Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) offers the readers of the City of Shreveport's financial statements this narrative overview and analysis of the financial activities of the City of Shreveport for the fiscal year ended December 31, 2000. This information presented here should be considered in conjunction with additional information provided in the letter of transmittal which is found on pages 1-6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at December 31, 2000 by $659.5 million (net assets). Of this amount, $22.3 million is unrestricted and may be used to meet the City's ongoing obligations. Governmental activities' unrestricted assets are a deficit of $8.7 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred.
- The City's total net assets increased $41.2 million. Net assets of governmental activities increased $27.9 million and net assets of business-type activities increased $13.3 million.
- As of December 31, 2000, the City's governmental funds reported combined ending fund balances of $209.4 million, a decrease of $13.8 million from the prior year. Of this amount, only $5.4 million for the General Fund was unreserved, undesignated, and available for spending.
- The unreserved, undesignated fund balances for the General Fund represented 4% of total General Fund expenditures.
- The City's total debt increased due primarily to the issuance of $30 million of notes for Independence Stadium. The increase was somewhat offset by the reduction of general obligation bonds.

Overview of the Financial Statements

The management discussion and analysis serves as an introduction to the City's basic financial statements which are the government-wide financial statements, fund financial statements, and notes to the financial statements. Also included in the report is required supplementary information.

Government-wide financial statements. The government-wide financial statements report information about the overall finances of the City similar to a business enterprise. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The statement of net assets presents information on all of the City's assets less liabilities which results in net assets. The statement is designed to display the financial position of the City. Over time, increases or decreases in net assets help determine whether the City's financial position is improving or deteriorating.

The statement of activities provides information which shows how the City's net assets changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities distinguish functions of the City that are financed primarily by taxes, intergovernmental revenues, and charges for services (governmental activities) from functions where user fees and charges to customers help to cover all or most of the cost of services (business-type activities). The City's governmental activities include general government, public safety, public works, cultural and recreation, health and welfare, community development, economic development, and economic opportunity. The business-type activities of the City include airports, water and sewer systems, transit, golf, and parking operations.

Not only do the government-wide financial statements include the City itself which is the primary government, but also its component units, Shreveport Home Mortgage Authority, City Courts, City Marshal, Downtown Development Authority, and the Metropolitan Planning Commission. Although these component units are legally separate, their operational or financial relationship with the City makes the City financially accountable. The government-wide financial statements can be found on pages 27-29 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate fiscal accountability. The City uses governmental, proprietary, and fiduciary fund financial statements to provide more detailed information about the City's most significant funds rather than the City as a whole.

Governmental funds. Governmental funds are used to report most of the City's basic services. The funds focus on the inflows and outflows of current resources and the balances of spendable resources available at the end of the fiscal year. Governmental fund statements provide a near- or short-term view of the City's operations. A reconciliation is prepared of the governmental funds Balance Sheet to the Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Fund Balances of governmental funds to the Statement of Activities.

Fourteen governmental funds are used by the City. There are five major funds which have separately presented information in the governmental fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The major funds are the General Fund, Community Development, Debt Service, Miscellaneous Capital Projects, and 1999A General Obligation Bonds. The nine nonmajor funds are presented in the aggregate in the governmental fund financial statements. The individual fund information is presented in combining statements.

The City adopts an annual appropriated budget for its general fund and certain special revenue funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 30-41 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its airports, water and sewer, and other operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its dental health care, retained risk, and fleet services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the airports and water and sewer operations, both of which are considered to be major funds of the City.

Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 42-45 of this report.

Fiduciary funds. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the City cannot use these assets for its operations. The accounting for fiduciary funds is much like that used in proprietary funds. The basic fiduciary fund financial statements can be found on pages 46-47 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 54-95 of this report.

Other information. In addition to the basic financial statements and accompanying notes; this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 97-99 of this report.

The combining statements for nonmajor governmental funds, enterprise funds, and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 102-106 for governmental funds, pages 108-111 for enterprise funds, and pages 114-117 for internal service funds.

Government-wide Financial Analysis

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 34, the City is not required to restate prior periods for the purposes of providing comparative information.

However, in future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

Net assets. The following table reflects condensed information on the City's net assets:

Net Assets
December 31, 2000
(in millions)

	Governmental Activities	Business-type Activities	Total
Current and other assets	$273.0	$ 82.1	$ 355.1
Capital assets	539.1	343.9	883.0
Total assets	812.1	426.0	1,238.1
Long-term debt outstanding	400.0	147.0	547.0
Other liabilities	25.2	6.4	31.6
Total liabilities	425.2	153.4	578.6
Net assets			
Invested in capital assets, net of related debt	363.4	239.0	602.4
Restricted	32.2	2.5	34.7
Unrestricted	(8.7)	31.1	22.4
Total net assets	$386.9	$272.6	$ 659.5

At December 31, 2000, the City as a whole had assets greater than its liabilities by $659.5 million. The majority (94%) of the City's net assets of governmental activities are invested in capital assets (streets, drainage, construction in progress, buildings, equipment, etc.). The assets are net of the outstanding principal of debt associated with the acquisition of these capital assets. Restrictions by outside organizations are imposed upon 8% of the net assets. Therefore, these assets are unavailable for general expenditures but must be used for the intended purposes. Unrestricted net assets of governmental activities are a deficit of $8.7 million at the end of the year. This deficit does not mean that the City has insufficient resources to pay bills for the next year. However, it does show that on a long-term basis, the City has commitments beyond which it has current resources to fund the obligations. The largest of these commitments, besides the general obligation bonds, are the certificates of indebtedness which were issued to fund state pension obligations.

The net assets of the City's business-type activities are $272.6 million. As with the governmental activities, the majority of the net assets are invested in capital assets. The unrestricted net assets of the business-type activities are $31.1 million at December 31, 2000. However, this balance cannot be used to make up for the deficit unrestricted net assets in the governmental activities.

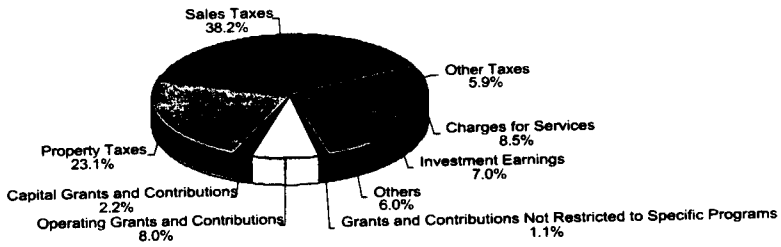
Changes in net assets. The City's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

Changes in Net Assets
For the Year Ended December 31, 2000
(in millions)

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	$ 16.9	$48.3	$65.2
Operating grants and contributions	15.9	2.3	18.2
Capital grants and contributions	4.3	8.8	13.1
General revenues:			
Property taxes	45.6	–	45.6
Sales taxes	75.6	–	75.6
Other taxes	11.7	–	11.7
Grants and contributions not restricted to specific programs	2.2	–	2.2
Other	25.5	4.8	30.3
Total revenues	197.7	64.2	261.9
Expenses:			
General government	24.7	–	24.7
Public safety	62.6	–	62.6
Public works	35.0	–	35.0
Cultural and recreation	12.5	–	12.5
Health and welfare	0.7	–	0.7
Community development	5.5	–	5.5
Economic development	3.3	–	3.3
Economic opportunity	2.2	–	2.2
Payments to component units	3.3	–	3.3
Interest on long-term debt	16.7	–	16.7
Municipal and regional airports	–	8.8	8.8
Water and sewerage	–	34.7	34.7
Shreveport area transit	–	8.9	8.9
Golf	–	1.4	1.4
Downtown parking	–	0.4	0.4
Total expenses	166.5	54.2	220.7
Increase in net assets before transfers	31.2	10.0	41.2
Transfer	(3.3)	3.3	–
Increase in net assets	27.9	13.3	41.2
Net assets January 1, 2000 (Restated)	359.0	259.3	618.3
Net assets December 31, 2000	$386.9	$272.6	$659.5

Revenues for the City's governmental activities for the year ended December 31, 2000 were $197.7 million. General revenues, specifically sales tax and property tax, are the largest components of revenues (61%). Sales taxes represent 38% of revenues at $75.6 million. Sales taxes continued to increase during the current year due to a strong local economy and an increase in the number of tourist. Property values were reassessed in 2000 as required every four years. Millage rates were rolled-back based on the new assessed valuation of property. Property tax revenue was $45.6 million and remained stable.

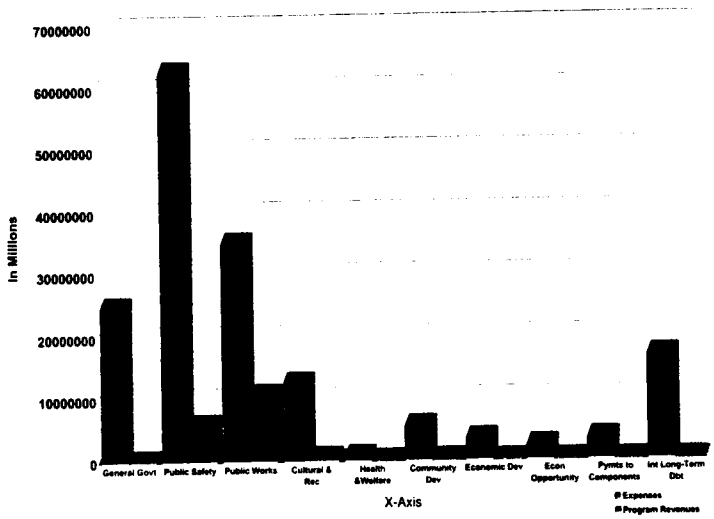
Revenues by Source - Governmental Activities



The cost of all governmental activities this year was $166.5 million. The Statement of Activities on pages 28-29 shows that $16.9 million was financed by those who use the services, $20.2 million was financed by grants and contributions with the City's general revenues financing $129.4 million.

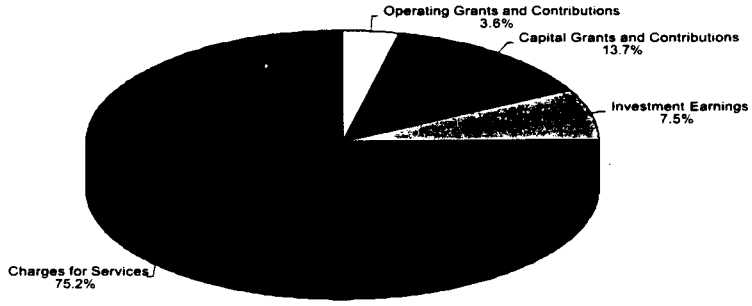
The City's five largest programs are public safety, public works, general government, interest on long-term debt and cultural and recreation. The graph below shows the expenses and program revenues generated by governmental activities:

Expenses and Program Revenues - Governmental Activities



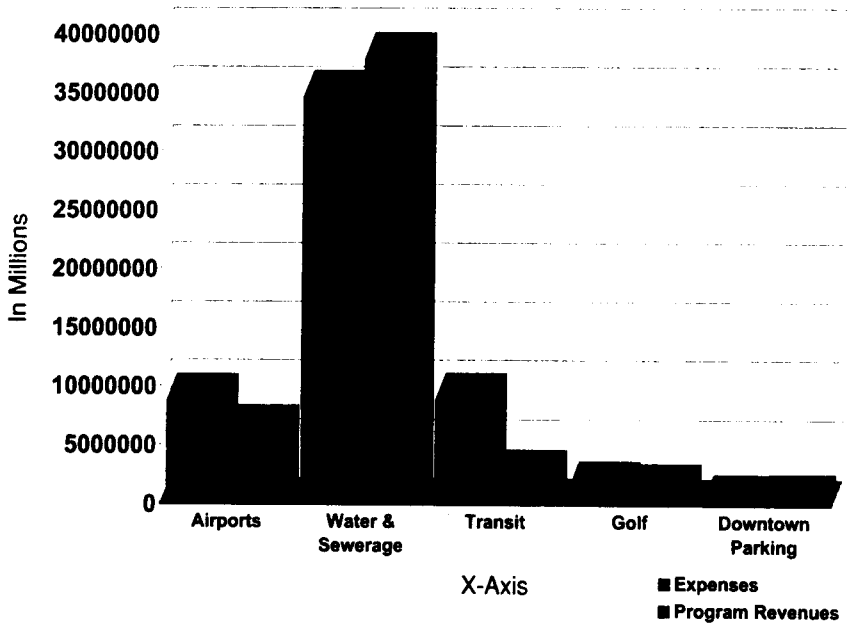
Business-type Activities. Revenues for the City's business-type activities were $64.2 million for the year ended December 31, 2000. Seventy-five (75%) percent of the revenues come from charges paid by the users of services and 17% from grants and contributions and 8% investment earnings.

Revenues by Source - Business-type Activities



The costs of these activities were $54.2 million. The Statement of Activities on pages 28-29 show that the airports and water and sewer systems cover all costs and operate at a profit. The transit system and golf do not cover their costs by $2.2 million and $175 thousand, respectively. The following chart shows expenses and program revenues for business-type activities.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the City's Funds

Governmental funds. The City's governmental funds for the year ended December 31, 2000 reflect a combined fund balance of $209.4 million in its balance sheet on pages 30-31. The General Fund's total fund balance decreased $3.8 million. Only $5.4 million is unreserved and undesignated in the General Fund. Therefore, it is available for spending. The City has chosen to designate funds for landfill closure and claims related to fire and police. The largest designation in other governmental funds is for subsequent years expenditure of general obligation bond proceeds.

The General Fund's unreserved fund balance is 7% of total expenditures before transfers. During the year, claims expenditures were higher than expected, the transfer to the Debt Service Fund increased to cover the payments on long-term debt and overall expenditures were higher.

The 1999 General Obligation Bond Fund and Other Governmental Funds (primarily bond funds) has reductions in fund balances. This was expected since the capital expenditures reduce available fund balances but create new capital assets.

Proprietary funds. Total net assets of all proprietary funds were $272.6 million which was an increase of $13.3 million from the prior year due primarily to operations and capital contributions. Unrestricted net assets were $31.1 million.

General Fund Budgetary Highlights

During the year, the City Council revised the City budget several times. After the first quarter, amendments and supplemental appropriations were approved to reflect the actual beginning fund balances estimated during the budget process which must be submitted by October 1 for the next year. Additional changes were made as new information indicated a need. Even with these adjustments, expenditures were $5.8 million over revenues with a net change in fund balance a negative $4.7 million on a budgetary basis.

Overruns in appropriation at the legal level of budgetary controls were experienced by:

- Other-unclassified
  Salaries, wages and employee benefits exceeded the budget by $8,536 due to increased educational tuition reimbursements. The program will be revised in 2001.

  Claims were $7.1 million over budget due to increases in accruals based on current year developments in certain cases. Additional funding will be included in the 2001 budget. As well, effort will be made to manage claims.

- Public Works
  Salaries, wages and employee benefits exceeded the budget by $106,730 due to the severe ice storms which crippled many areas of the City. Overtime was needed to collect the trees which were down all over the city.

- Culture and recreation
  Contractual services exceeded the budget by $126,390 due to an increase in utilities. This caused the entire department's budget to be over by $53,882. There were insufficient savings in other areas of the budget to cover the shortfall.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets as of December 31, 2000 for its governmental and business-type activities was $883.1 million, net of depreciation as reflected in the schedule below:

Capital Assets
December 31, 2000
(net of depreciation in millions)

	Governmental Activities	Business-type Activities	Total
Land	$ 70.8	$ 6.6	$77.4
Construction in progress	178.3	66.2	244.5
Buildings	37.2	36.0	73.2
Improvement other than buildings	12.2	12.3	24.5
Equipment	27.1	0.3	27.4
Distribution and collection systems	–	222.6	222.6
Infrastructure	213.5	–	213.5
Total	$539.1	$344.0	$883.1

Major additions to capital assets during the current fiscal year included the following (in millions):

Independence Stadium improvements, paid for with notes issued this year.	$15.7
Convention Center construction, primarily land acquisition and architect fees, paid for with proceeds of general obligation bonds issued in 1999.	10.2
Acquisition of Government Plaza, paid for with notes issued in 1999.	6.8
Airport terminal improvements paid for with 1998 bond proceeds.	2.7
Improvements to Festival Plaza, paid for with Riverfront development funds.	2.3
Police Complex improvements, paid for with 1997 general obligation bond proceeds.	2.5
	$40.2

Remaining commitments call for spending an additional $83.8 million on the convention center and $14.9 million on Independence Stadium. Resources on hand from bond proceeds and notes will be used to fund these projects. The water and sewer system plans to spend an additional $19.5 million on the Amiss water plant. The City plans to borrow the funds to complete the project.

Long-term debt. At year end, the City had $527.8 million in bonds and other lending agreements as shown in the table below:

Outstanding Debt
General Obligation and Revenue Bonds
December 31, 2000
(in millions)

	Governmental Activities	Business-type Activities	Total
General obligation bonds	$287.3	$ .8	$288.1
Revenue bonds	–	140.5	140.5
Other lending agreements	94.1	5.1	99.2
Total	$381.4	$146.4	$527.8

New debt was added during the fiscal year. The principal debt issued was $30 million note for the Independence Stadium and $10.2 million for the water and sewer system. Additional debt issued was a $2.5 million Section 108 Housing and Urban Development (HUD) guaranteed loan for renovating a property to provide for low to moderate income housing.

The City's general obligation bonds continue to maintain an A1 rating from Moody's Investors Service and an A+ rating from Standard and Poor's Rating Service.

State statutes limit the amount of government obligation debt a municipality may issue at a maximum of 10% of the assessed valuation for any purpose. The maximum may be exceeded if the aggregate issued for all purposes does not exceed 35% of the total assessed valuation. The City's outstanding general obligation debt is below the state limit. Approximately $56.6 million of additional general obligation bonded debt is available for issuance.

Detailed information on the City's long-term debt can be found in Note III G on pages 74-86 of the report.

Economic Factors and Next Year's Budgets and Rates

In setting the budgets for 2001, the City considered several factors, especially for the General Fund. Three key factors were (1) the Louisiana Legislature eliminated the redistribution of a portion of State tobacco tax revenues to the cities (2) significant increases would be needed to fund the expenses associated with claims and judgments and (3) the overall economy. The redistribution of tobacco tax revenues will cause the City to lose approximately $1.1 million.

Unemployment edged up to 4.9 percent in 2000 from 3.6 percent in 1999 as reflected in the demographic statistics on page 142. The drop in employment can possibly be attributed to the movement of the population in the area. Employment in Shreveport is growing the fastest in the

services and in the retail/wholesale areas which is mirroring national trends. Even with the increases in unemployment, retail sales are expected to increase. The City is projecting a 3% growth in sales tax for the 2001 budget.

In December 2000, another casino with a hotel became operational. The budget for 2001 anticipates $6 million will be available from that revenue stream for the Riverfront Development Fund. The increase in gaming revenue along with existing revenues will be used to pay debt service on the City's purchase of the Government Plaza ($1.0 million) and the debt service on the bonds to construct the Convention Center ($7.4 million). An additional $1.2 million will be transferred to the General Fund to offset the loss of tobacco tax revenues from the State.

There are no rate increases in the business-type activities. The Water and Sewerage Fund will drawdown its available funds for capital projects. The 2001 budget is estimated to be 8% less than 2000. The Airports are budgeted to be 1.2% less than the original 2000 budget.

Overall, there are no major new programs added to the 2001 budget.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Shreveport, 505 Travis Street, Suite 670, Shreveport, LA 71101.

Return to Presentation