



3rd Quarter Financial Review

Review of Budget 2016-17 @ March 31, 2017

April 18, 2017

OVERVIEW

This report was created to present the 3rd Quarter Budget Review for FY 2016-17. At this time, except as noted below, revenue and operating expenditure trends are generally on target based on past trends.

Adjusted Budgets and Revenue Estimates. The majority of changes to revenue estimates have been made to reflect the carryover of unspent grant monies available to fund ongoing capital improvement costs while other changes have been made to reflect the latest information available as of March 2017. The expenditure budget values include adjustments for carryovers, encumbrances, the rollover of unspent, prior year capital improvement appropriations and any supplemental appropriations that have been approved at a prior council meeting.

3rd Quarter Budget Review. The City’s overall revenues and expenditures for this three quarters of the year are still in line with Mid-Year budget numbers created during the budget process last month. There are only minor adjustments that may be needed, and there are no major changes anticipated at this time. While certain expenses have been increased during the year, but these items were reallocated during the mid-year budget process.

GENERAL FUND

General Fund Financial Condition. At this time, we have completed 75% of the year with the General Fund revenues at 46.4% of projections and expenditures are at 80.0% as shown below:

	Budget	Actual	% Change
Revenues	6,376,165	2,958,447	46.4%
Expenditures	-6,910,770	-5,533,997	80.0%
Increase/(Decrease)	-534,605	-2,575,550	

Top Ten Revenues. Our top ten revenues account for about 85.5% of total General Fund revenues. By focusing on these, the reader gets an excellent understanding of the City’s revenue position.

Expected Revenues. These are revenues that due to the time of year, we have not received as yet, such as property taxes. We expect to receive the following:

We expect to receive the following:

Building Permits \$316K Electric Fran. \$115K
Vlf-in-lieu \$612K Sales Tax \$239K
Measure L \$334K Plan Check \$104K

Revenues levels will appear lower than the budgeted expectations at this time of year because amounts that will be received in the current year are not expected until later this month or May. We have received 51.8% of the top 10 revenues of the City. We do expect to receive an additional \$2,263,331 before the end of June due to property taxes distributions.

Top Ten Revenues	Budget	YTD Actual	%
VLF IN-LIEU	1,576,836	788,418	50.0%
Measure L – 1%	1,100,000	766,390	69.7%
SALES TAX REVENUE	634,706	395,535	62.3%
TDA NT REVENUE	572,913	0	0.0%
BUILDING/CODE ENFORCEMNT	354,460	38,492	10.9%
PROPERTY TAX - SECURED	280,856	220,230	78.4%
REFUSE FRANCHISE	215,624	190,129	88.2%
PLAN CHECK FEES	147,254	43,288	29.4%
ELECTRIC FRANCHISE	115,000	0.00	0.0%
SANITATION FRANCHISE FEE	115,000	115,000	100.0%
Total	5,122,020	2,652,457	51.8%

Sales Tax. Results to-date are closer to budget estimates than it appears. Due to the “triple flip,” the City only receives 75% of our base revenues from monthly State apportionments. The remaining 25% is remitted to the City from the County in January and June in the form of in-lieu property tax payments.

Property Tax. The first major apportionment of 2016-17 taxes will not occur until May 2017.

Property Tax In-Lieu of VLF. This revenue source is received in two annual payments; the first payment won’t be received until May 2017, along with the first apportionment of property tax revenues.

Measure L – 1%. These taxes are received at the same time as the Sales Tax Revenues and since are directly attributable to sales in the City of Arvin, are higher than sales tax received from the state.

Business Tax. The renewal cycle for business tax occurs during the first quarter of the fiscal year; therefore most of the revenue was collected in January.

Development Review Fees. We will continue to monitor these revenues, but unless another builder starts construction in Arvin, these will not grow in the next year due to a lawsuit settled in 2008. These fees are expected to be below projections for the current year .

A major impact to the budget were attorney fees and engineering fees.

Description	Traffic	Park	Sewer
Revenues	0	0	0
Balance, Start of Year	1,194,995	330,865	821,780
Balance	1,194,995	330,865	821,780

ENTERPRISES FUNDS

Enterprise fund revenues and expenditures are consistent with past trends. Please refer to the following charts for more details.

Expenditures. Operating costs are generally on target for the first quarter of the year as summarized below:

Sanitation Fund

Expenditures By Type	Budget	YTD Actual	% Expended
Staffing	3,084,460	2,635,761	85.5%
Legal	846,123	630,351	74.5%
Insurance	435,674	318,334	73.1%
Other operating costs	1,120,654	569,242	50.8%
Professional services	586,784	559,363	95.3%
Minor capital	291,417	295,288	101.3%
Interest expense	14,395	14,395	100.0%
Kern County Fire Services	531,263	531,263	100.0%
Total	6,910,770	5,553,997	80.0%

Description	Budget	YTD Actual	Percent
Revenues	2,353,516	1,678,158	71.3%
Expenditures			
Operating programs	2,057,867	1,590,046	77.3%
Profit / Loss	295,648	88,111	29.8%
Other Sources (Uses)	0	0	0%
Balance, Start of Year	5,149,356	5,149,356	-
Balance	5,445,000	5,584,609	-

A majority of Sanitation fund revenues are received through property taxes receipts from the County and will not be reflected in our books until December and January.

The two key variances in the spending trend shown have not changed from the prior report. The first relates to insurance costs, due to the payment in July of the City’s full annual premium for liability, workers compensation and property insurance. Contract Services amounts include values that are encumbered at the start of the year. Departmental operating expenditures are generally on target:

Transit Fund

Expenditures	Budget	YTD Actual	% Expended
Administration	1,661,638	1,402,354	84.5%
Adobe Complex	47,519	36,657	81.0%
Animal Control	154,671	142,158	91.9%
Buildings & Grounds	49,382	40,611	91.9%
Community Development	438,768	508,368	115.9%
Recreation Center	23,904	18,022	75.5%
Mayor & Council	51,755	36,271	70.1%
Parks & Grounds	171,952	152,963	89.0%
Police	2,217,850	2,124,748	95.8%
Maintenance & Infrastruct.	70,666	59,792	100.7%
Capital Projects	667,892	45,405	21.1%
Measure L 1% Sales Tax	1,354,770	959,780	70.8%
Total Expenditures	6,910,770	5,533,997	80.0%

Description	Budget	YTD Actual	Percent
Revenues	718,134	105,257	14.7%
Expenditures			
Operating programs	757,449	498,726	65.8%
Profit/(Loss)	-39,314	-393,469	
Other Sources (Uses)	0	393,469	
Fund Balance, Start of Year	134,257	134,257	-
Balance	94,943	134,257	

A substantial portion of Transit Fund revenue (equal to 77% of total revenues) is from Federal & State grants that are received periodically through the fiscal year.

For More Information: This summary is based on detailed information produced by the City’s financial management system. If you would like additional information, or have any questions about the report, please call Finance at 661-854-3134.