



Town of Yountville

6550 Yount Street
Yountville, CA 94599

Staff Report

Agenda Item #: {{section.number}}F

Yountville Town Council Staff Report

DATE: December 5, 2023
TO: Mayor and Town Council
FROM: Celia King, Administrative Services Director
PREPARED BY: Celia King, Administrative Services Director

RECOMMENDATION

Receive and file the Final Fiscal Year 2022/2023 Financial Report.

DISCUSSION/BACKGROUND

The Finance Department provides monthly financial reports to the Town Council. These reports show budgeted amounts, as well as year-to-date actuals for both revenues and expenditures for the Town's major funds. The Town's major funds include the General Fund, Capital Projects Fund, and Utility Enterprise Funds. The report also shows the variance, or difference, between budgeted amounts and actual activity along with a percentage of budget column which helps Town staff ensure that expenditures remain within budget targets.

The Preliminary Monthly Financial Report for June 2023 was presented to the Town Council at the August 1, 2023 Town Council meeting. Now that the annual audit is complete and all transactions and activities for the prior fiscal year have been recorded, staff presents this report as the Final Fiscal Year 2022/2023 Financial Report.

The Annual Comprehensive Financial Report (ACFR) was presented to the Town Council during the December 5, 2023 Town Council meeting. This report is supported by the ACFR.

The Town's General Fund financial position remains stable as Transient Occupancy Tax (TOT), Sales Tax and Property Tax revenue collections in FY 2022/2023 were better than expected. Town staff managed operating expenditures and remained under budget which created savings that helped contribute to a healthy fund balance at the end of the fiscal year.

The Town will continue to exercise fiscal discipline and focus on the following guiding principles:

- Developing budgets that support the Town Council Strategic Plan.
- Continued funding for and the prioritization of project funding when developing the Five-Year Capital Improvement Program.
- Updating Town Fees through the annual Master Fee Schedule process.

- Continued debt service payments and funding allocations for emergency reserves, contingency reserves, revenue stabilization reserves, repair, and replacement funds, and leave payout reserve.
- Preparing for pension and retirement costs by funding the annual determined contribution (ADC) for Other Post-Employment Benefits (OPEB) as calculated by the Town's actuary and pursuing prudent investment options to help mitigate the CalPERS Unfunded Actuarial Accrued Liability and allocating for the Pension Rate Stabilization Plan (PRSP) Trust to prepare to cover fluctuations in PERS costs.

The General Fund revenues received for FY 2022/2023 totaled \$14.8 million which was \$2.2 million more than the estimated budget. Below is a brief overview of the major revenues and their performance.

- Property Taxes – The budget for Property Tax revenue was \$2,142,000. Actual revenue collections exceeded this budget amount by \$485,411. Property Tax revenue includes excess ERAF (Educational Revenue Augmentation Fund). Napa County is one of three counties in the state for which ERAF (the property tax shift from counties, cities, and special districts to the schools) is “over funded,” according to state funding formulas. This results in a “refund” of the excess revenue back to the Town. The excess ERAF funds are subject to state approval and not included in the Town's budget projections due to its variability. Property Tax revenue also includes Property Tax in-lieu (VLF).
- Sales Tax – The original budget for Sales Tax revenue was \$1,640,000. Actual revenue collections were \$1,628,440 which is \$11,560 or 0.07% less than anticipated.
- Transient Occupancy Tax (TOT) - The Town, with 455 revenue generating hotel rooms, received a total of \$8,750,591 in TOT which surpassed the originally budgeted amount of \$7,500,000. Total collections exceeded the budget estimate by \$1,250,591 or about 17%. The average occupancy rate for the year was 55%, down slightly from 47% in the prior fiscal year. Average room rates were \$784, also down from \$840 in 2021/2022. The Town is still awaiting a stabilization of TOT revenue collections and has conservatively estimated \$7,775,000 in TOT revenue for Fiscal Year 2023/2024.
- Other Revenues - Licenses & Permits, Fines & Forfeitures, Rents and Concessions and Parks and Recreation Fees all came in higher than anticipated. Investment Earnings have rebounded as LAIF investment rates have slowly risen, and actual revenue was \$75,776 higher than the original budget.

Fiscal Year 2022/2023 expenditures (before transfers) totaled \$9,749,263. The Town staff managed expenditures, which were lower than estimated budget by \$991,021 or 9.2%. Transfers out of the General Fund totaled \$7,132,933.

Below are the effects of Fiscal Year 2022/2023 revenue and expenditure activity on the General Fund Balance:

Beginning Balance on July 1, 2022	10,332,980
Plus, revenues and transfers in	14,858,282
Less expenditures and transfers out	16,882,196
Ending Balance on June 30, 2023	\$ 8,309,066

On June 30, 2023, the total General Fund Balance was \$8,309,066. This amount is used to fulfill all the originally adopted reserve allocations as outlined below, for the following fiscal year (2023/2024). This includes a new category of *Nonspendable* due to the implementation of Governmental Accounting Standards Board (GASB) Standard #87 regarding required recognition of certain lease agreements. The allocations are as follows:

Nonspendable	75,142
Committed for Insurance and Claims Retention	50,000
Assigned for Budget Contingencies	573,667
Assigned for Legal Contingencies	250,000
Assigned for Leave Buy Out	160,000

Assigned for Purchase Orders	200,000
Assigned for Workers Compensation	20,000
Assigned for Affordable Housing Opportunities	3,616,075
Total Allocations:	\$4,944,884

Applying the above adopted allocations leaves **\$3,364,182** as Unassigned Fund Balance. This is the result of revenues being higher than expected, lower than anticipated expenditures, and the changes in approved fund balance allocations from one fiscal year to the next. This amount will remain in General Fund Unassigned Fund Balance until the Town Council decides to reallocate it in the future.

Capital Projects Fund

The nature of a capital project may cause projects to span multiple fiscal years and therefore the expenditures shown in this report do not necessarily represent all final costs for each project. Though the financial report that accompanies this staff report reflects project budgets and expenditures from all project funds, the following analysis will be focused on Capital Projects Fund 50, which is primarily supported by General Fund revenue.

The Fiscal Year 2022/2023 budget for Capital Projects Fund (50) expenditures and transfers was \$1,188,548 which includes project purchase orders that were carried forward from Fiscal Year 2021/2022. Total actual expenditures and transfers were \$311,717 and \$168,199 in purchase orders for unfinished projects were rolled over into Fiscal Year 2023/2024.

On June 30, 2023, the Capital Projects Fund balance was \$1,827,920. After adding in projected revenues and subtracting out planned expenditures (including purchase order rollovers) for Fiscal Year 2023/2024, approximately \$702,000 of fund balance is available for use towards future capital projects and as funding for potential grant application matching requirements.

Water Enterprise Funds

The Water Enterprise Funds continued to struggle with trying to manage the level of necessary costs; which include routine operations, water purchase, and capital expenditures; within the level of current revenue sources. As a result, these funds have not yet been able to meet the reserve targets that were established upon adoption of the Water and Wastewater Utility Rate Study.

The Drought Water Reserve Fund (57) ended with a fund balance of \$2,011,563. In Fiscal Year 2022/2023 Town Council approved the use of General Fund Unassigned Fund Balance to pay of the interfund loan from the Drought Water Reserve Fund to the Water Utility Capital Fund (60-4500) for the Emergency Washington Park Water Line Repair Project. This fund is now back to its full reserve balance of just over \$2 million.

The Water Utility Capital Fund (60-4500) ended with a positive total fund balance of \$3,406,694 and of this amount \$364,772 is considered working capital, or in other words, funds available to use for projects. Working capital is calculated by reducing the total fund balance by capital asset values, funds assigned for debt service, and reserve targets.

Fund 60 revenues generated from System Replacement fees totaled \$137,030 which exceeded budget projections by 4.8%. Water Utility Capital expenditures for projects were \$136,488.

Fund 61, the aggregate of Water Operations and Distribution (61-4505) and Water Utility Purchases and Conservation (61-4507) ended with a positive fund balance of \$380,803. Total revenues were \$1,625,467 which fell short of the original budget amount by 1.8%. This is due to a required fiscal year end entry to recognize investments at fair value which reduced Interest Income to a negative amount. Routine operating and maintenance expenditures were \$634,084. This is lower than the budget estimate by \$131,234 or 17.1%. Water Purchases ended up being \$747,706. This is \$417,113 or 35.8%, lower than what was budgeted. The net of these revenues and expenditures resulted in an increase to fund balance of \$243,678 which helped this fund

increase its small positive fund balance. However, this fund was still unable to meet the reserve targets set by the Water and Wastewater Utility Rate Study, and it still did not have capacity to contribute to the Water Utility Capital Projects Fund 60 in Fiscal Year 2022/2023.

Wastewater Enterprise Funds

Fund 62, the aggregate of Wastewater Collection Operations (62-4510) and Wastewater Treatment Operations (62-4515) ended with a positive fund balance of \$389,589. This fund was not able to meet the reserve targets as set by the Water and Wastewater Utility Rate Study.

Total revenues were \$2,201,168 and fell short of budget expectations by 20.4%. Like the Water Operating Fund, this is mostly due to a required fiscal year end entry to recognize investments at fair value which reduced Interest Income to a negative amount. It is also because the expected revenue for treating Veterans Home wastewater was less than originally anticipated. Total expenditures including transfers out were \$2,006,191 ending under budget by \$785,841 or 28.1%. The net result of the revenue and expenditure activity is that fund balance increased by \$194,977 in Fund 62.

The Wastewater Capital Recovery Fund (63-4518) ended with a positive working capital of \$2,367,413. This amount is calculated by reducing the total fund balance by capital asset values, funds assigned for debt service repayment, and reserve targets as set by the Water and Wastewater Utility Rate Study.

Total revenues including interest and the transfer from the Wastewater Operating Fund (62) were \$601,970, 49.4% below budget. This is due to planned contributions from the Wastewater Operating Fund 62 being reduced in anticipation of receiving less revenue for Veterans Home wastewater treatment than originally anticipated. Revenues generated from System Replacement Fees were \$230,566.

Expenditures, which include project costs and routine debt service payments for the State Water Resources Control Board (SWRCB) loan were \$333,504. Expenditures were 87.9% lower than the budgeted amount as the large Joint Treatment Plant Modernization project carried over into Fiscal Year 2023/2024. The Veterans Home contributes \$50,000 per year to this fund as a matching amount to ensure that both partner agencies are contributing equally to capital maintenance. In addition, discussions with the Veteran's Home of California at the close of the fiscal year resulted in the Town collecting an additional \$196,171 for reimbursement of costs for capital projects that exceed the annual contribution. In summary, Fund 63 revenues and transfers in exceeded expenses by \$268,467.

The Wastewater Collection Capital Improvement Fund (64-4519) ended with a positive working capital of \$425,754. This amount is calculated by reducing the total fund balance by capital asset values, funds assigned for debt service repayment, and reserve targets as set by the Water and Wastewater Utility Rate Study. In turn, the amount in this report is the amount available for capital projects.

Total revenues including interest and the transfer from the Wastewater Operating Fund (62) were \$160,305. Expenditures including project costs and debt service totaled \$112,671. These expenditures were significantly lower than the budgeted amount, mostly because the Inflow and Infiltration Reduction Project continued to carry forward and is now expected to be completed in Fiscal Year 2023/2024.

The 2022 Water and Wastewater Utility Rate Study was approved in November 2022, and the first of five utility rate increases were implemented on January 1, 2023. An 8.5% increase was applied to water rates and a 5.4% increase was applied to wastewater rates. Future utility rate increases will assist the water and wastewater funds in curing deficits, funding projects and operations, and meeting reserve targets.

ENVIRONMENTAL REVIEW

Exempt per California Environmental Act (CEQA) Guideline, Section 15061(b)(3)

FISCAL IMPACT

Is there a Fiscal Impact? Yes

Is it Currently Budgeted? N/A

Where is it Budgeted? N/A

Is it Mandatory or Discretionary? Discretionary

Is there a Staff Resource Impact? Nominal

STRATEGIC PLAN GOAL

Is item Identified in Strategic Plan? Yes

If yes, Identify Strategic Goal and Objective. **Responsible Fiscal Policy:** The Town maintains its fiscal health through policies designed to maximize economic opportunities, manage expenses, and ensure prudent reserves.

Briefly Explain Relationship to Strategic Plan Goal and Objective. The fiscal year-end financial report closes all the accounting periods for the prior fiscal year after the audit is completed. This report accounts for adjustments made as required by the Governmental Accounting Standards Board (GASB) or other required reporting agencies. The results of this report may provide the Town Council an opportunity to allocate unassigned fund balance in the current fiscal year.