



To: Mayor and Town Council

From: Jon Ellestad, Interim Town Manager

Subject: Review of March 2021 Financials Report

I have had an opportunity to review the March 2021 budget to actual financial report. This is a particularly important report to look at as it is three quarters of the way into the fiscal year and is relatively easy to project just where you will end up on June 30, which is helpful for reviewing the proposed FY22 budget. Before reviewing the specifics of the financials, I need to state that I have only had a short time to look at all the numbers and cannot answer many of the questions about why something was done or what prompted the decision to make the expenditure. A more detailed analysis might show slightly different results. I am not trying to second guess the decisions, only to show you what I see as the overall financial situation that presently exists.

General Fund

Revenues:

The general fund revenues look to be in pretty good shape and should come close to meeting the overall budgeted figure. Both property taxes and the other local taxes should slightly exceed projections. The only revenue that will take a hit is the meals tax and that amount should be covered by additions in sales tax and business license tax. Garbage fees should also come in over slightly over budget. The big reduction is in revenues from the carnival, which did not occur. Donations and revenue from other events helped make up the difference, but there is still an estimated \$35,000 hole in miscellaneous revenues. As indicated, overall, the general fund should come close to meeting budget, but it must be remembered that this includes an appropriation of \$40,000 from the fund balance.

Expenditures:

At present, I foresee that the general fund expenditures will be an estimated \$70,000 over the approved budget. There appears to be many reasons for this. One of the primary ones is the cost of your health insurance package. When one employee does not need the insurance and they are replaced with one who does, the impact on your budget is quite significant. The existing average cost per employee is \$1,095/month, or over \$13,000/year. It also appears as if not enough in both salary and health insurance was budgeted for a position that was vacant at the time of the budget development. A second reason for the budget shortfall is the two

bonuses Council granted in this fiscal year. One was paid out in November and the second in March. These totaled \$8,750. A third reason is the benefits payout that the outgoing Town Manager received when he left. Finally, the expenses for the special events that have been held were removed from the budget during Covid, yet they are now on-going. After taking this all into account, you can expect the aforementioned \$70,000 in excess expenditures.

As a result of the level overall revenues, the excess in expenditures and the \$40,000 appropriation of fund balance, you can expect a significant reduction in the fund balance of over \$100,000 by end of year. While you still have a significant fund balance, this is continuing a decreasing trend since FY2018.

Utility Fund

Water:

Presently, water revenues look to be running about \$7,000 short of projections. Operating expenses for both general operations and the filtration plant should be around \$10,000 under budget, so this fund should be in decent shape.

Sewer:

Sewer revenues are presently running right at budget. At the same time, operating expenses are projected to be down by \$23,000 by end of year. Of course, one must remember that unanticipated issues can be extremely expensive when they occur. On the capital side of the ledger, the major repairs to the clarifiers and aeration basins have not yet been completed and I cannot find how much we still may owe when they are finished. A new pump for the Water St. lift station has also been ordered at a cost of \$9,750. Finally, we also had to send one of the blower units out for repairs and do not yet know the cost. Overall, the sewer fund may or may not break even, depending on the final payment for the WWTP repairs.

This is my best guess for where you are financially this fiscal year.

