

MEMORANDUM

Date: November 20, 2023
 To: Mayor and City Council
 From: Tom Kelly, Treasurer
 Re: Third Quarter 2023 Financial Report

With the third quarter safely behind us already. The City's revenues are above where they should be now and expenditures are little below. The key to the City's finances are that even though we are 75% through the year, revenues and expenditures do not flow evenly though the year. All debt payments have been made so debt service expenditures are 100% spent, but snow plowing/sanding expenditures have not yet started for the end of the year so general fund is under budget. Below is a chart comparing budget to actual revenue and expenditures for the years 2022 and 2023.

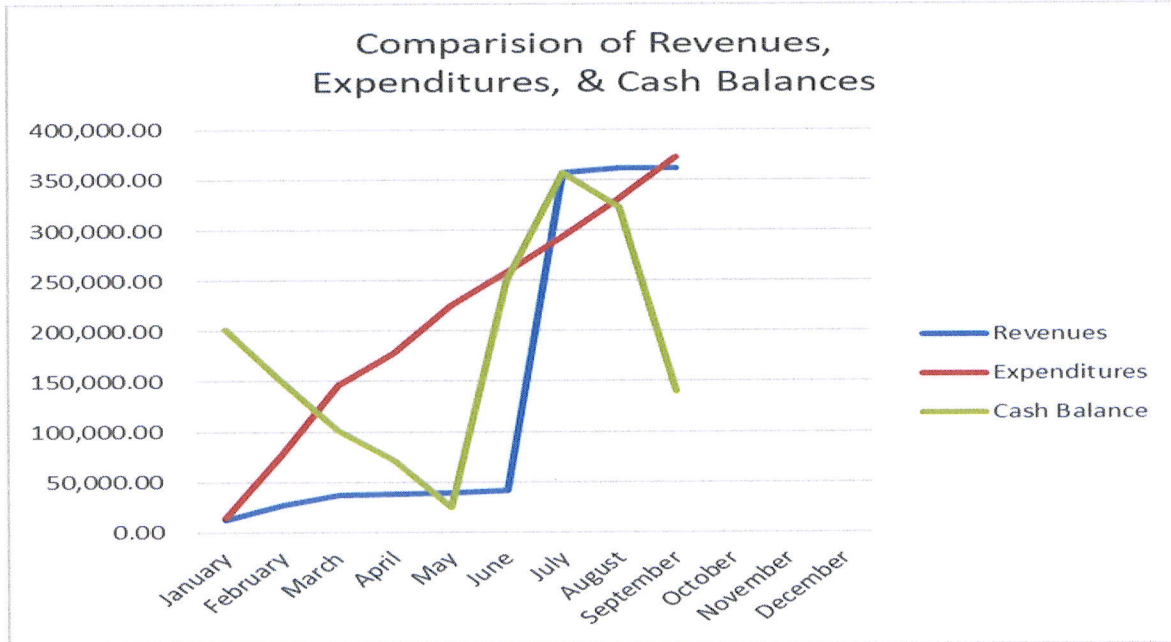
ALL FUNDS						
Revenues	2022	2022	%	2023	2023	%
	Budget	Actual	Received	Budget	Actual	Received
General Fund	272,976.53	319,670.40	117.11%	333,494.97	361,463.51	108.39%
Special Revenue Fds	300.00	15,446.54	5148.85%	300.00	1,104.49	368.16%
Debt Service Funds	111,024.00	74,461.60	67.07%	107,376.00	77,436.37	72.12%
Capital Project Funds	45,000.00	42,304.66	94.01%	42,750.00	47,118.47	110.22%
Enterprise Funds	62,505.00	73,931.57	118.28%	60,975.00	92,194.50	151.20%
Total	491,805.53	525,814.77	106.92%	544,895.97	579,317.34	106.32%

Expenditures	2022	2022	%	2023	2023	%
	Budget	Actual	Spent	Budget	Actual	Spent
General Fund	392,458.50	336,472.57	85.73%	506,121.75	372,969.09	73.69%
Special Revenue Fds	3,750.00	0.00	0.00%	3,750.00	0.00	0.00%
Debt Service Funds	97,395.00	136,658.75	140.31%	102,921.75	137,878.75	133.96%
Capital Project Funds	82,500.00	104,344.99	0.00%	82,500.00	140,810.00	0.00%
Enterprise Funds	136,762.50	77,206.46	56.45%	120,750.00	62,206.43	51.52%
Total	712,866.00	654,682.77	91.84%	816,043.50	713,864.27	87.48%

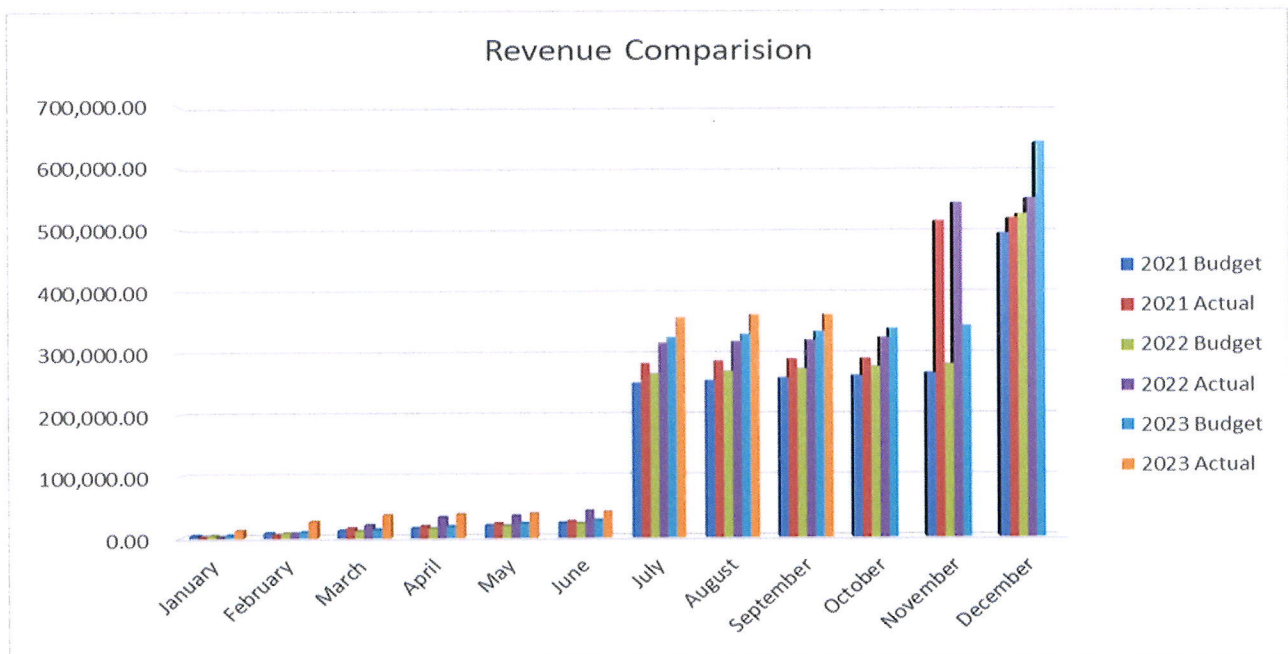
It should be noted that the budget amounts are for three quarters of the year and the actual is year to date actual revenues collected or funds spent, which is why the Debt Service Funds appear to have overspent their budgets. The rest of the report will detail the revenues and expenditures of each of five fund types.

GENERAL FUND

For the third quarter, revenues are still above budget projections and expenditures are below budget, which is shown in future charts. The chart on the following page shows how revenues are below expenditures levels for the first three quarters of the year, which is typical until the December tax settlement is received. In addition, one can see how the City depends on reserves (cash balances) until the December tax payments are received.



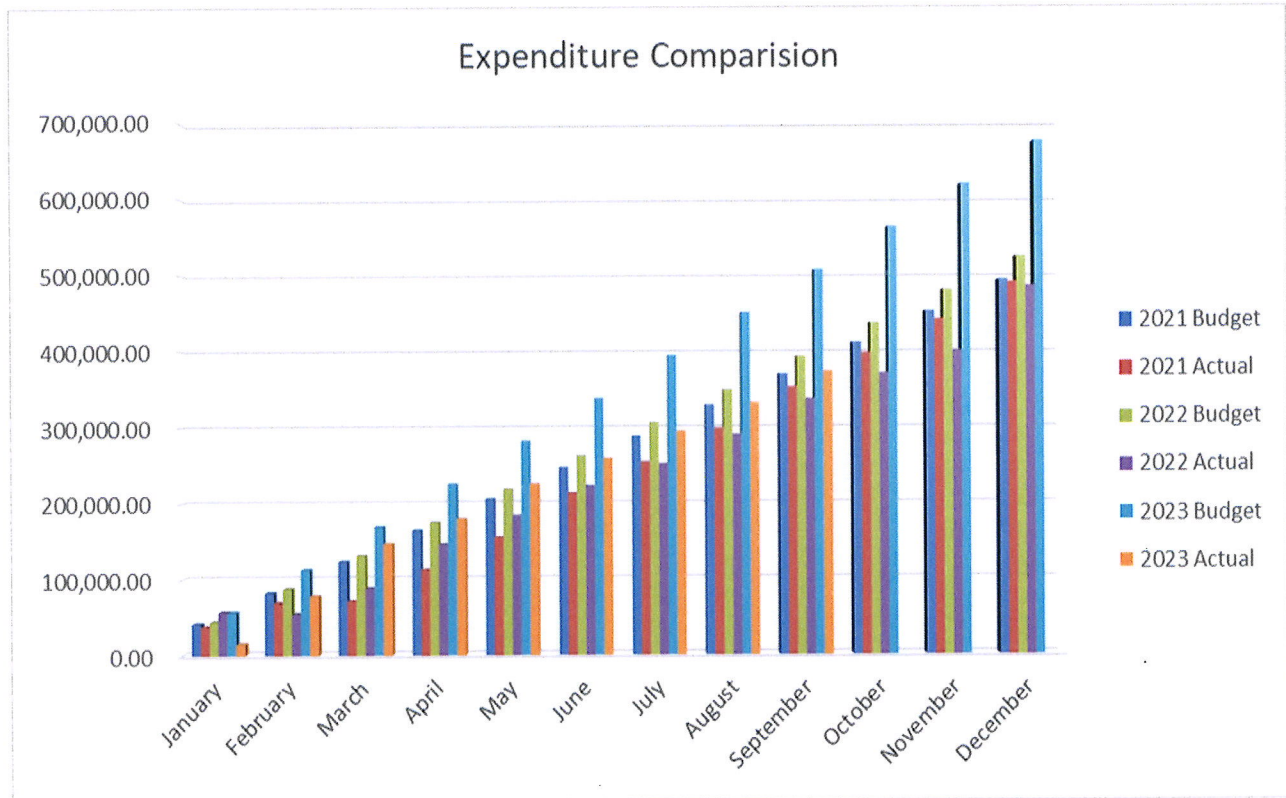
For the year, the City has received 56.52% of the budgeted revenue through the first third of the year, which as a percentage of budget is lower than last year at this time when the City had collected 61.09%. Building permit revenue is down from the \$10,549.65 in 2022 to \$7,324.35 in 2023. Charges for services are above budget amounts and 2022 revenues. Overall, the City has collected \$4,040.47 for charges for services compared to a budget of \$1,950.00. The City did receive its first half property tax settlement in July. Property taxes account for 91.42% of budgeted revenues for 2023. So far, the City has collected 53.20% of its property tax levy or \$311,088.40 compared to a budget \$584,697.00. Revenues also include \$9,557.84 for cable TV franchise fees, which was budgeted at \$6,500 for 2023. The chart below compares budget to actual revenues for the last three years. For this chart, the monthly revenues are 3/4th of the total revenue budget with the exception of property taxes, which are included in the July and December budget numbers only.



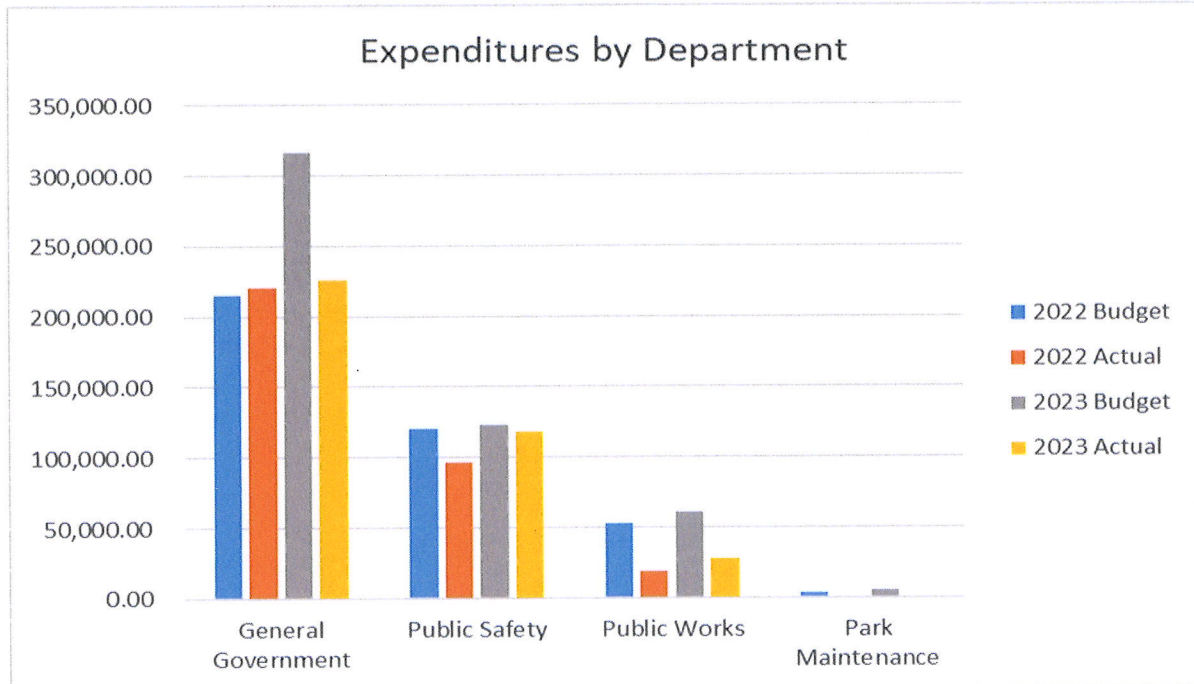
Actual expenditures for the third quarter are below the 2022 budget and the 2023 actual amounts as shown in the table below, which show actual expenditures compared to 3/4th of budget amount and the charts below which is monthly budget to actual amounts:

Expenditures by Department

	2022	2022	%	2023	2023	%
	Budget	Actual	Spent	Budget	Actual	Spent
General Government	215,517.00	220,684.38	102.40%	316,788.00	226,310.52	71.44%
Public Safety	120,016.50	96,949.18	80.78%	123,258.75	118,873.78	96.44%
Public Works	53,175.00	18,839.01	35.43%	60,825.00	27,784.79	45.68%
Park Maintenance	3,750.00	0.00	0.00%	5,250.00	0.00	0.00%
Total	392,458.50	336,472.57	85.73%	506,121.75	372,969.09	73.69%



If expenditures were spent evenly throughout the year, the City should have spent 75% of its budget. The no activity has spent 75% of their budget as shown in the chart on the following page. General Government activity has spent 54% of their budget so far in 2023 and this includes a \$27321.00 payment to BS&A Software for the new software system. Public Safety has paid for services through September and has spent 72% of their budget. While, Public Works, has only spent 34% of it's budget with snow plowing being the largest expenditure, which will start having some charges in the 4th quarter of the year. All departments should finish the year below budget based on current expenditure and past 4th quarter expenditure levels, with the exception of Public Safety, which should finish the year just below or near 2023 budget amounts.



Overall, the General Fund appears to be in good shape through the first three quarters of the year. If revenues and expenditures follow previous year collections and expenditure patterns, revenues should finish the year above budget amounts while expenditures finish below budgeted amounts. Also revenue should exceed expenditures. Both which seem likely now.

SPECIAL REVENUE FUNDS

The City's only Special Revenue Fund is the Parks and Playgrounds Fund, which has interest earnings of \$1,104.49 through the 3rd quarter of the year. There has been no expenditures so far this year.

DEBT SERVICE FUNDS

All scheduled debt payments totaling \$137,878.75 were paid. From the table on the first page it would appear that the Debt Service Funds are over budget, but the budget is for ¾ of the year and the actual expenditures are for the full year or 100% spent. Funding comes from property taxes and special assessments, which the City received in July with the first half 2023 property tax settlement for \$77,436.37. The City will receive the second half settlement in December.

CAPITAL PROJECT FUNDS

Revenues for the Capital Project Funds total \$47,118.47, which includes bond special assessment collections for the waterline extension for \$19,837.24, interest earnings of \$7,281.23, and an operating transfer from the general fund of \$20,000. The expenditures in 2023 are for the road project, which total \$140,810.00 so far in 2023.

ENTERPRISE FUNDS

The City's Enterprise Funds consist of the Sewer Enterprise Fund and the Water Enterprise Fund. Revenues are above last year revenues and are above budget at 113.40% of budgeted revenues, with the 4th quarter still to be billed. Revenues totaled \$92,194.50 for the year compared to \$73,931.57 last year. Expenses for the year are above last year's expenses and

are over 38.64% of budgeted expenditures. Keeping in mind that the expense budget for the Sewer and Water Enterprise Funds includes depreciation, which is not recorded until year-end. The main expense is the M.C.E.S. charges for sanitary sewer treatment. The City has a budget of \$53,500.00 and has paid 83.32% or \$44,576.50 for this line item.

The Water Enterprise Fund has revenues of \$38,808.93 so far. The largest expense is the water bill from the City of Vadnais Heights in the amount of \$12,272.18 so far.

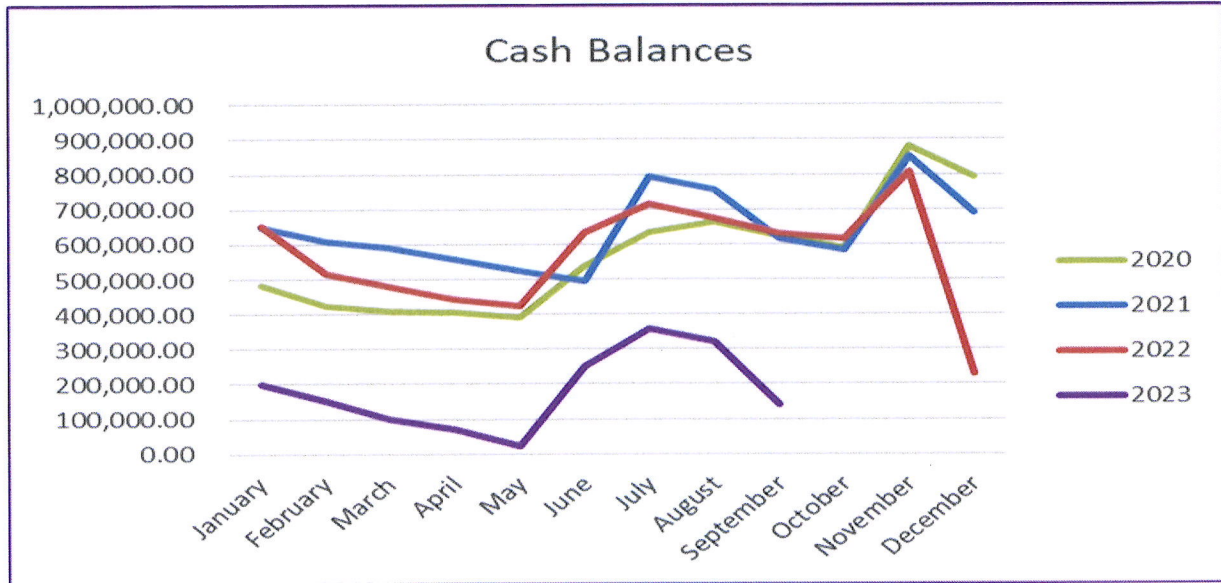
Overall, the Enterprise Funds should finish the year with revenues above budget and expenses below budgeted amounts. If this happens, the Enterprise Funds will have operated at a gain.

CASH AND INVESTMENTS

Finally, the City had \$1,321,904.74 invested as of September 30th. This compares to \$1,227,717.66 invested last year at this time. The investments had an average interest rate of 1.93% compared to 1.62% last year. Interest rates remain low with a 3.73% interest rate on a municipal bond as its highest rate of return. The chart below shows the City’s invested funds for the last four years.



The other factor and equally important as funds invested is the City’s cash in the bank. These are the funds the City uses to pay its bills each month. Since the City receives the majority of its money in July and December from tax settlements, it is not unusual for the City to have a large amount of cash available in those months with the funds being drawn down in the preceding months. Depending on expenditures and other revenues collect the City may draw on its investments to help meet its cash needs. The chart on the following page demonstrates the cash flow for the City. One can see how the City’s cash peaked in July with the receipt of the July tax settlement and the City has drawn down those funds since. The 2023 cash balances are lower than previous years because excess cash balance have been moved into investments at the end of 2022 to earn a higher interest rate than the checking account rate. This is also reflected in the investment chart above, which shows 2023 investments above previous years.



CONCLUSION

The City has had a normal first three quarters of the year financially. Through the third quarter, it appears revenues should finish the year above budgeted amounts for most revenue sources, while expenditures may end the year below budgeted amounts. The City has sufficient cash and investments to meet its obligations until the City receives its second half tax settlement in December, however investment earnings remains low. Therefore, the City continues to be in good financial shape for 2023.