



Quarterly Financial Report

AS OF MARCH 31, 2019

CITY OF EDINA



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Overview

- The first installment of property taxes does not arrive until the second quarter while General Fund expenses are spread evenly at 25% per quarter.
- The City's investments are earning more year-over-year with higher interest rates.
- Personal Services in the General Fund are up for:
 - Expected increases in salary and benefits as well as planned additions in the Police Department and Fire Department,
 - Increases at Public Works for snow and ice removal, and
 - Severance payments hitting the Human Resources Department.
- Liquor store Q1 sales are flat to prior year (1% down) which is also attributed to the weather.
- Parks and Recreation enterprises are gearing up for spring/summer with the sale of golf memberships, Braemar dome reservations and pool season passes. While memberships and dome sales are up, pool season passes are off to a slower start.
- Depreciation expense for 2019 will not be booked until the 2018 audit is complete. For purposes of this report, depreciation has been estimated at a quarter of the 2019 budget.
- Overall, Q1 is consistent with previous years and is performing as expected.

General Fund Revenue and Expenditures

- **TAXES** – Property taxes are the primary revenue source and are received in June and December.
- **FRANCHISE FEES** – Franchise Fees are remitted in the month following quarter end; thus, Q1 will be received in April.
- **LODGING TAX** – Variance is due to timing. For example, January Lodging Tax was received by the City in February, and 95% was paid out to Explore Edina in March.
- **LICENSES & PERMITS** – Decrease versus prior year is due to the number/timing of construction deposits (down \$181k) and permits (building and mechanical permits down \$181k and \$92k, respectively).
- **CHARGES FOR SERVICES** – Decrease is mostly due to ambulance collections. Transition to new ambulance billing service has temporarily delayed collections.
- **INVESTMENT INCOME** – Investment income is recorded in this account throughout the year and allocated out for final financials. Investment income year-over-year is higher due to an increase in rates.
- **PERSONAL SERVICES** – Salary and benefits are right on target at 25% of the annual budget. Variances among the departments are presented in General Fund Expenditures by Department.

(Continued on next page)

CITY OF EDINA

- **CONTRACTUAL SERVICES** – Increase over prior year is due to Race & Equity Citywide training in 2019 and public safety annual software payment. The Race & Equity Citywide training was new this year as a result of the Race & Equity plan. These drivers in the year-to-date variance are timing and will not impact the full year budget.
- **UTILITY CONTRIBUTION IN** – New in 2018, City facilities are being charged for water/storm/sewer usage. Expenses appear under Contractual Services and are deducted on this line for a zero impact.

	Actual 2018	Actual 2019	Variance Fav/ (Unfav)	Budget 2019	% Spent 2019
REVENUES					
4005 - TAXES	-	-	-	30,009,121	0%
4025 - FRANCHISE FEE	-	-	-	870,500	0%
4030 - LODGING TAX	4,224	27,944	23,720	22,000	127%
4101 - LICENSES AND PERMITS	2,809,659	2,355,954	(453,706)	4,714,430	50%
4301 - CHARGES FOR SERVICES	956,870	889,475	(67,395)	4,521,523	20%
4701 - FINES AND FORFEITURES	149,897	151,554	1,657	900,000	17%
4705 - INVESTMENT INCOME GENERAL	318,953	521,832	202,878	120,000	435%
4720 - SALES AND RENTAL OF PROPERTY	272,032	252,560	(19,473)	425,150	59%
4750 - OTHER REVENUE	19,697	4,736	(14,961)	8,500	56%
Total Revenues	4,531,333	4,204,054	(327,279)	41,591,224	10%
EXPENSES					
6005 - PERSONAL SERVICES	(7,445,632)	(8,029,436)	(583,804)	(31,694,703)	25%
6101 - CONTRACTUAL SERVICES	(1,261,297)	(1,423,276)	(161,980)	(7,551,212)	19%
6401 - COMMODITIES	(540,982)	(593,028)	(52,047)	(3,609,239)	16%
6701 - CAPITAL OUTLAY	(15,799)	(21,342)	(5,544)	(130,000)	16%
6801 - CENTRAL SERVICES	39,168	37,491	(1,677)	149,964	25%
6915 - SPECIAL ASSESSMENTS	-	-	-	(60,000)	0%
Total Expenses	(9,224,540)	(10,029,592)	(805,051)	(42,895,190)	23%
Operating Inc/ Loss	(4,693,207)	(5,825,537)	(1,132,330)	(1,303,966)	447%
NON-OPERATING REV/ (EXP)					
8002 - NONOPERATING INCOME	219,683	225,998	6,316	1,253,977	18%
8070 - MISCELLANEOUS REVENUE	(517)	6,549	7,066	-	-
4201 - INTERGOVERNMENTAL	220,200	219,450	(750)	1,253,977	18%
Total Nonoperating revenues/ (expenses)	219,683	225,998	6,316	1,253,977	18%
NET TRANSFERS					
4806 - OPERATING TRANSFER IN	-	-	-	50,000	0%
4809 - UTILITY CONTRIBUTION IN	-	12,543	12,543	-	-
Total Contributions and transfers	-	12,543	12,543	50,000	25%
Net Inc/ (Loss)	(4,473,524)	(5,586,996)	(1,113,471)	11	(50,790,871)%

General Fund Expenditures by Department

- In general, expenses approximate 25% per quarter.
- **HUMAN RESOURCES** – Impacted by the amount of severance (i.e., compensated absences) in any given year. Year-to-date severance expense is \$243k. Liability for compensated absences is reserved in the General Fund assigned fund balance.
- **PUBLIC WORKS** – Increase over prior year is mostly in Personal Services (snow and ice removal), \$152k higher for Q1 2019 versus Q1 2018. Remainder of the increase is due to Light & Power (\$31k) and Salt (\$42k). Light & Power is higher in 2019 due to timing of invoices – 2019 contains three months, and 2018 contains only two months.
- **POLICE** – Increase is due to Personal Services as well as Contractual Services. Personal Services is higher due to additional staff in response to growing workloads and requests for services, staff movement (e.g., retirements, replacements) as well as annual salary and benefit increases. Contractual Services is higher due to payment of annual public safety software.
- **FIRE** – Increase due to Personal Services with additional staff, changes in staff, as well as annual salary and benefit increases.
- **PARKS & RECREATION** – Similar to prior year, but behind budget due to higher expenses during summer period for camps/programs.

	Actual 2018	Actual 2019	Increase/ (Decrease)	Budget 2019	% Spent 2019
Administration	(531,737)	(528,549)	(3,188)	(2,026,407)	26%
Communicaiton & Technology	(260,605)	(281,221)	20,616	(1,288,764)	22%
Human Resources	(378,335)	(403,957)	25,621	(888,694)	45%
Finance	(224,477)	(225,895)	1,417	(1,099,125)	21%
Public Works	(1,358,801)	(1,602,423)	243,623	(6,595,064)	24%
Engineering	(356,097)	(376,995)	20,898	(1,849,492)	20%
Police	(2,829,682)	(3,125,807)	296,125	(12,728,656)	25%
Fire	(1,867,902)	(1,987,894)	119,992	(9,035,218)	22%
Parks & Recreation	(1,088,982)	(1,072,274)	(16,708)	(5,541,785)	19%
Community Development	(445,737)	(439,547)	(6,190)	(1,841,996)	24%

Utility Fund Revenues and Expenses

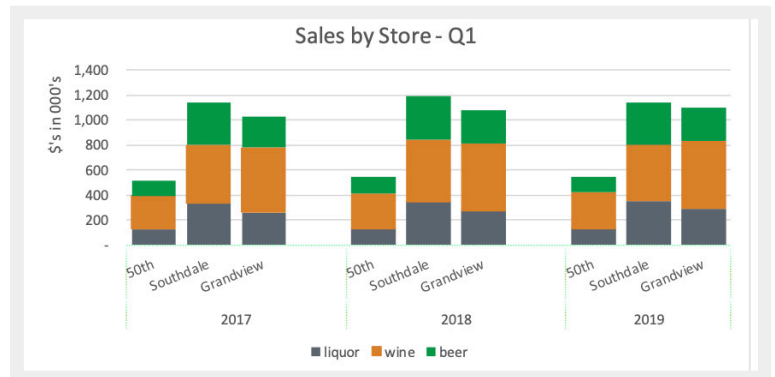
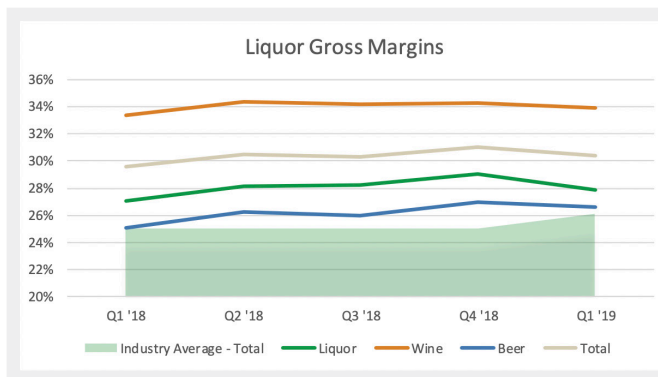
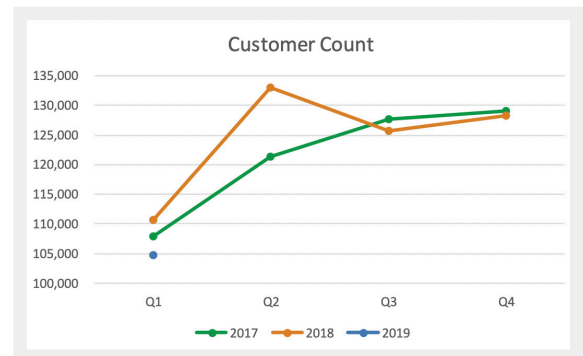
- Water, Sewer and Storm Sewer fees increased 5%, 5% and 15%, respectively in 2019 over 2018.
- Water Rec Fee and Sewer Rec Fee are dependent upon the number of new connections.
- Disposal Charges is Met Council sewer service.
- Non-operating revenues/(expenses) is mostly interest paid on bonds. The budget has offsetting bond discount amortization which is booked annually at year end.

	Actual 2018	Actual 2019	Variance Fav/ (Unfav)	Budget 2019	% Spent 2019
REVENUES					
4626 - SALE OF WATER	1,212,324	1,231,874	19,550	7,972,996	15%
4627 - SALE OF WATER METERS	14,112	6,910	(7,202)	40,000	17%
4628 - PENALTIES	23,231	35,516	12,285	127,000	28%
4629 - STATE HEALTH CHARGE	22,089	22,107	18	94,000	24%
4640 - RECYCLING	90,980	109,749	18,769	372,300	29%
4641 - SEWER CHARGES	2,218,166	2,285,267	67,101	9,569,600	24%
4642 - STORM SEWER CHARGES	929,980	1,090,274	160,294	3,792,697	29%
4645 - WATER REC FEE	38,178	13,899	(24,279)	539,019	3%
4646 - SEWER REC FEE	19,089	7,225	(11,864)	269,509	3%
4649 - CERTIFICATION FEE	-	-	-	13,000	0%
4750 - OTHER REVENUE	1,691	1,200	(491)	-	-
Total Revenues	4,569,839	4,804,019	234,180	22,790,121	21%
EXPENSES					
6005 - PERSONAL SERVICES	(562,279)	(534,973)	27,306	(2,606,912)	21%
6101 - CONTRACTUAL SERVICES	(349,942)	(408,662)	(58,720)	(2,609,906)	16%
6301 - DISPOSAL CHARGES	(1,765,625)	(1,825,283)	(59,658)	(5,561,720)	33%
6401 - COMMODITIES	(140,470)	(119,344)	21,126	(1,084,750)	11%
6801 - CENTRAL SERVICES	(193,773)	(197,100)	(3,327)	(788,400)	25%
6901 - DEPRECIATION	(1,291,533)	(1,353,750)	(62,217)	(5,415,000)	25%
Total Expenses	(4,303,622)	(4,439,113)	(135,491)	(18,066,688)	25%
Operating Inc/ (Loss)	266,217	364,906	98,689	4,723,433	8%
NON-OPERATING REV/ (EXP)					
Total Nonoperating revenues/ (expenses)	(549,466)	(534,507)	14,959	(325,197)	164%
NET TRANSFERS					
Total Contributions and transfers	-	(30,665)	(30,665)	(100,000)	31%
Net Inc/ (Loss)	(283,249)	(200,266)	82,984	4,298,236	-5%

Liquor Fund Revenues and Expenses

	Actual 2018	Actual 2019	Variance Fav/ (Unfav)	Budget 2019	% Spent 2019
REVENUES					
4404 - SALES LIQUOR	756,362	776,205	19,843	3,753,864	21%
4405 - SALES WINE	1,307,195	1,278,309	(28,886)	6,475,543	20%
4406 - SALES BEER	753,386	732,692	(20,694)	3,743,886	20%
4407 - SALES ICE/ MISC	5,967	-	(5,967)	-	-
4408 - COUPONS/ DISCOUNTS	(25)	-	25	-	-
4409 - SALES CIGS/ MISC	36,019	38,968	2,949	-	-
4609 - ENTERPRISE CASH OVER/ SHORT	1,742	(277)	(2,019)	-	-
Total Revenues	2,860,645	2,825,896	(34,749)	13,973,293	20%
EXPENSES					
5502 - TOTAL COST OF GOODS SOLD	(2,014,030)	(1,968,236)	45,794	(10,100,558)	19%
6005 - PERSONAL SERVICES	(394,628)	(414,912)	(20,283)	(1,571,457)	26%
6101 - CONTRACTUAL SERVICES	(113,681)	(112,716)	965	(532,863)	21%
6401 - COMMODITIES	(9,390)	(16,231)	(6,840)	(76,812)	21%
6801 - CENTRAL SERVICES	(70,062)	(70,743)	(681)	(282,972)	25%
6901 - DEPRECIATION	(23,844)	(25,375)	(1,531)	(101,500)	25%
Total Expenses	(2,625,636)	(2,608,212)	17,424	(12,666,162)	21%
Operating Inc/ (Loss)	235,009	217,684	(17,325)	1,307,131	17%
NON-OPERATING REV/ (EXP)					
Total Nonoperating revenues/ (expenses)	-	-	-	32,000	0%
NET TRANSFERS					
Total Contributions and transfers	-	316	316	(850,000)	-0%
Net Inc/ (Loss)	235,009	218,000	(17,009)	489,131	45%

- Inventory has increased from \$1.7M at year-end 2018 to \$2.0M at end of the first quarter 2019. Inventory turns for 2018 were 6.4 compared to an industry average of 6.2. Increase in inventory in Q4/Q1 is due to fiscal year-end buying opportunities and a shift away from value labels in wine. Annualized Q1 inventory turns are 4.4; however, liquor store sales are more heavily weighted toward the back end of the year (21%, 25%, 25% and 28% for Q1, Q2, Q3 and Q4, respectively) which will increase turns.
- Revenues are flat with a decrease of 6k in customer counts quarter over quarter. Decrease in customers is attributable to the weather (closed early five times this season) as well as change in advertising. Advertising spend has been reserved to launch delivery. While customer counts are down, sales are comparable to 2018 due to spikes leading up to the storms and a focus of staff on ATV (average transaction value) and UPT (Units per Transaction).
- Total gross margin is 30% compared to industry average of 26% (2018) and 26.1% for metro area liquor store operations (2017).
- Q1 physical inventory adjustment was net \$8k (less than .5% of inventory).

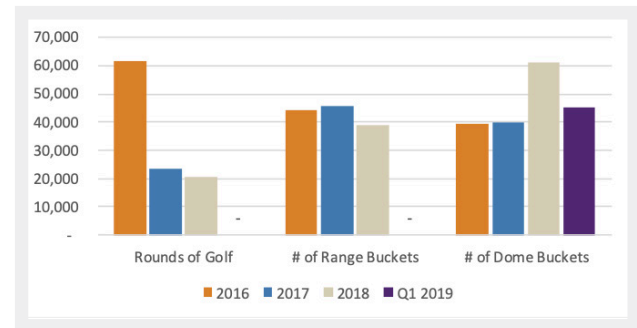


Parks and Recreation Enterprise Funds

Braemar Golf Course and Dome

- The regulation golf course was closed in 2017 and 2018. Increase in revenue year-over-year is mainly due to the golf dome benefiting from a late spring arrival and anticipation of new course opening May 18th.

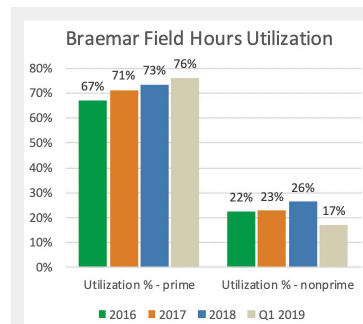
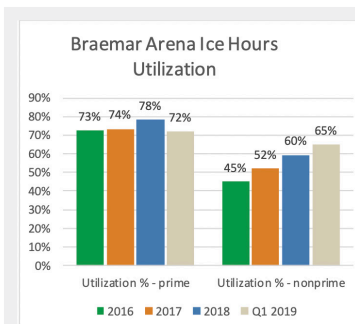
	Actual 2018	Actual 2019	Variance Fav/ (Unfav)	Budget 2019	% Spent 2019
REVENUES					
4543 - GOLF DOME RECEIPTS	285,080	306,124	21,044	374,571	82%
4531 - MEMBERSHIPS	4,832	63,450	58,618	101,944	62%
4602 - LESSONS	52,719	52,078	(641)	50,414	103%
4412 - PRO SHOP SALES	23,763	26,354	2,590	251,763	10%
4603 - COMPUTERIZED HANDICAPS	3,421	16,143	12,722	1,191	1355%
4592 - GREEN FEES NINE HOLES	7,536	13,043	5,507	526,007	2%
4593 - GREEN FEES EXEC COURSE	4,836	7,610	2,775	351,893	2%
4553 - CLUBHOUSE	14,847	5,963	(8,884)	113,112	5%
4601 - DRIVING RANGE	(5)	2,620	2,625	381,100	1%
4591 - GREEN FEES EIGHTEEN HOLES	(11)	7	18	965,152	0%
4562 - RENTAL GOLF CARS	-	-	-	342,672	0%
Other < \$25k	9,031	9,088	58	49,009	19%
Total Revenues	406,048	502,480	96,432	3,508,828	14%
EXPENSES					
5502 - TOTAL COST OF GOODS SOLD	(17,366)	(21,677)	(4,311)	(213,999)	10%
6005 - PERSONAL SERVICES	(254,921)	(288,094)	(33,174)	(1,527,038)	19%
6101 - CONTRACTUAL SERVICES	(74,909)	(91,777)	(16,869)	(451,600)	20%
6401 - COMMODITIES	(17,976)	(38,056)	(20,080)	(249,950)	15%
6801 - CENTRAL SERVICES	(36,129)	(36,006)	123	(144,024)	25%
6901 - DEPRECIATION	(154,089)	(255,000)	(100,911)	(1,020,000)	25%
Total Expenses	(555,389)	(730,610)	(175,221)	(3,606,611)	20%
Operating Inc/ (Loss)	(149,341)	(228,130)	(78,789)	(97,783)	233%



Braemar Arena and Field

- Utilization represents hours scheduled out of total hours available. Prime versus nonprime is dependent upon the time of day and time of year.
- Building Rental is favorable due mostly to the Sports Dome (\$119k) which represents advance bookings (City Sports Connection, Softball Finder, Tonka United, etc.) made in 2018 and reclassified to 2019 revenue.
- Advertising Sales is negative revenue due to termination of contract with our external sales representative. Termination of the contract paid commission on advertising sales that have not yet been collected (two and three year contracts).
- Personal Services is less than prior year due to severance payments made in 2018.

	Actual 2018	Actual 2019	Variance Fav/ (Unfav)	Budget 2019	% Spent 2019
REVENUES					
4551 - BUILDING RENTAL	124,134	261,676	137,542	512,600	51%
4556 - ICE RENTAL	150,133	108,770	(41,363)	1,675,000	6%
4521 - CONCESSION SALES	90,756	84,495	(6,261)	300,500	28%
4542 - SPECTATOR FEES	13,322	25,258	11,936	40,000	63%
4541 - GENERAL ADMISSIONS	13,599	15,368	1,770	13,000	118%
4544 - DAILY SKATING FEES	15,546	14,226	(1,320)	25,000	57%
4607 - CLASS REGISTRATION	16,225	13,255	(2,969)	135,000	10%
4317 - ADVERTISING SALES	14,490	(3,727)	(18,217)	46,000	-8%
Other < \$25k	5,598	6,273	675	9,000	70%
Total Revenues	443,802	525,594	81,792	2,756,100	19%
EXPENSES					
5502 - TOTAL COST OF GOODS SOLD	(44,004)	(32,080)	11,925	(127,750)	25%
6005 - PERSONAL SERVICES	(312,804)	(287,143)	25,661	(1,264,066)	23%
6101 - CONTRACTUAL SERVICES	(211,466)	(200,110)	11,357	(976,850)	20%
6401 - COMMODITIES	(24,927)	(24,746)	181	(149,750)	17%
6801 - CENTRAL SERVICES	(28,269)	(28,233)	36	(112,932)	25%
6901 - DEPRECIATION	(292,749)	(294,000)	(1,251)	(1,176,000)	25%
Total Expenses	(914,220)	(866,312)	47,908	(3,807,348)	23%
Operating Inc/ (Loss)	(470,417)	(340,718)	129,700	(1,051,248)	32%

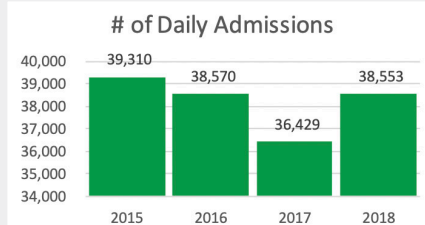
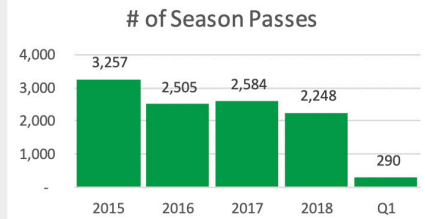


CITY OF EDINA

Aquatic Center

- Season passes are on sale now. Early-Bird pricing is in effect through April 30th. First quarter sales are down thus far – 290 in Q1 2019 vs 481 Q1 2018. The long winter may be driving slower sales.

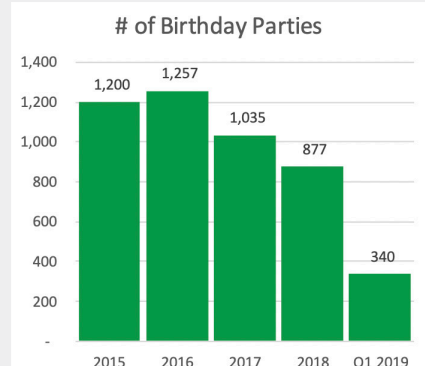
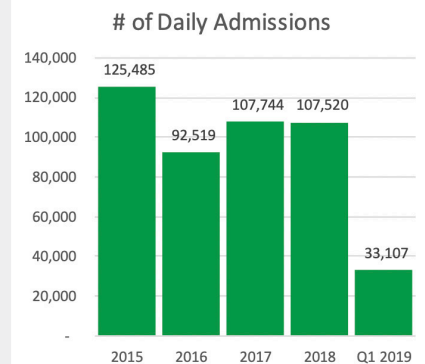
	Actual 2018	Actual 2019	Variance Fav/ (Unfav)	Budget 2019	% Spent 2019
REVENUES					
4532 - SEASON TICKETS	94,552	56,898	(37,654)	435,000	13%
4521 - CONCESSION SALES	-	495	495	135,000	0%
4602 - LESSONS	-	417	417	400	104%
4541 - GENERAL ADMISSIONS	-	150	150	410,000	0%
4551 - BUILDING RENTAL	-	-	-	47,000	0%
Other < \$25k	-	20	20	12,250	0%
Total Revenues	94,552	57,980	(36,572)	1,039,650	6%
EXPENSES					
5502 - TOTAL COST OF GOODS SOLD	-	-	-	(43,000)	0%
6005 - PERSONAL SERVICES	(3,522)	(4,309)	(788)	(390,214)	1%
6101 - CONTRACTUAL SERVICES	(7,379)	(7,209)	170	(176,200)	4%
6401 - COMMODITIES	(1,660)	(2,077)	(417)	(105,600)	2%
6801 - CENTRAL SERVICES	(8,829)	(8,397)	432	(33,588)	25%
6901 - DEPRECIATION	(85,911)	(79,125)	6,786	(316,500)	25%
Total Expenses	(107,301)	(101,117)	6,184	(1,065,102)	9%
Operating Inc/(Loss)	(12,749)	(43,137)	(30,388)	(25,452)	169%



Edinborough Park

- ASSOCIATION FEE** – Decrease in park maintenance fees is due to reduction in payment from Edina Residence Inn for previous overpayment, annual impact of \$45k.
- LODGING TAX** – New in 2018, Edinborough will receive net 5% of Edinborough Residence Inn (remainder goes to Explore Edina), approximate annual impact of \$7k.
- OTHER RENTAL** – For increased visibility, pool revenue was moved to Other Rental in 2018. Decrease year-over-year is due to timing of payments.
- PERSONAL SERVICES** – Half of year-over-year increase is due to severance payout in 2019.

	Actual 2018	Actual 2019	Variance Fav/ (Unfav)	Budget 2019	% Spent 2019
REVENUES					
4541 - GENERAL ADMISSIONS	248,648	238,435	(10,213)	623,000	38%
4557 - BIRTHDAY RENTAL	60,796	64,212	3,415	194,000	33%
4606 - ASSOCIATION FEE	66,281	49,612	(16,669)	224,000	22%
4523 - CONCESSIONS - EDINBOROUGH	53,094	45,609	(7,485)	135,000	34%
4532 - SEASON TICKETS	38,630	35,629	(3,001)	131,250	27%
4558 - OTHER RENTAL	25,216	9,730	(15,486)	58,000	17%
4030 - LODGING TAX	-	7,378	7,378	-	-
Other < \$25k	3,832	3,248	(583)	28,500	0%
Total Revenues	496,496	453,853	(42,643)	1,393,750	33%
EXPENSES					
5502 - TOTAL COST OF GOODS SOLD	(31,245)	(28,162)	3,083	(80,000)	35%
6005 - PERSONAL SERVICES	(187,722)	(212,079)	(24,358)	(843,093)	25%
6101 - CONTRACTUAL SERVICES	(77,368)	(83,178)	(5,810)	(357,300)	23%
6401 - COMMODITIES	(24,284)	(34,795)	(10,511)	(178,950)	19%
6801 - CENTRAL SERVICES	(19,773)	(18,840)	933	(75,360)	25%
6901 - DEPRECIATION	(47,265)	(47,063)	203	(188,250)	25%
Total Expenses	(387,656)	(424,116)	(36,460)	(1,722,953)	25%
Operating Inc/(Loss)	108,840	29,737	(79,103)	(329,203)	-9%

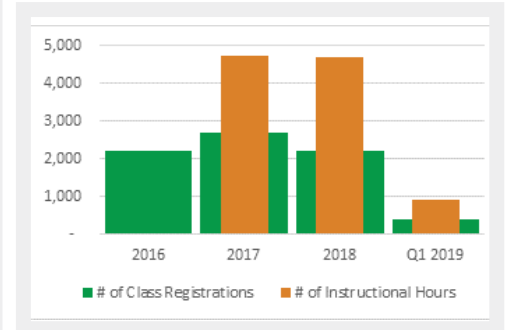


CITY OF EDINA

Art Center

- Previously tracked number of class registrations, but classes differ in length. Class prices are based upon number of instructional hours and price per hour. Going forward, the number of instructional hours will be tracked to better match revenues.

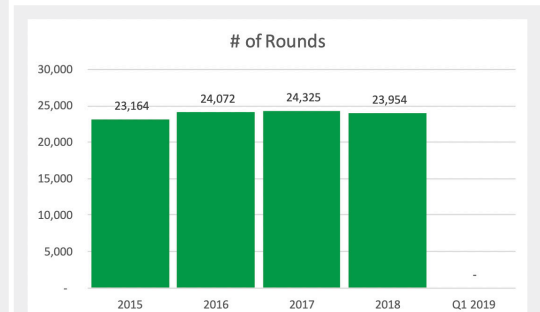
	Actual 2018	Actual 2019	Variance Fav/ (Unfav)	Budget 2019	% Spent 2019
REVENUES					
4607 - CLASS REGISTRATION	137,016	115,185	(21,832)	398,000	29%
4608 - FIRING FEES	10,025	7,584	(2,441)	40,000	19%
4414 - MISC RETAIL SALES	6,245	4,175	(2,070)	28,000	15%
4531 - MEMBERSHIPS	4,458	3,634	(824)	18,000	20%
4614 - POTTERY FEES	6,206	2,114	(4,092)	19,000	11%
4413 - ART WORK SOLD	3,046	1,766	(1,279)	13,000	14%
Other	116	11	(104)	350	0%
Total Revenues	167,112	134,469	(32,643)	516,350	26%
EXPENSES					
5502 - TOTAL COST OF GOODS SOLD	-	-	-	(500)	0%
6005 - PERSONAL SERVICES	(112,710)	(112,665)	45	(495,225)	23%
6101 - CONTRACTUAL SERVICES	(22,066)	(17,809)	4,257	(105,925)	17%
6401 - COMMODITIES	(21,126)	(12,303)	8,823	(66,500)	19%
6701 - CAPITAL OUTLAY	-	-	-	-	-
6801 - CENTRAL SERVICES	(10,569)	(10,248)	321	(40,992)	25%
6901 - DEPRECIATION	(3,501)	(1,500)	2,001	(6,000)	25%
Total Expenses	(169,972)	(154,525)	15,447	(715,142)	22%
Operating Inc/(Loss)	(2,860)	(20,056)	(17,196)	(198,792)	10%



Centennial Lakes

- In 2018, the City collected \$80k in back association fees.
- Other revenue at Centennial Lakes is dependent upon the weather.

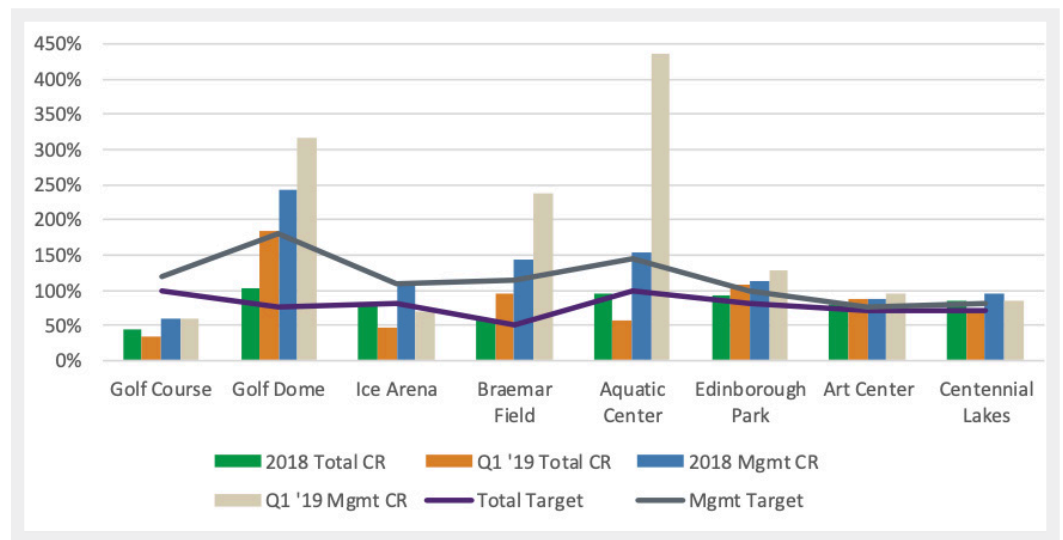
	Actual 2018	Actual 2019	Variance Fav/ (Unfav)	Budget 2019	% Spent 2019
REVENUES					
4606 - ASSOCIATION FEE	170,046	86,695	(83,351)	307,000	28%
4581 - SKATE RENTAL	47,962	47,871	(91)	60,000	80%
4555 - CENTENNIAL LAKES PARK	6,814	11,921	5,107	110,000	11%
4524 - CONCESSIONS - CENTENNIAL	10,884	9,848	(1,036)	30,000	33%
4583 - EQUIPMENT RENTAL	6,238	7,501	1,264	90,000	8%
4593 - GREEN FEES EXEC COURSE	-	37	37	210,000	0%
Other < \$25k	414	433	19	7,000	0%
Total Revenues	242,358	164,306	(78,052)	814,000	20%
EXPENSES					
5502 - TOTAL COST OF GOODS SOLD	(3,620)	(3,043)	577	(13,000)	23%
6005 - PERSONAL SERVICES	(141,772)	(152,335)	(10,563)	(694,952)	22%
6101 - CONTRACTUAL SERVICES	(19,617)	(25,165)	(5,549)	(190,600)	13%
6401 - COMMODITIES	(12,798)	(14,972)	(2,174)	(134,800)	11%
6801 - CENTRAL SERVICES	(18,129)	(17,403)	726	(69,612)	25%
6901 - DEPRECIATION	(7,920)	(11,250)	(3,330)	(45,000)	25%
Total Expenses	(203,855)	(224,168)	(20,313)	(1,147,964)	20%
Operating Inc/(Loss)	38,503	(59,863)	(98,365)	(333,964)	18%



Cost Recovery

Cost Recovery percentages indicate a facility's ability to cover operating expenses. In 2018, the City established two cost recovery calculations. The first calculation, Total cost recovery (Total CR) represents all operating revenue/operating expenses. The second calculation, Management cost recovery (Mgmt CR) adjusts the total operating expenses to exclude depreciation, central services, water/storm/sewer. Initial 2018/2019 annual targets have been established based upon three years of historical data. Annual targets will be set with each budgeting cycle as an approximate expectation of annual results.

The below represents full year 2018 percentages, first quarter 2019 percentages and annual targets by both the Total CR and Mgmt CR. Differences between quarterly results and annual targets are due to the timing of revenues and expenses. For example, Aquatic Center is selling season passes now, but it has limited expenses, with the exception of depreciation, until open.



CITY OF EDINA

The City's investments are held in various accounts:

- **4M:** MN Municipal Money Market Fund sponsored by the League of MN Cities. The City uses this fund to manage bond proceeds to ensure compliance with IRS regulations. Funds from the 2017A, 2017B, and 2018A are included in this account. These bonds were issued to fund road reconstruction projects and the new golf course. As construction continues, the balance in this account will decrease.

- **HRA Series 2009A Bonds:** The City owns the 2019 through 2028 maturities of the \$1.52M Public Project Revenue Bonds, Series 2009A.

- **Tradition Capital Bank:** A 1-year \$243,000 FDIC insured Certificate of Deposit.

- **US Bank (Sweep):** City's main checking account at US Bank. Funds not required to clear checks is automatically "swept" into a money market account. The balance in this account changes daily based on the amount of checks outstanding. Biweekly payroll is also taken out of this account.

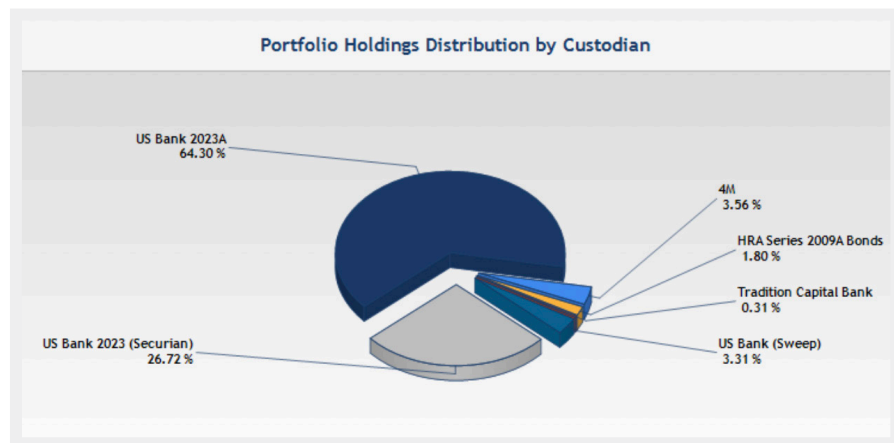
- **US Bank 2023 (Securian):** Securian is the City's outside investment manager replacing Nuveen in January 2018. They oversee a \$20 million portfolio. These securities are held in a custodian account at US Bank. Funds in this account are not needed for cash flow and can be invested in longer maturities. The benchmark for this portfolio is a combination of the Bloomberg Barclays U.S. Intermediate Government Bond Index and the Bloomberg Barclays U.S. Mortgage Backed Securities Index. Allowable investments include U.S. Treasuries and Agencies up to (but not including) 10 years and agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

- **US Bank 2023A:** This account is managed internally. The City uses a network of four institutional brokers who recommend securities in compliance with our Investment Policy. Funds in this account are managed primarily for cash flow purposes.

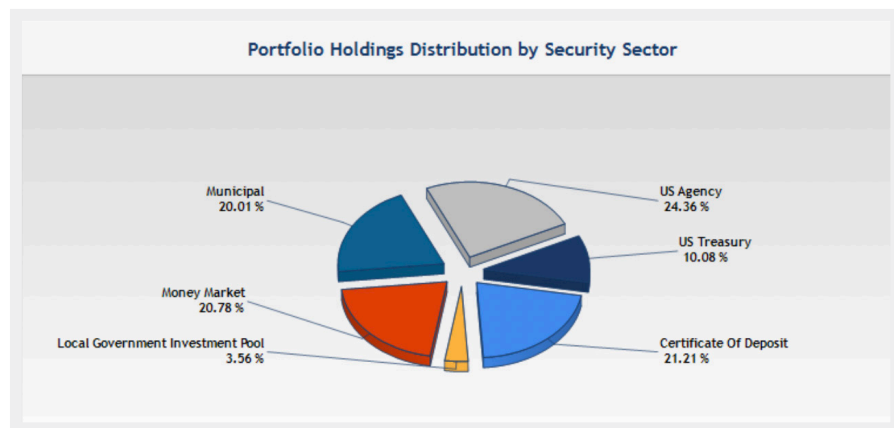
Investments

At the end of the 1st quarter, the City's investment portfolio totaled \$78 million. The portfolio has benefitted from the increase in short term interest rates. One example of this is the earnings rate on the City's money market which has increased from 0.66% in 2017 to the current rate of 2.31%. This has helped the internally managed portfolio generate total income of \$325k, an increase of \$126k over prior year Q1.

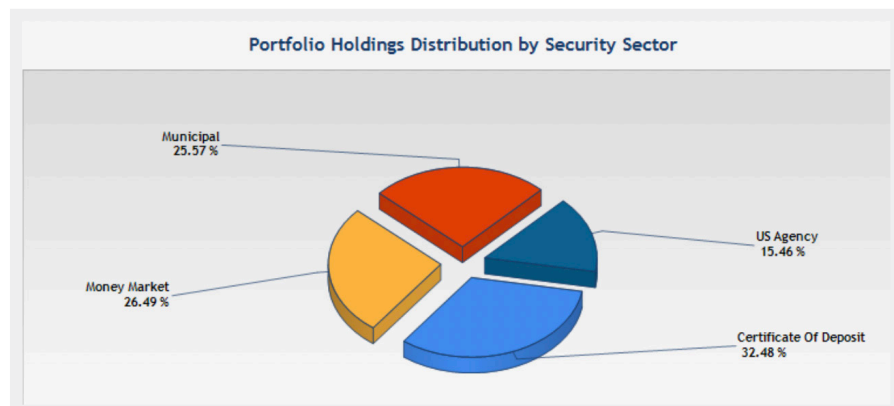
The following is a breakdown of total investments by custodian:



The following represents the total investment pool by sector:



Following represents the same data buy only for the internally managed piece under custodianship of US Bank:



CITY OF EDINA

The following are quarterly investment results against a similar benchmark. The internal and external portfolios have different investment strategies. The internal portfolio is intended to remain sufficiently liquid to enable the City to manage daily City cash flow as well as debt payments. At the end of Q1 2019, the average days to maturity for the internal portfolio is 680 days (or 23 months), excluding the money market account. Maturities range from one day (money market) to five years. The one year US Treasury bill reflects the future return of the investment compared to the actual return reported for the internal portfolio. While the amounts should trend in the same direction, the internal portfolio is expected to lag behind the benchmark rates.

	2018				2019
	Q1	Q2	Q3	Q4	Q1
Internally Managed	2.08	1.46	2.32	1.71	2.52
1 yr US T-bill	1.83	2.08	2.34	2.60	2.60

The external portfolio has longer term investment options to optimize return within our investment policy. The external portfolio benchmark of Bloomberg Barclays Intermediate US Government/Mortgage Index, represents an investment pool including U.S. Treasuries and Agencies up to (but not including) 10 years and agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). At the end of Q1 2019, the average days to maturity for the external portfolio is 11.5 years with maturities ranging from July 2019 to August 2048. The later maturities represent mortgage backed securities. Early results have been impacted by the transition from one investment manager to another and from rising interest rates. As shown in recent quarters, returns have improved.

	2018				2019
	Q1	Q2	Q3	Q4	Q1
Externally Managed	-0.14	0.16	-0.08	2.07	1.78
BBARC Int Gov/Mtg	-0.55	0.15	-0.11	2.16	1.85

Detail reports by investment are available upon request.

CITY OF EDINA

NOTES

- **Go Bonds:** obligations which pledge the full faith and credit of the municipality to their payment. This currently represents refunding bond issues.
- **Public Project Revenue:** represent the 2009A (Public Works facility), 2014A and 2015A HRA bonds
- **EEEP SA Revenue:** 2012 Edina Emerald Energy Program
- **GO PIR Bonds:** used to finance any public improvement that may be specially assessed under Chapter 429; the most common include roads, water improvements and sewer improvements
- **Revenue Bonds:** obligations for which the City promises to pay principal and interest only from a specific revenue source such as utilities and other enterprises (Braemar Golf Course, Aquatic Center, etc.)

Debt

Below represents the City's annual debt service requirements to maturity for existing bonds. The 2019 – 2023 Capital Improvement Plan calls for total capital spending of about \$143 million, of which debt will account for roughly \$70 million. Of that total, \$47 million is for utility infrastructure including a new water treatment plant payable from utility revenues and \$23 million for street reconstruction projects payable from special assessments assessed to benefitting properties. The term of the bonds range from 10 to 15 years depending on the project.

