

June 2025 Municipal Budget Analysis

Executive Summary

Overall Financial Position: Strong cash position with healthy fund balances across most departments. Total cash increased by \$147,667 in the first half of 2025.

- **Main Bank Account:** \$1,167,779 → \$1,243,228 (+\$75,449)
- **LGIP Savings Account:** \$2,801,970 → \$2,874,408 (+\$72,438)
- **Combined Cash Growth:** \$147,667 (5.3% increase)

Fiscal Management Note: Department leads have been very intentional with their spending to control costs. McCleary has historically experienced overspending issues, with ARPA funding serving as a buffer in recent years. While this year shows improvement in spending discipline, the rate of improvement may not be sufficient to ensure long-term sustainability, making the upcoming budget cycle particularly challenging.

Key Performance Highlights

Revenue Performance (55.5% of budget received)

- **Property Tax:** 56.2% collected (\$307,535 of \$547,200) - **On target**
- **Sales Tax:** 56.5% collected (\$65,368 of \$115,600) - **On target**
- **Utility Tax:** 49.3% collected (\$263,435 of \$534,800) - **Slightly behind**
- **Misc Revenues:** 82.2% collected - **Ahead of schedule** (includes \$33K surplus sale)

Major Expenditure Areas (49.1% of budget spent)

Law Enforcement (54.6% spent)

- \$474,373 spent of \$869,423 budget
- Largest department by spending
- Includes \$55K WCIA annual payment
- Additional \$23,900 overtime underpayment pending (would increase to 57.3% spent)

Administration (54.5% spent)

- \$75,308 spent of \$138,181 budget
- Includes annual software payments (Springbrook \$7K, AKTIVOV \$2K)

Fire Control (38.2% spent)

- \$42,911 spent of \$112,317 budget

Fund Balance Health

General Fund (001)

- **Ending Balance:** \$358,390 (actual) vs \$227,840 (budgeted)
- **Fund Balance Ratio:** 18% of expenditures (healthy reserve level)
- **Net Position:** \$103,539 better than budget

Utility Funds Performance

Light & Power (401)

- **Fund Balance:** \$299,638 (12% of expenditures)
- **Revenues:** 49.7% collected (\$1,916,769)
- **Power Purchases:** 52.8% spent (\$749,526) - tracking with sales
- **Sustainability Concern:** Power expenditures are not keeping pace with revenues, with no major reinvestment into the system. The current path is not sustainable as projections maintain the anticipated shortfall in fund balance.

Water Fund (405)

- **Fund Balance:** \$733,562 (108% of expenditures) - **Very strong**
- **Revenues:** 45.5% collected (\$508,716)

Sewer Fund (407)

- **Fund Balance:** \$125,969 (47% of expenditures)
- **Revenues:** 45.4% collected (\$530,657)
- **Note:** Interfund transfers pending (\$146,400)

Areas of Attention

Budget Items Requiring Monitoring

1. **Equipment Purchases**
 - 2024 F550 truck (\$116,916) not budgeted in Light & Power
 - Needs budget amendment or transfer to equipment reserve
2. **Capital Projects Pending Payment**
 - **Chiller Cooler:** \$157,675 cost vs \$147,000 budget (+\$10,675 over)
 - **Chip Seal:** \$14,644 cost vs \$23,000 budget (-\$8,356 under)
 - **Maple Street:** \$33,330 (not budgeted)
 - These will be addressed in upcoming budget amendment
3. **Personnel Costs**
 - **Police Overtime:** \$23,900 payout pending (not reflected in current report)
 - May require budget adjustment depending on available contingency

4. Debt Service Timing

- Several funds show >100% debt service spending due to principal payments made in June
- This is normal timing but explains the variance

5. Intergovernmental Revenues

- Street Fund expecting \$435K TIB grant (only 3.8% received)
- May indicate timing delays in grant disbursement

Strategic Observations

ARPA Funding Transition

The 2025 budget reflects the completion of the American Rescue Plan Act (ARPA) funding period. All ARPA funds were successfully utilized by the December 2024 deadline to support City salaries and operations, avoiding any required returns to the federal government. The 2025 budget now operates without this federal support, demonstrating the City's ability to maintain operations through local revenue sources.

Mid-Year Overview

The City demonstrates strong fiscal management with:

- Revenues tracking on or ahead of schedule
- Expenditures under control
- Healthy cash reserves
- No significant budget overruns

Analysis based on June 2025 Budget-to-Actual Report with 50% target benchmark