes through Q4 2018. Based upon ongoing sales tax forecasts, the Budget Office anticipated sales tax receipts to be less than budgeted in 2019.
- **Historical percentage of end of year total sales tax revenue received to budget by Quarter 4:**
 - 2018: 99.94%
 - 2017: 101.60%
- **Property tax revenues** received through Q4 of 2019 is \$18,693,434. That amount is 5.80% more than the revenue collected from property taxes through Q4 2018. The Budget Office forecasted ad-valorem to be received near/at budget in 2019.
- **Historical percentage of end of year total property tax revenue received to budget by Quarter 4:**
 - 2018: 99.68%
 - 2017: 99.29%
- **Franchise fee revenues** received through Q4 2019 are \$11,638,652. That amount is \$370,995 or -3.09%, lower than the revenue collected from franchise fees through Q4 2018. The Budget Office forecasted franchise fees to be received below budget in 2019.
- **Historical percentage of end of year total franchise fee revenue received to budget by Quarter 4:**
 - 2018: 98.60%
 - 2017: 94.05%
- **Fine and Forfeits revenues** received through Q4 2019 are \$3,154,619. That amount is \$152,423, or 5.08%, more than the fine revenue collected through Q4 2018. The Budget Office forecasted fines and forfeits to be above budget in 2019.
- **Historical percentage of end of year total fine revenue received to budget by Quarter 4:**
 - 2018: 120.50%
 - 2017: 66.43%

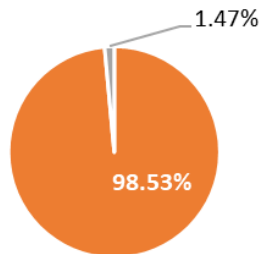
General Fund Expenditures

Overview: Total expenditures spent in the General Fund through Q4 2019 are \$105,228,719. This amount is \$1,347,207, or 1.51%, more than expenses recorded through Q4 2018. Below are charts tracking cumulative total expenditures by month and cumulative expenditures by major expenditure types. The next page reports how closely the expenditure categories tracked to their budgets.



Expenditure Category Detail and Year End Summary

Personal Services Expenditures



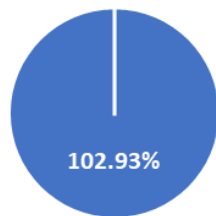
■ Budget Spent Through Q4 2019 ■ Remaining 2019 Budget

➤ **Personal services** expenditures recorded through Q4 2019 are \$66,897,205. That amount is \$2,878,220, or 4.50%, higher than expenditures for personal services in Q4 2018. The Budget Office anticipated personal services expenses to be below/at budget in 2019.

➤ *Historical percentage of end of year total personal services spent to budget by Quarter 4:*

- 2018: 100.62%
- 2017: 93.12%

Contractual Services Expenditures



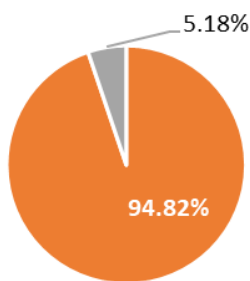
■ Budget Spent Through Q4 2019 ■ Remaining 2019 Budget

➤ **Contractual services** expenditures recorded through Q4 2019 are \$20,523,192. That amount is \$684,349, or 3.45%, more than expenditures for contractual services in Q4 2018. The Budget Office anticipated contractual service expenses to be over/at budget in 2019.

➤ *Historical percentage of end of year total contractual services spent to budget by Quarter 4:*

- 2018: 97.20%
- 2017: 103.54%

Commodities Expenditures



■ Budget Spent Through Q4 2019 ■ Remaining 2019 Budget

➤ **Commodity** expenditures recorded through Q4 2019 are \$5,664,789. That amount is \$387,473, or -6.40%, less than expenditures for commodities in Q4 2018. The Budget Office anticipated commodity expenses to be below/at budget in 2019.

➤ *Historical percentage of end of year total commodities spent to budget by Quarter 4:*

- 2018: 100.88%
- 2017: 90.16%

Year End Summary: Fiscal Year 2019 Beginning Fund Balance for the General Fund was \$30,145,842 per the 2018 CAFR. With \$105,857,938 in revenues and \$105,228,719 in expenses through Q4 2019, 2019 Ending Fund Balance for the General Fund is projected to be at \$30,775,061 which resulted in adding \$629,219 to fund balance. This ending fund balance ensures 30% (fund balance as a percentage of revenues) is held in reserves.