



REPORT TO: CITY COUNCIL/SUA

MEETING DATE: JANUARY 25, 2021

<p>Agenda Item:</p>	<p>CC: 7a. CC-21-16 SUA: 5b. SUA-21-04</p>
<p>Background / Issue:</p>	<ul style="list-style-type: none"> • Attached to this report is the Quarterly Financial Report for the second quarter of fiscal year 2020-2021. • The quarterly report includes: <ul style="list-style-type: none"> ✓ an at-a-glance summary of general fund, SUA, SEDA and other City funds activity, ✓ a summary of the financial results for major funds only, ✓ a summary of capital expenditures by project, and ✓ a glossary of terms. • These reports are interim reports and therefore unaudited. • The monitoring of revenues and expenditures and their relationship to the budget is important in order to inform management and the City Council if measures need to be taken to meet projections or to modify the budget. • All account balances and fund balances are monitored by staff on an ongoing basis even if not presented in this summarized quarterly report.
<p>Proposal/Solution:</p>	<p><u>Revenue Highlights</u></p> <p>General Fund</p> <ul style="list-style-type: none"> • Sales and use tax, the general fund’s largest source of revenue, are currently on target at 51.3% of the budget. • General fund fines and forfeitures are at 23.8% of the budget. A budget amendment is recommended to reduce the revenue budget by \$470,000 with an offset to the designated contingency expenditure budget. • General fund grant revenues are at 88.2% of the budget due to the CARES Act grant receipt of \$1.29M. <p>SUA Funds</p> <ul style="list-style-type: none"> • Interest revenue is at 32.8% of the budget due to low interest rates. The Federal Funds Rate has been lowered

4 times since August 2019 from 2.25% to 0.25%. This does not represent the City's earnings rates, but the City's rates follow the red rates over time.

- GRDA energy payments are at 32.5% of the budget due to the plant not being called to generate as often as anticipated. This will be offset by a reduction in the natural gas expenditures so no budget action is required at this time.

Other City Funds

- Lodging tax is at 31.9% of the budget. A budget amendment is recommended to reduce revenue by \$300,000. There is sufficient fund balance to sustain the reduction to revenue and still meet funding requirements of the Visit Stillwater contract in the current fiscal year.
- Airport fees and rentals revenues are at 29.8% of the budget largely due to a reduction in fuel sales, which will be offset by a reduction in fuel purchased.

Expenditure Highlights

- The amended expenditure budget differs from the adopted budget largely due to the carry forward of incomplete project balances from FY20 to FY21 as approved by the Council/Trustees on July 6, 2020.
- Payroll expenditures are under budget due to vacancies and held positions in the first half of the fiscal year. Payroll expenditures by fund are as follows:
 - General Fund: \$11,558,178 (44.7%) of the \$25,851,193 revised budget
 - SUA Funds: \$5,900,038 (43.1%) of the \$13,690,514 revised budget
 - Other City Funds: \$3,291,170 (43.4%) of the \$7,583,981 revised budget.
- Operating and maintenance (O&M) expenditures are under budget due in large part to the implementation of spending reductions across all departments. O&M expenditures by fund are as follows:
 - General Fund: \$2,644,331 (24.9%) of the \$10,622,803 revised budget
 - SUA Funds: \$14,900,553 (43.1%) of the \$34,575,289 revised budget
 - Other City Funds: \$1,669,535 (32.0%) of the \$5,216,548 revised budget.

- SEDA, which has contract-based expenditures, is on target when taking into account seasonal activity and one-time payments.

Continued Spending Reductions

- Staff continues to exercise caution with regard to managing cash flow amidst the continued unknown effects that COVID-19 may have on the City's revenues in FY21.
- The spending reductions instituted in April 2020 across all departments continue.
- All non-essential spending continues to be eliminated and essential purchase requests continue to be reviewed and approved by the Finance Department and the City Manager's Office.

Financial Impact/Funding Source(s):

The following budget amendments are recommended:

General Fund

- Budget amendment for \$470,000 to decrease fine revenues in the Police Department by \$445,000 and in the Library by \$25,000 with a reduction to the designated contingency expenditure budget in the same amount for a net zero effect on the budget.
- Budget amendment for \$100 to close the West 6th Avenue sign project and return this amount to fund balance.

Tourism and Convention

- Budget amendment for \$300,000 to decrease the lodging tax revenue.
- Budget amendment for \$157 to close the West 6th Avenue sign project and return this amount to fund balance.

SUA Operating

- A budget amendment for \$17,201 to close the electric warehouse bathroom renovation project and return this amount to fund balance.

Water

- A budget amendment for \$200,000 to increase the chemical expenditure for the Water Treatment Plant. There is sufficient fund balance to cover the additional appropriation.

Related Strategic Priority:	#1 Effective Services & Accountable Government: To provide effective services and accountable government for all citizens by practicing fiscal responsibility, transparency and outstanding customer service.
Recommended Action/Motion:	Motion to approve budget amendments as detailed in the Financial Impact/Funding Source section of this report.
Prepared By:	Leah Berry, Budget Specialist
Reviewed By:	Christy Cluck, Finance Director Melissa Reames, Deputy City Manager
Submitted By:	Norman McNickle, City Manager
Attachment(s):	2 nd Quarter Financial Report – FY21.pdf Budget Amendments