IVINS CITY

*Mayor*
*Chris Hart*

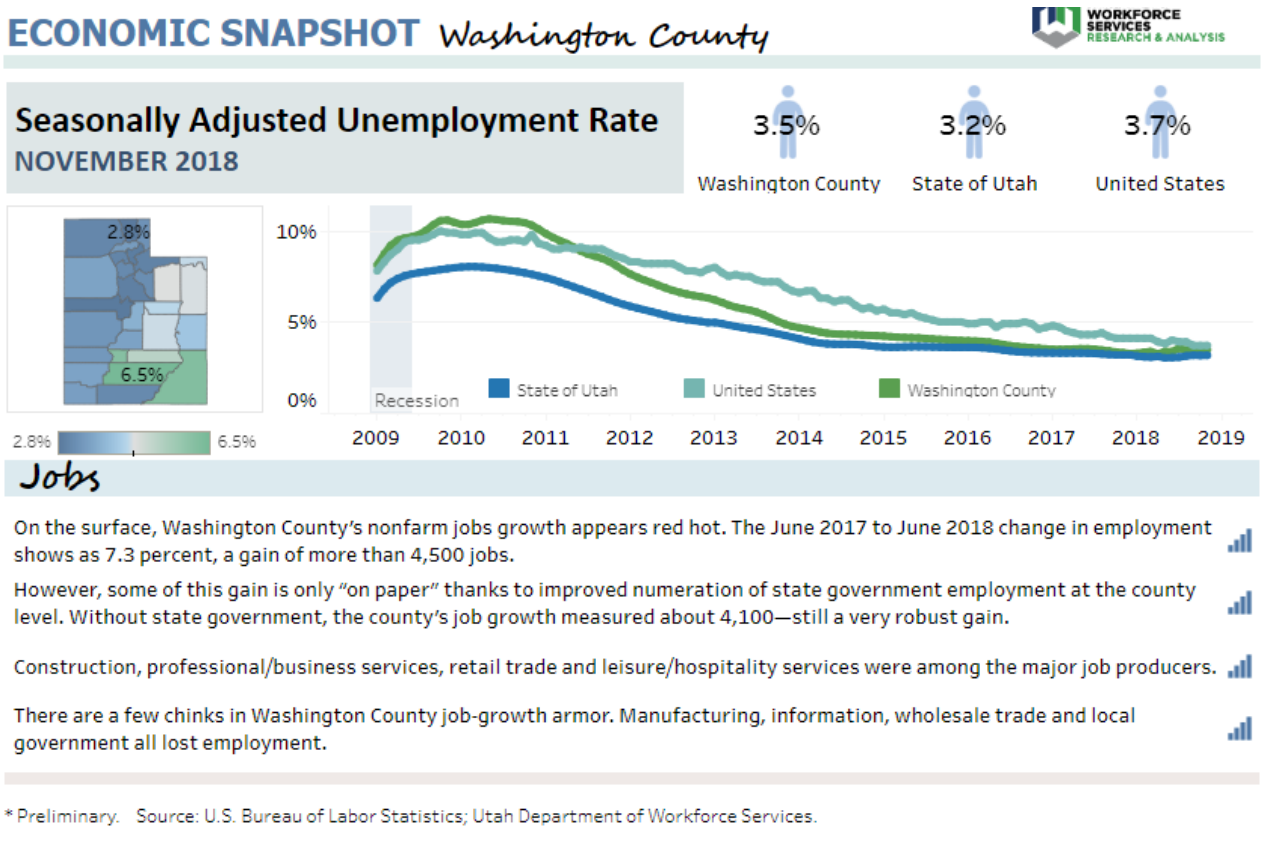
*City Council*
*Ron Densley*
*Miriah Elliott*
*Jenny Johnson*
*Cheyne McDonald*
*Dennis Mehr*

*City Manager / Attorney*
*Dale Coulam*

This memorandum includes the FY 2018 - 2019 Interim Statement of Actual and Estimated Revenues and Expenditures through the Second Quarter (Q2) ending December 31, 2018. The Interim Financial Report incorporates an overview of the financial state of the City along with revenue and expenditure summaries for the Government Type Funds (General Fund, Impact Fee Funds, and Capital Projects Fund), and Enterprise Funds (Water and Wastewater).

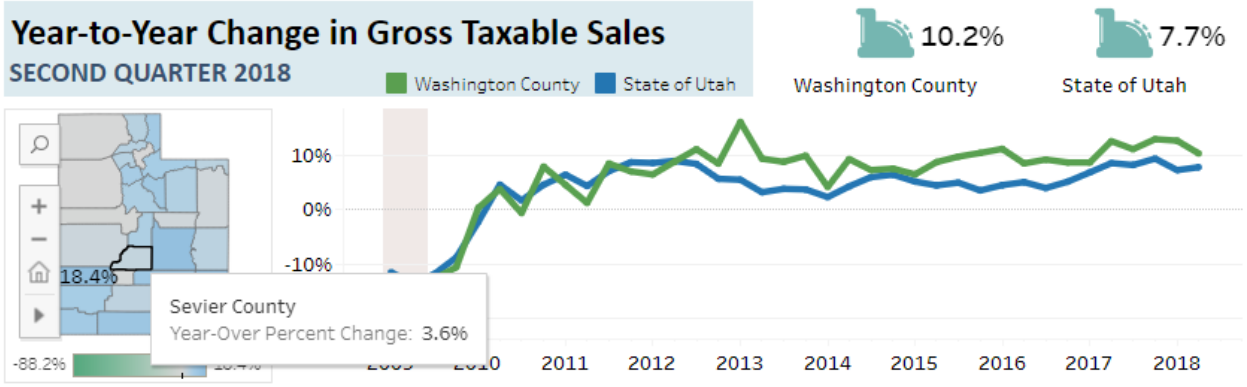
## OVERVIEW

Ivins City is financially stable and well positioned to provide services to the residents in the future. Growth has continued in the second quarter of FY 2019 and the upcoming months look to continue that growth at a slightly slower pace for the local economy. The city benefits from the stability and growth on both the state and local level. There is some concern, with the political unrest and rhetoric, about the national economy and its effects on the state and local economies. Growth in the economy has been strong, but appears to be slowing a bit. The current budget and council direction strive to meet the ongoing issues of providing high quality services to the residents. The county is well positioned within the state to have steady growth and a measure of consistency in the economy during the remainder of the fiscal year.



## Year-to-Year Change in Gross Taxable Sales

**SECOND QUARTER 2018**




## Construction & Sales

The number of homes permitted in the first nine months of 2018 dropped 8 percent from the same period in 2017 suggesting the home-building cycle is moderating.

Nonresidential construction values are up 85 percent over a very healthy 2017.

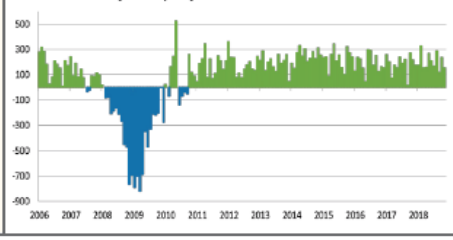
Washington County gross taxable sales growth continued in double-digit territory. Between the second quarters of 2017 and 2018, sales increased by more than 10 percent.

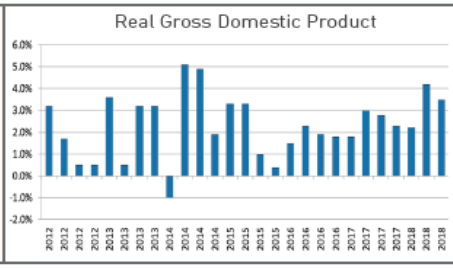
While most industries exhibited sales growth, retail trade shines as the major force behind the second-quarter expansion.

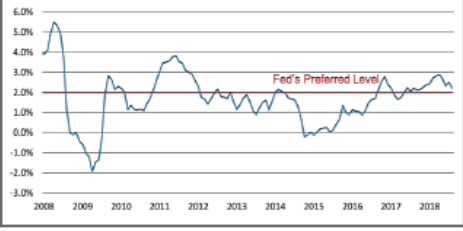
*Preliminary: NA - Not Available Source: Utah Dept of Workforce Svcs; Kem C. Gardner Policy Institute; Utah State Tax Commission.

JANUARY 2019

# 2019 Economic Outlook

| 2018 | Labor Market | 2019 |
|---|---|---|
| The U.S. labor market added an average of 206,000 jobs per month and continued the longest-running employment streak on record of 98 months, as of November.<br><br>The unemployment rate fell from 4.1 percent to 3.7 percent. And the broader-underemployment rate declined from 8.2 percent to 7.6 percent. | Monthly Employment Gains (in thousands)<br> | Going into 2019, the labor market should continue to tighten as employment growth remains solid and the unemployment rate declines.<br><br>Fed projections indicate the unemployment rate could fall to 3.5 percent in 2019. This could have adverse effects on businesses looking for qualified labor. |

| | Economic Growth | |
|---|---|---|
| Economic growth in 2018 was buoyed by the Tax Cuts and Jobs Act, and a strong labor market.<br><br>Gross domestic product improved mid-year, with growth improving above three percent both in the second and third quarters. | Real Gross Domestic Product<br> | Economic growth should continue into 2019, though at a slower pace than in 2018.<br><br>Headwinds are emerging around the Fed's interest rate path, trade tensions with China, and fears over a global economic slowdown. Many economists will be on "recession watch" in 2019. |

| | Inflation and Wages | |
|---|---|---|
| Rising inflation was a concern for the Federal Reserve in 2018, especially with the tight labor market conditions. With inflation in mind, the Fed increased interest rates four times.<br><br>Annual wage growth steadily rose throughout the year and hit the highest-level since 2009 of 3.1 percent, in October. | Consumer Price Index (year-over-year % change)<br> | The Fed's concerns over rising inflation in 2019 have moderated somewhat, with forecasts hovering around its two percent goal. The Fed predicts it will raise interest rates twice more in 2019.<br><br>Wages are going to be a trend to watch in 2019, especially as more retail companies move to higher minimum wages and the labor market continues to tighten. |

Sources: Zions Market Snapshot, Bureau of Labor Statistics, Bureau of Economic Analysis and Wall Street Journal

Low unemployment rates put pressure on wage growth, which helps to increase taxable sales. Washington County's economic indicators continue to be stable. Unemployment is low, job growth is strong, construction starts are increasing, and sales are rising. Low unemployment rates and continued job growth are putting pressure on wage growth. The county's unemployment rate continues to be low at 3.5%. Construction starts project to modest, sustainable growth. Second quarter gross taxable sales produced a strong 10.2% year-to-year gain in Washington County. The current economic climate for Ivins and the County support continued moderate, manageable growth.

The city, in the General Fund, has seen stable, solid growth in tax revenue, consistency in B & C Road Funds, and strong building related revenue. The city issued 145 new home building permits last fiscal year and has issued 55 through the 2nd Quarter of FY 2019, on pace to meet projections but slowing. Revenue in the General Fund is meeting expectations through the second quarter of the fiscal year. The majority of Property Tax was received in December with another large receipt in January of the fiscal year. B & C Road funds have come in ahead of projections and the city will be receiving revenue from Wildland Fire because of the combination with Santa Clara.

The Impact Fee Funds (Public Safety, Street, and Park Funds) are all meeting the revenue expectations for the year to date. The city has seen a consistent, sustainable trend in building permits. There have been no major expenditures to date in these funds. The Public Safety, Streets, and Parks Impact Fee Facilities Plans and Impact Fee Analyses are current.

The Capital Projects Fund has a number of projects planned for the year. The projects include: Fire Station Remodel, Fire Lake Park at Ivins Reservoir, Cemetery Improvements, Skate Park, Street Gap Fill and a variety of other Parks & Trails Improvements. These projects will take place during the course of the year, with many utilizing impact fees to cover the costs.

The Enterprise Funds are running as expected and operating revenues are stable. The Impact Fee Facilities Plans (IFFP) and Impact Fee Analysis, along with a rate study for Water and Secondary Water are currently being prepared by the consultants. There are funds to cover the planned projects, bond payments, and updated IFFP.

There are some positive developments that will benefit the city. The Sentierre Resort and Sanctuary Spa appear to be near securing funding for the hotel construction and hopeful that it will be underway later this fiscal year. Rocky Vista University has welcomed its second class. There is a potential development on the SITLA 120 acres east of Puerto Drive. These projects should bring more activity and recognition to the area. The city staff is proactively looking to control expenditures and operate more efficiently. The city should be able to meet its obligations and maintain established service levels with current revenues.

This memorandum is a summary overview of the financial condition of the city. The following information reflects the adopted budget for Ivins City. The accompanying attachments provide greater detail into the Governmental and Enterprise Funds operations and include the financial standing of Ivins City as of December 31, 2018.

## GOVERNMENT TYPE FUNDS

| | General Fund | Impact Fee Funds | Capital Projects Fund |
|---|---|---|---|
| Revenues to Date (12/31/2018) | $ 4,084,090 | $ 324,581 | $ 0 |
| Expenditures to Date (12/31/2018) | $ 3,165,856 | $ 0 | $ 461,037 |
| **Net Revenues over/(under) Expenditures** | $ 918,234 | $ 324,581 | ($ 461,037) |

**GENERAL FUND**

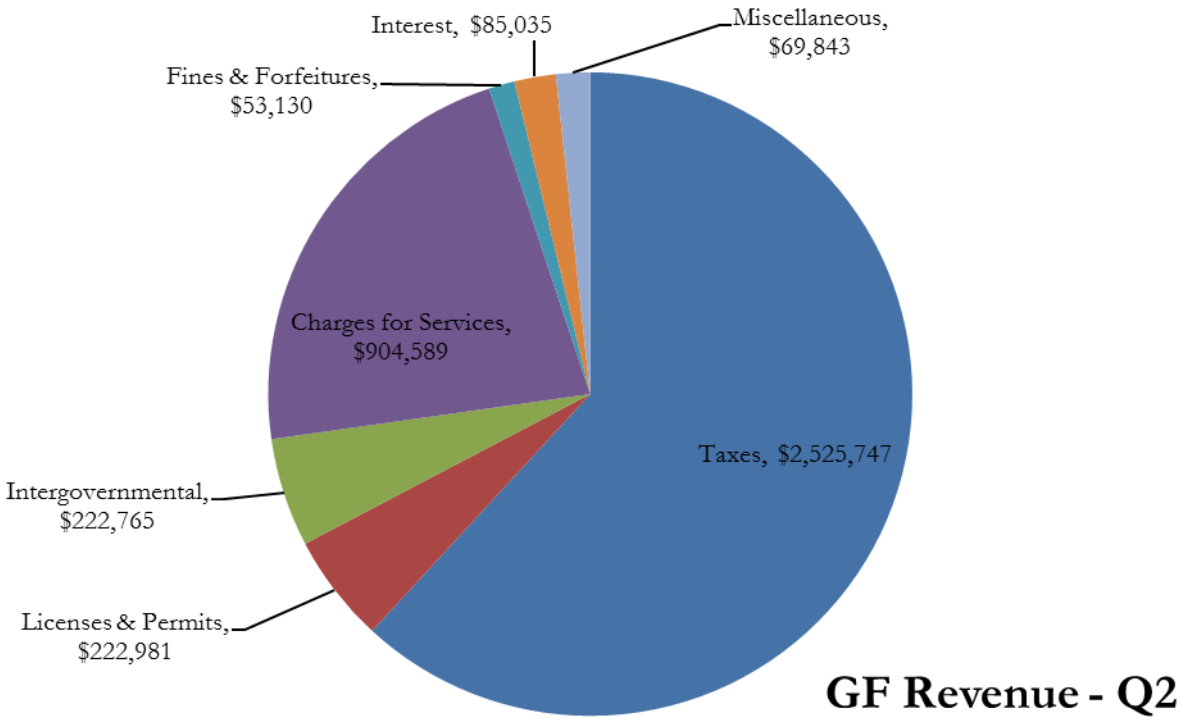
For the period ending December 31, 2018, the General Fund realized $4,084,090 in revenues and $3,165,856 in expenditures; net revenues over / (under) expenditures totals $918,234. This is the normal financial position for this time of year as the City has received the majority of property tax revenue in the General Fund during December. Total revenues sum to 57.2% of budget; whereas, total expenditures sum to 44.3% of budget. The largest budgeted revenue source for the General Fund is Property Tax. This revenue is received primarily in December and January.

**Revenues**

General Fund revenues are separated into eight (8) categories:

1) Taxes which include property taxes, sales & use taxes, and franchise taxes. Current Year Property and Sales Taxes account for 70.6% of this revenue category with property tax revenue being received during the 2nd and 3rd quarters of the year.
2) Licenses & Permits include business and animal licenses and building permits. Business license renewals are due during the 2nd quarter of the year.
3) Intergovernmental include state and federal grants, B&C road money, and state liquor funds.
4) Charges for Services include administrative fees for the City along with refuse collection fees, ambulance fees, SRO reimbursement, and the Santa Clara portion of SCI operating costs.
5) Fines & Forfeitures include court fines, ACE penalties, and animal control fees.
6) Interest includes all applicable interest earned from General Fund monies.
7) Miscellaneous includes donations, recreation program fees, animal shelter donations, gain on sale of assets, and lease proceeds.
8) Contributions and Transfers capture the pass through revenue from the Perpetual Care and Habitat Funds.

| Category | Q2 | Budget | % Earned |
|---|---|---|---|
| Taxes | $ 2,525,747 | $ 3,654,660 | 69.11% |
| Licenses & Permits | $ 222,981 | $ 327,449 | 68.10% |
| Intergovernmental | $ 222,765 | $ 447,579 | 49.77% |
| Charges for Services | $ 904,589 | $ 1,967,713 | 45.97% |
| Fines & Forfeitures | $ 53,130 | $ 89,550 | 59.33% |
| Interest | $ 85,035 | $ 64,357 | 132.13% |
| Miscellaneous | $ 69,843 | $ 291,650 | 23.95% |
| Contributions & Transfers | $ - | $ 302,940 | 0.00% |
| Total | $ 4,084,090 | $ 7,145,898 | 57.15% |




The majority of the General Fund revenues meet and exceed expectations through the second quarter. B&C Road revenue from the state will see an increase due to the legislature enacting transportation funding bills last year. This money must be used for road repair and maintenance. The majority of the Current Year Property Tax was received in December and January.

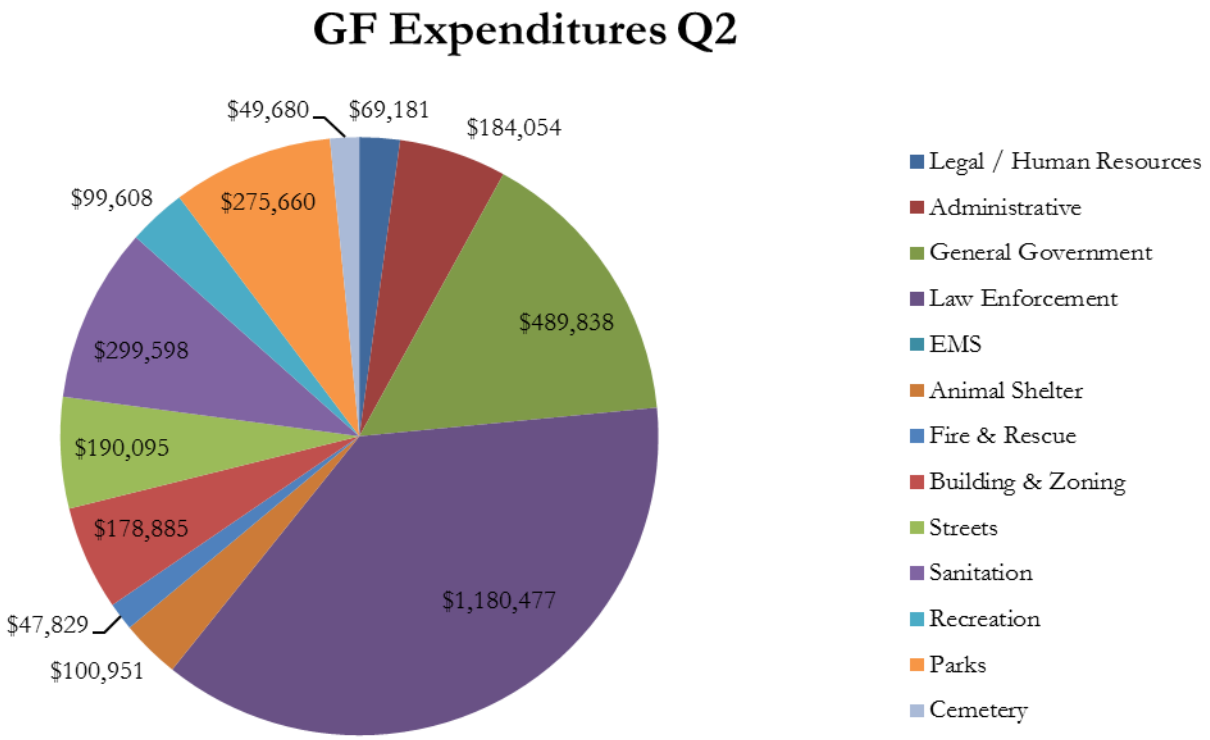
The local and state economies drive most of the large revenue sources, leaving the city little influence over them. The forecast of continued growth should enable the city to meet the budgeted revenue for this year and allow for projected to growth related increases in future budgets. The revenue from Santa Clara for their portion of SCI is directly tied to operating expenditures in Law Enforcement and determined by population and households.

**3rd Quarter Revenue Projections**: Generally, revenues are stable and meeting expectations. This should continue and revenues will be monitored for any unexpected changes. The city has seen moderate growth and expects to meet the budgeted revenue amount for the fiscal year.

**Expenditures**

The Legal/HR, Administration, General Government, Public Safety (Law Enforcement, Animal Shelter), Building & Zoning, Public Works (Streets, Sanitation) and Parks (Parks, Recreation, Cemetery) Departments make up the General Fund. All departments are making a concerted effort to provide services, monitor expenditures, and stay within budget. All departments have some expenditures that are due early in the fiscal year, such as insurance and surety bonds, that inflate the 1st quarter numbers. The departments that have exceeded 50% of the budget have done so because of one-time expenditures or the timing of payments. There is an expenditure shown in Fire for the lease payment on the apparatus. It will be addressed with a journal entry later in the year. Legal and HR is over budget at this time due to court costs from Santa Clara. This will be monitored and addressed if needed. Each department is expected to come in under or meet their budgeted expenditures during the year.

| Department | Q2 | Budget | % Spent |
|---|---|---|---|
| Legal / Human Resources | $ 69,181 | $ 106,941 | 64.69% |
| Administrative | $ 184,054 | $ 375,430 | 49.02% |
| General Government | $ 489,838 | $ 962,953 | 50.87% |
| Law Enforcement | $ 1,180,477 | $ 2,265,244 | 52.11% |
| EMS | $ - | $ - | 0.00% |
| Animal Shelter | $ 100,951 | $ 219,486 | 45.99% |
| Fire & Rescue | $ 47,829 | $ - | 0.00% |
| Building & Zoning | $ 178,885 | $ 378,826 | 47.22% |
| Streets | $ 190,095 | $ 794,130 | 23.94% |
| Sanitation | $ 299,598 | $ 620,778 | 48.26% |
| Recreation | $ 99,608 | $ 238,485 | 41.77% |
| Parks | $ 275,660 | $ 518,745 | 53.14% |
| Cemetery | $ 49,680 | $ 137,940 | 36.02% |
| Transfers | $ - | $ 526,940 | 0.00% |
| Total | $ 3,165,856 | $ 7,145,898 | 44.30% |



**3rd Quarter Expenditure Projections**: Q3 expenditures are projected to come in line within budget projections. Line items will be monitored carefully. Any expenditure amount overruns will need to be covered through line item reductions within each department. Each department director has been asked to monitor non-essential expenditures to help insure budgetary compliance.

## IMPACT FEE FUNDS

The Impact Fee Funds consist of the Public Safety, Streets, and Parks Funds. For the period ending December 31, 2018 actual Impact Fee revenues are $303,747. There have been no expenditures to date in any of these funds. The only planned expenditures this year are for transfers to the Debt Service Fund for bond payments and Capital Projects Fund for impact fee eligible projects. These transfers will be made later in the year as payments are made or projects completed.

| Category | Q2 | Budget | % Earned |
|---|---|---|---|
| Public Safety | $ 5,502 | $ 9,487 | 58.00% |
| Streets | $ 89,784 | $ 182,664 | 49.15% |
| Parks | $ 208,461 | $ 359,415 | 58.00% |
| Total | $ 303,747 | $ 551,566 | 55.07% |

## CAPITAL PROJECTS FUND

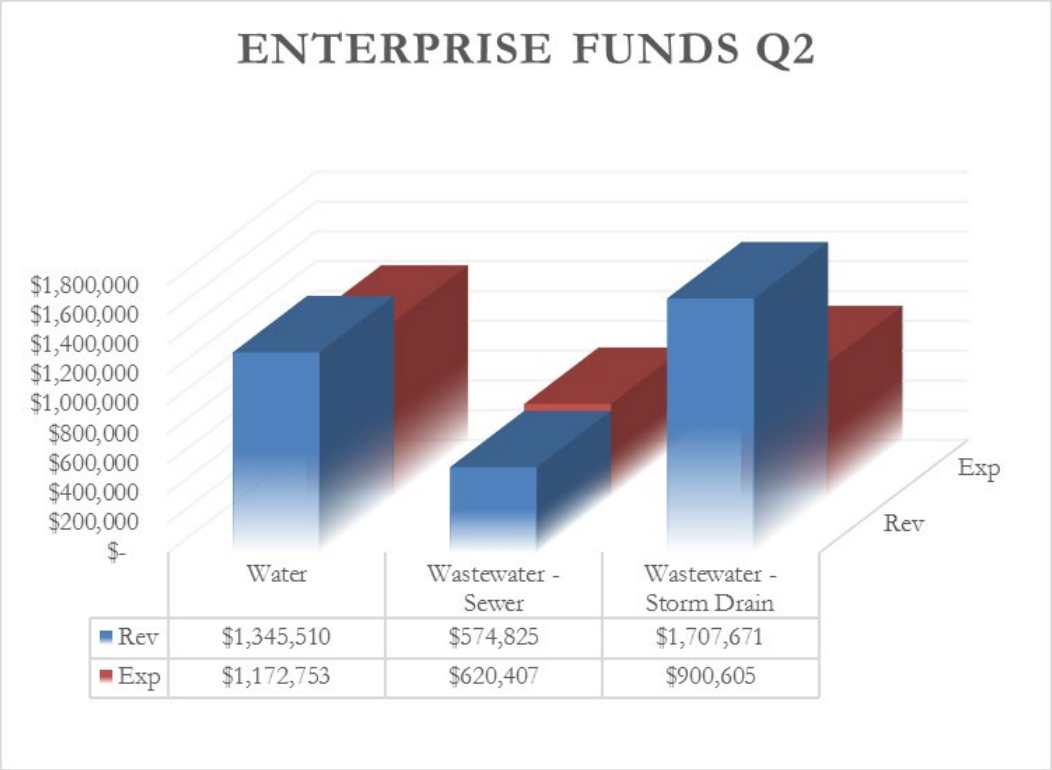
The Capital Projects Fund is used for the acquisition, repair or construction of major capital facilities such as buildings, streets, sidewalks, trails, and parks that are assets of the city. There are no revenues through December 31, 2018 and expenditures are $461,037. The revenue for this fund will be from transfers, with expenditures being made for Cemetery Improvements, Desert Rose Park, Fire Lake Park, Trail Improvements, and various Street Projects. Revenues and Expenses have met expectations through the second quarter.

| Department | Q2 | Budget | % Spent |
|---|---|---|---|
| Fire Station Remodel | $ - | $ 100,000 | 0.00% |
| Cemetery Improvements | $ 14,224 | $ 131,488 | 10.82% |
| UNITY Park Skate Park | $ - | $ 250,000 | 0.00% |
| Park & Trail Improvements | $ 433,365 | $ 825,452 | 52.50% |
| Street Projects | $ 13,448 | $ 365,000 | 3.68% |
| Entry Signs | $ - | $ 20,000 | 0.00% |
| Total | $ 461,037 | $ 1,691,940 | 27.25% |

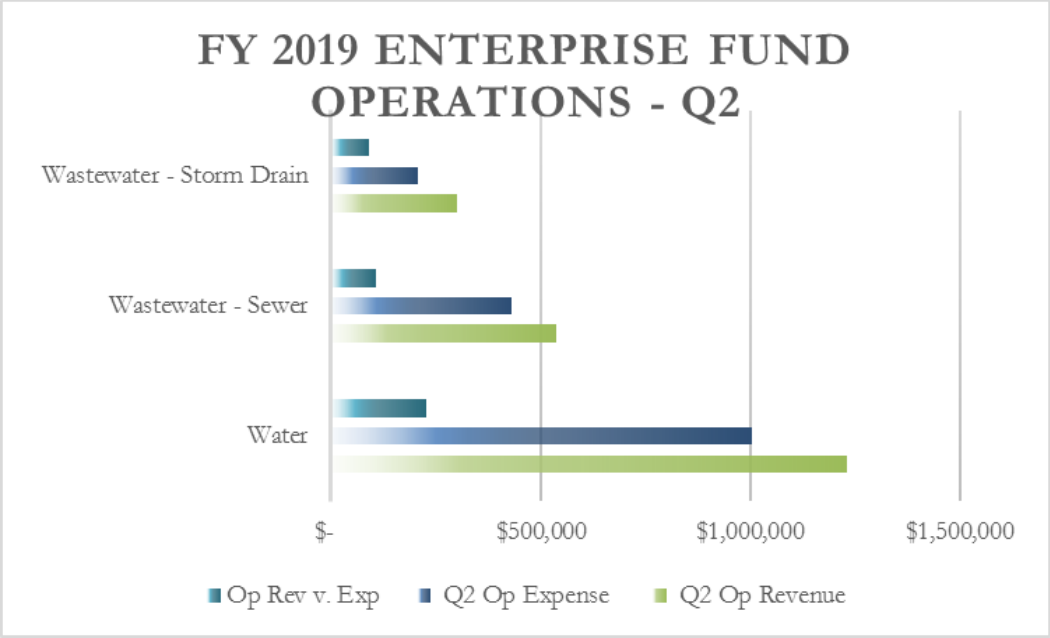
**3rd Quarter Projections**: The city will continue to work on projects as they come forward. Transfers to cover the related expenditures will be made later in the fiscal year.

**ENTERPRISE FUNDS**

The city has two (2) Enterprise Funds: Water and Waste Water. The Waste Water Fund includes both Sewer and Storm Water. The Sewer and Storm Water fund revenue is fairly predictable because there is no variable component to the fees. The fees for those funds are a set amount with no portion attributed to usage. The Water Fund revenue can vary because of usage sees a higher percentage of revenue during the 1st and 4th quarters due to the weather. The city is seeing similar usage during the first quarter compared to last year. For the period ending December 31, 2018 the revenues and expenditures for the Enterprise Funds are:




| | Water | Wastewater - Sewer | Wastewater - Storm Drain |
|---|---|---|---|
| Rev | $1,345,510 | $574,825 | $1,707,671 |
| Exp | $1,172,753 | $620,407 | $900,605 |



**WATER FUND**

For the period ending December 31, 2018, the Water Fund realized $1,345,510 in revenues and $1,172,753 in expenditures; net revenues over / (under) expenditures totals $172,757. With 50% of the fiscal year complete, total revenues sum to 55.9% of budget; whereas, total expenses sum to 17.3% of budget. The budgeted expenses include $4,300,000 in capital outlay for the irrigation system. The Culinary Water and Secondary Water Master Plans and Impact Fee studies are under way and should be complete in the 3rd quarter.

Operating revenue is $1,230,251 and operating expenses are $1,003,677. These represent 56.3% and 50.3% of revenues and expenses, respectively. Typically, operating revenues are higher during the first and fourth quarters of the fiscal year because of usage related to outdoor watering and the weather. The operating expenditures are in line with expectations at this time. Both revenues and expenses will be monitored closely throughout the year.

Non – Operating revenues are meeting expectations at this time. The non – operating expenses are consistent with the budget projections. The revenues will be monitored for changes.

**WASTE WATER FUND**

**SEWER**

For the period ending December 31, 2018, the Sewer Fund realized $574,825 in revenues and $620,407 in expenditures; net revenues over / (under) expenditures totals ($45,582). With 50% of the fiscal year complete, total revenues sum to 55.8% of budget; whereas, total expenditures sum to 39.0% of budget. Operating revenue is $537,927 and operating expenses are $431,333. These represent 55.5% and 46.5% of revenues and expenses, respectively. Both revenues and expenses will be monitored closely throughout the year.

**STORM WATER**

The Storm Water Fund realized $1,707,671 in revenues and $900,605 in expenditures; net revenues over / (under) expenditures totals $807,067. There is a surplus due a NRCS reimbursement. With 50% of the fiscal year complete, total revenues sum to 279.9% of budget; whereas, total expenditures sum to 27.4 % of budget. There is $1,750,000 budgeted for Storm Water projects this fiscal year.

Operating revenue is $299,244 and operating expenses are $208,581. These represent 56.8% and 54.7% of revenues and expenses, respectively. Both revenues and expenses will be monitored closely throughout the year.

The revenues for these two (2) funds are relatively stable because of the flat fees charged for the services. The major threats to the revenues are lack of payment by the residents and lack of growth. A number of Storm Water improvements will be undertaken during the year.

| Department | Q2 Revenue | Q2 Expenditure | Rev v. Exp |
|---|---|---|---|
| Water | $ 1,345,510 | $ 1,172,753 | $ 172,757 |
| Wastewater - Sewer | $ 574,825 | $ 620,407 | $ (45,582) |
| Wastewater - Storm Drain | $ 1,707,671 | $ 900,605 | $ 807,067 |
| Total | $ 3,628,007 | $ 2,693,765 | $ 934,242 |

**Projections and Summary**

Revenues and expenditures should meet budget expectations in the 3rd quarter for the Enterprise Funds. The expenditures in each fund will be closely monitored. Revenues, particularly those tied to usage, will be reviewed regularly.

I hope that this interim statement helps to facilitate an understanding of the City's financial standing as of period ending December 31, 2018. Please review the attached documents for further information about the 1st quarter. Please feel free to contact me with any questions, concerns, or clarifications that you have.

Respectfully,

Wally Ritchie
Director of Finance

**Ivins City**
**General Fund**
**For Period Ending December 31, 2018**

## Revenue

| | Actual | Budget | % Earned |
|---|---|---|---|
| Taxes | $2,525,747 | $3,654,660 | 69.11% |
| Licenses & Permits | $ 222,981 | $ 327,449 | 68.10% |
| Intergovernmental | $ 222,765 | $ 447,579 | 49.77% |
| Charges for Services | $ 904,589 | $1,967,713 | 45.97% |
| Fines & Forfeitures | $ 53,130 | $ 89,550 | 59.33% |
| Interest | $ 85,035 | $ 64,357 | 132.13% |
| Miscellaneous | $ 69,843 | $ 291,650 | 23.95% |
| Contributions & Transfers | $ - | $ 302,940 | 0.00% |
| **Total Revenue** | **$4,084,090** | **$7,145,898** | **57.15%** |

## Expenditures

| | Actual | Budget | % Spent |
|---|---|---|---|
| Legal / Human Resources | $ 69,181 | $ 106,941 | 64.69% |
| Administrative | $ 184,054 | $ 375,430 | 49.02% |
| General Government | $ 489,838 | $ 962,953 | 50.87% |
| Law Enforcement | $1,180,477 | $2,265,245 | 52.11% |
| EMS | $ - | $ - | 0.00% |
| Animal Shelter | $ 100,951 | $ 219,486 | 45.99% |
| Fire & Rescue | $ 47,829 | $ - | 0.00% |
| Building & Zoning | $ 178,885 | $ 378,826 | 47.22% |
| Streets | $ 190,095 | $ 794,130 | 23.94% |
| Sanitation | $ 299,598 | $ 620,778 | 48.26% |
| Recreation | $ 99,608 | $ 238,485 | 41.77% |
| Parks | $ 275,660 | $ 518,745 | 53.14% |
| Cemetery | $ 49,680 | $ 137,940 | 36.02% |
| Transfers | $ - | $ 526,940 | 0.00% |
| **Total Expenditures** | **$3,165,856** | **$7,145,898** | **44.30%** |
| **Revenue Over / (Under) Expenditures** | **$ 918,234** | **$ (0)** | |

**Ivins City**
**Water Fund**
**For Period Ending December 31, 2018**

**Revenue**

| | Actual | Budget | % Earned |
|---|---|---|---|
| Operating Income | $ 1,230,251 | $ 2,184,030 | 56.33% |
| Non - Operating Income | $ 115,260 | $ 223,487 | 51.57% |
| **Total Revenue** | **$ 1,345,510** | **$ 2,407,517** | **55.89%** |

**Expenses**

| | Actual | Budget | % Spent |
|---|---|---|---|
| Operating Expense | $ 1,003,677 | $ 1,996,374 | 50.27% |
| Non - Operating Expense | $ 169,077 | $ 4,772,580 | 3.54% |
| **Total Expenses** | **$ 1,172,753** | **$ 6,768,954** | **17.33%** |
| **Operating Revenue Over/(Under) Expenses** | **$ 226,574** | **$ 187,656** | |
| **Total Income / (Expense)** | **$ 172,757** | **$ (4,361,437)** | |

**Ivins City**
**Sewer Fund**
**For Period Ending December 31, 2018**

**Revenue**

| | Actual | Budget | % Earned |
|---|---|---|---|
| Operating Income | $ 537,927 | $ 968,766 | 55.53% |
| Non - Operating Income | $ 36,898 | $ 61,765 | 59.74% |
| **Total Revenue** | **$ 574,825** | **$ 1,030,531** | **55.78%** |

**Expenses**

| | Actual | Budget | % Spent |
|---|---|---|---|
| Operating Expense | $ 431,333 | $ 928,617 | 46.45% |
| Non - Operating Expense | $ 189,074 | $ 663,600 | 28.49% |
| **Total Expenses** | **$ 620,407** | **$ 1,592,217** | **38.96%** |
| **Operating Revenue Over/(Under) Expenses** | **$ 106,594** | **$ 40,149** | |
| **Total Income / (Expense)** | **$ (45,582)** | **$ (561,686)** | |

**Ivins City**
**Storm Water**
**For Period Ending December 31, 2018**

**Revenue**

| | Actual | Budget | % Earned |
|---|---|---|---|
| Operating Income | $ 299,244 | $ 526,925 | 56.79% |
| Non - Operating Income | $ 1,408,427 | $ 83,282 | 1691.15% |
| **Total Revenue** | **$ 1,707,671** | **$ 610,207** | **279.85%** |

**Expenses**

| | Actual | Budget | % Spent |
|---|---|---|---|
| Operating Expense | $ 208,581 | $ 381,366 | 54.69% |
| Non - Operating Expense | $ 692,024 | $ 2,907,600 | 23.80% |
| **Total Expenses** | **$ 900,605** | **$ 3,288,966** | **27.38%** |
| **Operating Revenue Over/(Under) Expenses** | **$ 90,663** | **$ 145,559** | |
| **Total Income / (Expense)** | **$ 807,067** | **$ (2,678,759)** | |

**Ivins City**
**Building & Zoning Activity**
**For Period Ending December 31, 2018**

**Building Permits**

| Month | New Home | Value | Additions | Value | Commercial | Value | Other | Value |
|---|---|---|---|---|---|---|---|---|
| **October** | 6 | $2,058,040 | 6 | $54,100 | 0 | $0 | 15 | $468,763 |
| **November** | 6 | $1,919,435 | 1 | $15,000 | 0 | $0 | 15 | $414,967 |
| **December** | 2 | $619,220 | 1 | $10,000 | 0 | $0 | 11 | $248,770 |
| **Total** | 14 | $4,596,695 | 8 | $79,100 | 0 | $0 | 41 | $1,132,500 |
| **YTD** | 55 | $16,156,490 | 9 | $89,140 | 0 | $0 | 72 | $1,894,282 |