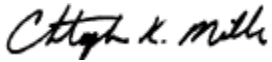


ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: July 22, 2019
Item No.: 9.d

Department Approval



City Manager Approval



Item Description: Receive 2019 2nd Quarter Financial Report

1
2 In an effort to keep the Council informed on the City's financial condition and budget performance, a
3 comparison of the 2019 revenues and expenditures for the period ending June 30, 2019 (unaudited) is
4 shown below. This comparison is presented in accordance with the City's Operating Budget Policy,
5 which reads in part as follows:

6
7 *The Finance Department will prepare regular reports comparing actual expenditures to*
8 *budgeted amounts as part of the budgetary control system. These reports shall be*
9 *distributed to the City Council on a periodic basis.*

10
11 The comparisons shown below includes those programs and services that constitute the City's core
12 functions and for which changes in financial trends can have a near-term impact on the ability to maintain
13 current service levels. Programs such as debt service and tax increment financing which are governed by
14 pre-existing obligations and restricted revenues are not shown. In addition, expenditures in the City's
15 vehicle and equipment replacement programs are not shown as these expenditures are specifically tied to
16 pre-established capital reserve funds. Unlike some of the City's operating budgets, these reserve funds
17 are not typically susceptible to year-to-year fluctuations. In these instances, annual reviews are considered
18 sufficient.

19
20 The information is presented strictly on a cash basis which measures only the *actual* revenues that have
21 been deposited and the *actual* expenditures that have been paid. This is in contrast with the City's audited
22 year-end financial report which attempts to measure revenues earned but not collected, as well as costs
23 incurred but not yet paid.

24
25 It should be noted that some of the City's revenue streams such as property taxes, are non-recurring or
26 are received intermittently throughout the year. This can result in wide revenue fluctuations from month
27 to month. In addition, some of the City's expenditures are also non-recurring and subject to wide
28 fluctuations. To accommodate these differences, a comparison is made to historical results to identify
29 whether any unusual trends exist.

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Citywide Financial Summary

The following table depicts the 2019 revenues and expenditures for the fiscal period ending June 30, 2019 for the City’s core programs and services (unaudited).

	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
General Property Taxes	\$ 15,241,650	\$ 7,927,748	52.0%	57.4%	-5.4%
Intergovernmental Revenue	4,086,350	1,437,846	35.2%	40.7%	-5.6%
Licenses & Permits	1,733,235	1,343,154	77.5%	52.1%	25.4%
Charges for Services	20,597,535	7,766,018	37.7%	40.4%	-2.7%
Fines and Forfeits	134,000	42,024	31.4%	26.4%	5.0%
Cable Franchise Fees	470,000	95,603	20.3%	24.2%	-3.8%
Rentals & Leases	68,500	40,055	58.5%	50.8%	7.6%
Donations	42,000	38,342	91.3%	42.0%	49.3%
Other	1,211,850	860,757	71.0%	43.1%	27.9%
Interest earnings	97,500	-	0.0%	0.0%	0.0%
Total Revenue	\$ 43,682,620	\$ 19,551,547	44.8%	46.6%	-1.8%
Expenditures					
General Government	\$ 2,463,910	\$ 1,192,328	48.4%	46.9%	1.5%
Public Safety	10,275,285	4,552,785	44.3%	46.1%	-1.8%
Public Works	2,966,425	1,146,668	38.7%	38.0%	0.7%
Recreation	4,943,535	1,877,129	38.0%	40.7%	-2.7%
Information Technology	3,296,235	1,139,901	34.6%	46.6%	-12.0%
Communications	556,390	278,351	50.0%	53.9%	-3.9%
Community Development	1,489,600	652,227	43.8%	38.5%	5.2%
License Center	1,842,630	892,194	48.4%	45.1%	3.3%
Sanitary Sewer	6,299,335	3,566,231	56.6%	43.0%	13.6%
Water	7,684,580	3,150,690	41.0%	32.7%	8.3%
Storm Sewer	2,363,350	884,977	37.4%	35.4%	2.0%
Golf & Community Bldg.	510,640	165,844	32.5%	36.8%	-4.3%
Recycling	562,120	304,396	54.2%	48.9%	5.3%
Total Expenditures	\$ 45,254,035	\$ 19,803,722	43.8%	41.2%	2.6%

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Table Comments:

- ❖ ‘% Actual’ column depicts the percentage received/spent compared to the budget
- ❖ ‘% Expect’ column depicts the percentage of revenues/expenditures we normally incur during this period as measured over the previous 3 years
- ❖ ‘Diff’ column depicts the difference between the percentage actually received/spent and the percentage we typically incur. A percentage difference of 10% or more in this column would be considered significant

Revenue and Expenditure Comments

Overall, revenues and expenditures were near expected levels. Greater detail can be found in the individual Fund summaries below.

49 **General Fund Summary**

50 The following table depicts the 2019 financial activity for the General Fund for the fiscal period ending
 51 June 30, 2019 (unaudited). The General Fund includes the activities associated with the City’s police,
 52 fire, streets, administration & finance, legal, nuisance code enforcement, and other general functions.
 53

	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
General Property Taxes	\$ 12,316,605	\$ 6,414,859	52.1%	58.2%	-6.1%
Intergovernmental Revenue	1,094,210	216,418	19.8%	22.8%	-3.0%
Licenses & Permits	343,000	90,757	26.5%	28.4%	-1.9%
Charges for Services	327,000	183,318	56.1%	65.8%	-9.8%
Fines and Forfeits	134,000	42,024	31.4%	26.4%	5.0%
Donations	-	-			
Other: Admin Chrg./Transfer	1,120,000	481,089	43.0%	41.0%	2.0%
Interest earnings	30,000	-	0.0%	0.0%	0.0%
Total Revenue	\$ 15,364,815	\$ 7,428,465	48.3%	53.0%	-4.7%
Expenditures					
General Government	\$ 2,463,910	\$ 1,192,328	48.4%	46.9%	1.5%
Public Safety	10,275,285	4,552,785	44.3%	46.1%	-1.8%
Public Works	2,966,425	1,146,668	38.7%	38.0%	0.7%
Total Expenditures	\$ 15,705,620	\$ 6,891,781	43.9%	44.6%	-0.8%

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 56 **Comments:**

57 General Fund revenues and expenditures are near expected levels overall.

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 59 The General Fund is currently in good financial condition with \$5.8 million in available cash reserves or
 60 37% of the annual operating budget. The reserve level is budgeted to decline in 2019 by \$340,000 but
 61 there may be offsetting factors that minimizes this impact. The City’s Cash Reserve Policy establishes a
 62 target reserve level of 35-45% for the General Fund.
 63

64 **Recreation Fund Summary**

65 The following table depicts the 2019 financial activity for the Recreation Fund for the fiscal period ending
 66 June 30, 2019 (unaudited).

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	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
General Property Taxes	\$ 2,725,045	\$ 1,409,445	51.7%	54.4%	-2.6%
Charges for Services	2,092,990	976,640	46.7%	51.6%	-5.0%
Rentals & Leases	68,500	40,055	58.5%	51.8%	6.7%
Donations	42,000	38,342	91.3%	40.7%	50.5%
Other	-	36,310			
Interest earnings	15,000	-	0.0%	0.0%	0.0%
Total Revenue	\$ 4,943,535	\$ 2,500,791	50.6%	53.2%	-2.6%
Expenditures					
Recreation	4,943,535	1,877,129	38.0%	40.7%	-2.7%
Total Expenditures	\$ 4,943,535	\$ 1,877,129	38.0%	40.7%	-2.7%

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70 Comments:

71 Recreation Fund revenues and expenditures are near expected levels.

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73 The Recreation Fund is currently in good financial condition with \$1,235,000 in available cash reserves
 74 for operational needs or 25% of the annual operating budget. The City's Cash Reserve Policy establishes
 75 a target reserve level of 25% for this Fund.

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79 **Information Technology Fund Summary**

80 The following table depicts the 2019 financial activity for the Information Technology Fund for the fiscal
 81 period ending June 30, 2019 (unaudited).

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	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
General Property Taxes	\$ 200,000	\$ 103,444	51.7%	54.4%	-2.6%
Intergovernmental Revenue	2,630,925	1,167,369	44.4%	50.8%	-6.5%
Charges for Services	459,310	262,113	57.1%	49.9%	7.1%
Rentals & Leases	-	-			
Other: Transfer In	-	-			
Interest earnings	6,000	-	0.0%	0.0%	0.0%
Total Revenue	\$ 3,296,235	\$ 1,532,925	46.5%	49.2%	-2.7%
Expenditures					
Information Technology	3,296,235	1,139,901	34.6%	46.6%	-12.0%
Total Expenditures	\$ 3,296,235	\$ 1,139,901	34.6%	46.6%	-12.0%

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85 Comments:

86 Information Technology revenues are near expected levels while expenditures are below – the result of
 87 lower capital replacements compared to prior years for this same measurement period.

88

89 The Information Technology Fund is currently in good financial condition with \$446,000 in available
 90 cash reserves for operational needs or 15% of the operating budget. The City’s Cash Reserve Policy
 91 establishes a target reserve level of 10-15% for this Fund excluding any long-term capital replacement
 92 needs.

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95 **Communications Fund Summary**

96 The following table depicts the 2019 financial activity for the Communications Fund for the fiscal period
 97 ending June 30, 2019 (unaudited).

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	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
Cable Franchise Fees	\$ 470,000	\$ 95,603	20.3%	24.2%	-3.8%
Other	-	-			
Interest earnings	3,500	-	0.0%	0.0%	0.0%
Total Revenue	\$ 473,500	\$ 95,603	20.2%	24.0%	-3.8%
Expenditures					
Communications	556,390	278,351	50.0%	53.9%	-3.9%
Total Expenditures	\$ 556,390	\$ 278,351	50.0%	53.9%	-3.9%

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101 Comments:

102 Communications Fund revenues and expenditures are near expected levels.

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104 The Communications Fund is currently in fair financial condition with \$75,000 in available cash reserves
 105 for operational needs or 12% of the annual operating budget. The City’s Cash Reserve Policy establishes
 106 a target reserve level of 10-30% for this Fund excluding any long-term capital replacement needs.

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Community Development Fund Summary

The following table depicts the 2019 financial activity for the Community Development Fund for the fiscal period ending June 30, 2019 (unaudited).

	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
Intergovernmental Revenue	\$ 273,715	\$ 28,709	10.5%	50.1%	-39.6%
Licenses & Permits	1,390,235	1,252,397	90.1%	58.6%	31.5%
Other	23,125	1,308	5.7%	71.5%	-65.9%
Interest earnings	25,000	-	0.0%	0.0%	0.0%
Total Revenue	\$ 1,712,075	\$ 1,282,413	74.9%	57.1%	17.8%
Expenditures					
Community Development	1,489,600	652,227	43.8%	38.5%	5.2%
Total Expenditures	\$ 1,489,600	\$ 652,227	43.8%	38.5%	5.2%

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Comments:

Community Development Fund revenues are considerably higher than expected due to strong building permit activity. Expenditures are near expected levels.

The Community Development Fund is currently in excellent financial condition with \$2.1 million in available cash reserves or 144% of the annual operating budget. The City’s Cash Reserve Policy establishes a target reserve level of 25-50% for this Fund excluding any long-term capital replacement needs.

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License Center Fund Summary

The following table depicts the 2019 financial activity for the License Center Fund for the fiscal period ending June 30, 2019 (unaudited).

	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
Charges for Services	\$ 1,768,300	\$ 1,035,757	58.6%	53.2%	5.4%
Other	-	280,097			
Interest earnings	12,000	-	0.0%	0.0%	0.0%
Total Revenue	\$ 1,780,300	\$ 1,315,854	73.9%	52.9%	21.1%
Expenditures					
License Center	1,842,630	892,194	48.4%	45.1%	3.3%
Total Expenditures	\$ 1,842,630	\$ 892,194	48.4%	45.1%	3.3%

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Comments:

License Center Fund revenues are higher than expected due to the one-time receipt of \$280,000 for the reimbursement of excess costs associated with the 2017 MNLARS system rollout. Expenditures are near expected levels. Passport and auto dealer titling services remain strong and continue to general surplus monies to support motor vehicle and other city functions.

The License Center Fund is currently in good financial condition with \$730,000 in available cash reserves for operations or 34%. This includes the recent \$280,000 reimbursement noted above however this money could be used for other License Center purposes such as capital improvements. The City's Operating Cash Reserve Policy establishes a target reserve level of 10-15% for this Fund excluding any long-term capital replacement needs.

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Sanitary Sewer Fund Summary

The following table depicts the 2019 financial activity for the Sanitary Sewer Fund for the fiscal period ending June 30, 2019 (unaudited).

	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
Charges for Services	\$ 5,899,335	\$ 2,110,935	35.8%	40.5%	-4.7%
Other / Spec Asmnts	-	1,328			
Interest earnings	-	-			
Total Revenue	\$ 5,899,335	\$ 2,112,263	35.8%	40.6%	-4.8%
Expenditures					
Sanitary Sewer	6,299,335	3,566,231	56.6%	43.0%	13.6%
Total Expenditures	\$ 6,299,335	\$ 3,566,231	56.6%	43.0%	13.6%

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Comments:

Sanitary Sewer Fund revenues and expenditures are near expected levels. Expenditures can fluctuate from year to year depending on the amount of capital improvements recorded during the measurement period.

The Sanitary Sewer Fund is currently in good financial condition with \$1,110,000 in available cash reserves for operations. A rate increase for 2020 will be necessary to provide for future operational and capital needs.

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Water Fund Summary

The following table depicts the 2019 financial activity for the Water Fund for the fiscal period ending June 30, 2019 (unaudited).

	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
Charges for Services	\$ 7,334,580	\$ 2,067,181	28.2%	31.8%	-3.6%
Other / Spec Asmnts	-	2,863			
Interest earnings	-	-		n/a	n/a
Total Revenue	\$ 7,334,580	\$ 2,070,044	28.2%	31.8%	-3.6%
Expenditures					
Water	7,684,580	3,150,690	41.0%	32.7%	8.3%
Total Expenditures	\$ 7,684,580	\$ 3,150,690	41.0%	32.7%	8.3%

Comments:

Water Fund revenues and expenditures are near expected levels. Expenditures can fluctuate from year to year depending on the amount of capital improvements recorded during the measurement period.

The Water Fund is currently in poor financial condition with minimal cash reserves available for operations. A rate increase for 2020 will be necessary to provide for future operational and capital needs.

171 **Storm Sewer Fund Summary**

172 The following table depicts the 2019 financial activity for the Storm Sewer Fund for the fiscal period
 173 ending June 30, 2019 (unaudited).

174

	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
Charges for Services	\$ 1,933,460	\$ 767,231	39.7%	44.0%	-4.3%
Other / Spec Asmnts	-	5,749			
Interest earnings	5,000	-	0.0%	0.0%	0.0%
Total Revenue	\$ 1,938,460	\$ 772,979	39.9%	45.4%	-5.6%
Expenditures					
Storm Sewer	2,363,350	884,977	37.4%	35.4%	2.0%
Total Expenditures	\$ 2,363,350	\$ 884,977	37.4%	35.4%	2.0%

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177 Comments:

178 Storm Sewer Fund revenues and expenditures were near expected levels. Expenditures can fluctuate from
 179 year to year depending on the amount of capital improvements recorded during the measurement period.

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181 The Storm Sewer Fund is currently in good condition with \$593,000 in available cash reserves for
 182 operations. A rate increase for 2020 will be necessary to provide for future operational and capital needs.

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185 **Golf Course Fund Summary**

186 The following table depicts the 2019 financial activity for the Golf Course Fund for the fiscal period
 187 ending June 30, 2019 (unaudited).

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	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
Charges for Services	\$ 333,000	\$ 155,445	46.7%	52.3%	-5.6%
Donations	-	-			
Other: Equip/Bldg Rental	68,725	52,014	75.7%	45.2%	30.5%
Interest earnings	-	-			
Total Revenue	\$ 401,725	\$ 207,459	51.6%	51.0%	0.7%
Expenditures					
Golf & Community Bldg.	510,640	165,844	32.5%	36.8%	-4.3%
Total Expenditures	\$ 510,640	\$ 165,844	32.5%	36.8%	-4.3%

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191 Comments:

192 Golf Course Fund revenues and expenditures were near expected levels overall. Green fees were
 193 somewhat lower than expected, however they were more than offset by higher building rentals. Revenues
 194 and expenditures can fluctuate greatly from year to year depending on the length of the golfing season
 195 and weather conditions.

196

197 The Golf Course Fund is currently in fair financial condition with \$240,000 in available cash reserves for
 198 operations.

199

200 **Recycling Fund Summary**
 201 The following table depicts the 2019 financial activity for the Recycling Fund for the fiscal period ending
 202 June 30, 2019 (unaudited).
 203

	2019	2019	%	%	
Revenues	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Expect.</u>	<u>Diff.</u>
Intergovernmental Revenue	\$ 87,500	\$ 25,351	29.0%	26.5%	2.5%
Charges for Services	449,560	207,398	46.1%	41.2%	5.0%
Other (Revenue Sharing)	-	-			
Interest earnings	1,000	-	0.0%	0.0%	0.0%
Total Revenue	\$ 538,060	\$ 232,749	43.3%	35.9%	7.3%
Expenditures					
Recycling	562,120	304,396	54.2%	48.9%	5.3%
Total Expenditures	\$ 562,120	\$ 304,396	54.2%	48.9%	5.3%

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 205
 206 Comments:
 207 Recycling Fund revenues and expenditures were near expected levels overall. To date, the City has not
 208 received any revenue sharing monies from the recycling contractor due to a collapsed second-hand market
 209 for recycled materials. This same event has resulted in higher-than-expected costs due to a provision in
 210 the recycling contract which requires the city to pay a surcharge to make up for the market downturn.
 211

212 The Recycling Fund is currently in poor financial condition and is likely to run out of money before the
 213 end of the fiscal year. A significant rate increase in 2020 will be necessary to provide for future operations.
 214

215 **Final Comments**
 216 The City’s overall financial condition remains strong; however a number of concerns remain. The City’s
 217 cash reserve levels in some key operating units are below recommended levels.

218 **POLICY OBJECTIVE**
 219 The information presented above satisfies the reporting requirements in the City’s Operating Budget
 220 Policy.

221 **FINANCIAL IMPACTS**
 222 Not applicable.

223 **STAFF RECOMMENDATION**
 224 Not applicable.

225 **REQUESTED COUNCIL ACTION**
 226 For informational purposes only. No formal Council action is requested
 227

Prepared by: Chris Miller, Finance Director
 Attachments: A: None