



## REQUEST FOR COUNCIL ACTION

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**MEETING DATE:** March 20, 2023  
**PREPARED BY:** Greg Sticha, Finance Director GS  
**AGENDA ITEM:** Transfer of 2022 General Fund Surplus

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**PREVIOUS ACTIONS:**  
None

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**RECOMMENDED COUNCIL ACTION:**

City Council approves the following transfers from the 2022 General Fund Surplus:

Reserved for critical building/facility improvements and replacements	\$892,700
Unfunded Equipment Needs	\$354,000
Road Reconstruction Fund – Unused Sealcoat 2022 funding	\$800,000
Community Center Fund – Cover 2022 deficit	\$227,000
Sports Dome Fund – Cover 2022 deficit	\$215,000
Update City Code	\$26,000
ERP year one implementation costs	\$200,000
Retain for General Fund Reserve Requirements	<u>\$800,000</u>
Estimated Total of Transfers	\$3,514,700

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**COMMENTS:**

**Financial Finish of the City's General Fund at end of 2022**

At the end of each fiscal year staff analyzes the surplus created in the city's General Fund. Typically, the surplus is created by conservative budgeting of building permit revenues, which is a common practice by most local governments. There are usually other factors that aid in the surplus and all of the items contributing to the 2022 surplus are noted below.

The surplus in 2022 was created by a combination of factors. The largest factor was building permit revenues exceeded budget by \$1.85M for 2022. On the expenditure side surplus was created by underspending of expenses by \$1.4M. This underspending was mostly due to vacant positions (\$750k) and underspending in the parks department which also included in part vacant positions (\$175k). The last portion of underspending was attributable to once

again not using the sealcoat portion of the General Fun levy, this amount is part of the year-end surplus transfer. There were some line items overspent but almost exclusively they were a result of inflationary increases in supplies and utility costs higher than budgeted.

In 2022 the fixed income investing market experienced a significant reduction in the market value of investments. While the city retains most of its investment instruments until maturity, the Government Accounting Standards Board (GASB) requires the marking of the investments to the market value at the end of the year for financial statement reporting purposes. The result of this paper transaction is the recording of a loss to the General Fund of about \$560,000 for 2022. In almost all previous years the city has experienced a gain at year end due to this required transaction. The loss recorded at year end will reverse itself in 2023 and 2024 as investments mature. All local governments are experiencing a similar impact because of this required transaction.

The total of the items noted above results in an estimated General Fund Surplus of \$3.56M for 2022. The amount of the surplus could change slightly depending on final expenditures yet to be accounted for and small adjustments made as part of the audit process.

### **Annual Transfer of General Fund Surplus**

Every year in March staff recommends the transfer of the General Fund surplus to other one-time funding needs. These transfers will help fund projects set as priorities by the city council, reserve funds for road maintenance, reserve funds for critical building/facility improvements, retention within the General Fund to meet fund balance reserve requirements and reserve funds for requested additional equipment as part of the 2023 department budget process. In addition, part of the surplus would help shore up small deficit's in our community center and sports dome 2022 budgets created by higher than budgeted energy costs and the missed payments by "All in MN" (Eclipse Soccer Club) at the sports dome. Staff is pursuing litigation in an attempt to collect the amounts owed for the missed payments.

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### **ATTACHMENTS:**

None