



STAFF REPORT

TO: TOM DUBOIS, CITY MANAGER
MEETING DATE: NOVEMBER 4, 2024
FROM: MASON PETERS, FINANCE SUPERVISOR
SUBJECT: 2024-25 FISCAL YEAR Q1 BUDGET PERFORMANCE UPDATE

RECOMMENDATION:

For Information.

BACKGROUND:

Historically, the Finance Supervisor provides a fiscal update each quarter of the fiscal year to educate the Council on what our financial performance looks like when compared to the approved budget. It is key to remember that accounts experience different levels of activity throughout the fiscal year; some see very regular charges/receipts, others see activity once per year. Please keep this in mind as you go through the data.

DISCUSSION:

This update will review performance for July 2024 through September 2024. In general, as of the end of September each year, we can expect to see year-to-date totals for revenues and expenses being in the ballpark of 25% of budgeted annual totals. However, as previously mentioned, there are many instances where some revenues and expenses are experienced on an irregular basis (quarterly, annually, etc.).

Revenues

Property Taxes – We receive the bulk of our property tax revenues in December and April of each year. This line item for our budgeted General Fund revenues is a significant one, but we can reliably anticipate when to expect to receive the funds. Based on the roughly semiannual schedule of receiving these funds, we will see these revenues shoot up at two points of the year and stay stagnant for the rest of the time.

Franchise Fees – We receive ACES Waste and Comcast franchise fees consistently throughout the year and they are looking good (Comcast is slightly low, but ACES is slightly high). PG&E sends us their franchise fee payment in April each year in one lump sum, so we will see no activity in that account until Q3/Q4 of this fiscal year.

TOT – This is coming in healthily above what we could have expected for Q1, so that is great news. Compared to Q1 of FY24, we are consistently \$2,000 - \$3,000 higher in total TOT per month. We are still collecting payments from rentals for September, but the data looks promising. We will continue to monitor this as we go through the holiday season as families book hotels/short term rentals to be with family.

General Sales Tax – We are experiencing strong sales tax revenues in Q1 and we can be optimistic to see this continue through Q2 during the holidays. Compared to Q1 of FY24, we have collected over \$13,000 more this year. We will continue to monitor sales tax data and review the payments as they come in to try and predict what the year might continue to bring.

Business Licenses/Building Permits – Seeing quite a lag here, can be volatile depending on how much construction/repairs are going on around the city (contractor licenses being renewed to work on projects around the city). This ties in with the lag in Building Permit Fees; we can assume that a part of this lag in revenue is that there is less contractor work being done within city limits, therefore less building permit fees and business license renewals.

Other Permits/Licenses – Although not largely impactful categories in the grand scheme of General Fund revenues, these are overall performing well as of the end of Q1. Banner Permit revenue is behind what we might expect at this point in the year – we will see if we should advertise this service more than we currently are.

Grants – We have an outstanding reimbursement request to LEAP as of 9/30/2024, we will recover most of the budgeted revenues in this category but not all. However, spending on LEAP-related work was lower as well. This should be viewed as a net 0 activity on the revenues and expenditures; we spent as much as we are getting back from LEAP. Regarding the COPS Grant, we should start seeing payments starting in Q2 and periodically throughout the rest of the year.

Facility Rental Fees – Most of these revenue items are coming in above the 25% benchmark, which is great news. Grammar School revenues are lagging a bit, but I am aware of some more baby showers and events coming in the next few weeks, and hopefully the rate of those rental requests coming in will increase.

Streets Revenues – We are currently in the process of receiving reimbursement from ACTC for the work done on Eureka Road. Our total costs requested for reimbursement totaled \$382,995.01. This is well under the \$405,000 budgeted for this project for the year, which is good news. However, The ACTC board approved reimbursement of only \$309,596.15, which excluded all ‘pre-construction’ work totaling \$24,000 as well as all city admin costs. Staff is working with ACTC to clarify the ‘pre-construction’ work to try and increase our potential total reimbursement amount. To summarize this ACTC reimbursement topic, even if we are able to convince ACTC that some of the excluded costs should be reimbursed, we should expect to see less than the budgeted streets revenue total for this fiscal year since the project itself came in under budget, therefore the reimbursement amount will be under budget. VLF revenues will be received in Q3 in one lump sum, so we will be on the lookout for that. All other streets revenues come in monthly and are overall looking strong.

Sewer Service Revenues – We are tracking very closely to budget on this line item, and it is the lion’s share of the revenues for this fund. We are happy to see that our budgeted revenue for the year is very close to actuals, and we will continue to monitor the progress on this.

Effluent Disposal – Revenues we receive as reimbursement from ARSA for labor provided by Sutter Creek and other operating expenses are coming in low this year, which means we are having to spend less time on the Effluent side to maintain the same level of service. I will monitor this going forward.

Other Sewer Enterprise Revenue – All other categories are performing well, or at least tracking close to budgeted revenues.

FEMA – We received reimbursement funds for 2 out of 3 FEMA projects much sooner than we expected, and we are working with the state to get the remaining funds that are outstanding. Flushing Dam has funds obligated to us from FEMA, but we have not seen the money come through yet.

General Operating Reserve – Remaining FEMA funds that were not necessary to bring the FEMA fund back to a \$0 balance were placed in the General Operating Reserve, since the original funding of the FEMA projects came from this fund. This is reimbursing this fund for the funds it provided a couple of years ago. Any additional FEMA/CalOES funding will be deposited in this fund.

All Interest Earnings Accounts – I am waiting for LAIF interest to reach us at the end of October, and I will be transferring interest funds from the General Fund interest account to the other interest accounts based on activity in each fund. I do this transfer of interest funds each quarter once all interest payments have been received for that quarter.

Expenses

PG&E Expense Accounts – all PG&E budgeted amounts are not correct; they will need to be corrected and increased. This stems from a PG&E reimbursement we got last year that spanned a fair bit of time, and it made the PG&E expense actuals appear lower than what we were actually paying. Staff will review the PG&E bills and actuals from prior years and propose a budget amendment to increase the PG&E expenditures for the year.

Planner Fees – This large expenditure line is from the LEAP Grant work currently being done - \$50,000 of these expenses will be reimbursed by the grant.

LAFCO Expense – The Amador Local Agency Formation Commission invoices us once per year, and this year it came in under what we had budgeted, which is good news.

Engineering – This line item is well above the 25% benchmark because of construction projects that were done over the past few months, notably Eureka Rd and Oro Madre. Construction management work was all performed in Q1 and it shows in this report. We will monitor WGA expenditures going forward.

ACRA JPA Contribution – Our annual JPA participation invoice was paid in September, and the invoice came in \$2,665 under what was budgeted. Our city’s participation in ACRA benefits our residents by allowing them to go to any ACRA sponsored event without worrying about needing to pay out of pocket for attending.

Weed Control – This category covers tree trimming services as well as fire abatement/weed control services. We had tree work done during the summer months (some emergencies, some planned) and had a fire abatement notice on the new property we acquired by the wastewater treatment plant that we had to take care of. This activity will slow down as we go into the winter months and fire danger is down.

Risk Management – This is a once per year cost during Q1 that we pay to Central San Joaquin Valley Risk Management Authority (CSJVRMA) for liability coverage. We get Worker’s Comp invoices quarterly and are reflected elsewhere in this report.

Streets Improvements – This reflects the capital expenditures for Oro Madre and Eureka Road. Any sewer collections improvements that were associated with these projects, particularly Oro Madre, were charged to the Enterprise fund capital improvements account. The Eureka Road project came in at about \$22,000 under budget, but that also means our reimbursement amount to expect will be under budget as well. This was discussed earlier in the report; however, we must keep in mind that we cannot spend the full budgeted amount for streets capital in this fiscal year. A significant portion of the streets budget was this Eureka Road construction, and it should be viewed as a net zero cost. This project was intended to be a fiscal wash, thanks to the financial assistance from ACTC. Therefore, any storm drains work or other streets repairs done throughout the remainder of the year must stay within their respective budgeted totals, and we cannot view the ‘savings’ from the Eureka Road project as such. To summarize, the revenue aspect of the streets budget will be below what was expected, but so will the expenditure aspect of the streets budget due to the Eureka Road project coming in under budget. We are monitoring spending in these capital accounts and prioritizing outstanding projects accordingly to make sure we stay on budget.

AB1600 Police Impact Fees – We budgeted \$20,000 for the police department to use to purchase a new vehicle, which occurred a month or so ago. It is currently being outfitted with the necessary technology and will begin to be used in a month or so.

Overall Performance

Revenues are looking promising, but we will need to monitor when the single-time revenues come in that are the big sources of our income to make sure we are staying on track with budgeted figures. In particular, we need to be paying attention to when we receive the property tax revenues, LEAP grant reimbursement, PG&E franchise fees, and Eureka Road reimbursement from ACTC. Almost everything else comes in either quarterly or monthly, so we can monitor those as time progresses and get a more ‘real-time’ idea of how we are doing regarding budget versus actuals. I have been in contact with the County Assessors Office to see how property tax revenues are coming along, and I will continue to follow up to see if we can try to anticipate if we should be optimistic or pessimistic. The County is still collecting the taxes, so they cannot say one way or the other at this time.

Expenses overall are looking okay, but we will be closely watching capital projects to make sure that we do not overspend in those big categories. They make the fund expenditure totals look more inflated at this point in time, but they are one-time expenditures that won't be recurring. Most of the recurring expenditures look like they are tracking closely except for the PG&E costs, but that was a budgeting error that will be rectified. We have identified any troublesome areas and are taking steps towards expense mitigation in those areas. Staff is also working on adjusting salary allocations for each department to make sure we are not overcharging one fund and undercharging others. This is in an effort to more closely follow budgeted staffing cost allocations.

BUDGET IMPACT

After PG&E budgeted figures are adjusted to better match the invoices that we receive, it will be a net increase in expenses across all funds since PG&E invoices are allocated based on where the power/gas is used. No other budget amendments are necessary at this time.