



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
Tara Astran, Budget Specialist
DATE June 6, 2023
SUBJECT: Fiscal Year 2023-24 Adoption of Gann Limit, City-Wide Budget and Five-Year Capital Improvement Plan for Fiscal Years 2024-2028

Description Adoption of the FY2023-24 Gann limit, citywide budget and five-year Capital Improvement Plan.

Background and Analysis:

Gann Limit

In November 1979, Proposition 4 (Gann Initiative) was adopted by the State of California. Proposition 4 created Article XIII B of the State Constitution placing limits on the amount of revenue which can be spent by all entities of government. Proposition 4 was modified by Proposition 111 in June 1990. Proposition 111 provided new adjustment formulas for the calculation of the annual appropriations limit.

The appropriations limit is based on actual appropriations during the 1978-79 fiscal year and is increased each year using the growth of population and inflation. Not all revenues are restricted by the appropriations limit, only those that are referred to as “proceeds of taxes.”

The limit is calculated by using the prior year’s limit and applying growth factors as appropriate. The growth factors are determined by 1) the change in population in either the City or the County, and 2) the change in per capita income or non-residential new construction.

These growth factors increased the appropriations limit from \$110,645,062 for FY 2022-23 to \$123,832,391 for FY 2023-24.

As identified in **Attachment D**, the revenues subject to the appropriation limit for FY 2023-24 total is \$51,836,358. The City is well below the Gann limit for the upcoming fiscal year.

Citywide Budget

The City Council met on December 20, 2022, to review and give input to City staff on the budget timeline, as well as to set up the strategic planning workshop date and time. On January 28, 2023, the City Council and stakeholders held a strategic planning workshop to discuss the City Council's priorities and goals in which to provide staff direction within the budget process. On April 18, 2023, the City Council reviewed the general fund portion of the first draft of the City-wide budget and established a date and time for a second meeting to discuss the remainder of the budget as well as uses of unprogrammed funds. On May 9, 2023, the City Council was given a re-cap of the general fund budget and went into detail on the Wastewater budget as well as all other funds. There was discussion on the unprogrammed funds, and it was decided by the City Council that \$3.3M of the funds would be appropriated to projects including a development impact fee (DIF) study with the remainder of approximately \$4.0M remaining unprogrammed.

Budget Overview

The City has three major operating funds (General Fund, Wastewater Fund and Transit Fund). Revenues and expenditures for FY 2023-24 for these three funds are as follows:

Operating Fund	Revenues	Expenditures
General Fund	\$67,789,803	\$67,789,803
Wastewater	\$13,422,801	\$13,603,377
Transit	\$2,993,669	\$2,993,669

The Short-Range Transit Plan was approved by the City Council on May 2, 2023. It is incorporated into the overall budget and is subject to approval by the Riverside County Transportation Commission (RCTC).

General Fund Highlights

- Revenues have **increased** from the FY 2022-23 budget by \$5.3 million or 8.5%.
- Expenses have **decreased** from the FY 2022-23 budget by <\$14.4 million> or <21.3%>, including enhancements and additions to the CIP, due to funding large projects in the current FY 2022-23 budget. Unprogrammed FY 2022-23 revenues of \$7.3M and \$18.15M of available fund balance reserves was allocated to projects.
- 18½ new positions were added totaling \$2,423,243.
- The City Manager is recommending a reclassification of 9 positions (**Attachments K and L**).

- Operating cost enhancements totaling \$1,967,648.
- Capital projects totaling \$6,522,079.
- Revenues exceed expenses by \$4,715,794 which is available for City Council appropriation throughout FY 2023-24. This balance has been moved to a Fund Balance Contingency line item in the budget to keep track of it and to show a balanced budget. This amount is higher than the estimated \$4.0M talked about at the last budget workshop mainly due to unforeseen last-minute changes to contracts, as well as revised estimated personnel costs for the enhancement positions coming in lower than the original estimated costs.

A summary for the General Fund revenues is included as **Attachment E**. A summary of General Fund expenses by department is included as **Attachment F**.

Wastewater Fund Highlights

- Revenues have increased from the FY 2022-23 budget by \$374,013 or 2.8%.
- Expenses have **decreased** from the FY 2022-23 budget by <\$1,175,326> or <8.2%>, after enhancements and CIP, mostly due to the \$1.0M Repair and Replace fund that was created for FY 2022-23 using fund balance.
- One new position was added for \$190k (Principal Engineer) and one was unfunded (Chief Plant Operator) totaling a positive \$20k variance.
- Operating cost enhancements totaling \$88,178.
- Capital projects totaling \$280,440.
- Expenses exceed revenues by \$180,576 and was agreed by the City Council to use the fund balance reserve to cover the overage.

A summary for the Wastewater Fund is included as **Attachment G**.

All Funds

In addition to the major operating funds, there are many funds that are used to support operations and segregated funds that must be used for specific purposes. These other funds include development impact fees, community facilities district fees, grants funds and state/county pass through funds.

All Funds	Revenues	Expenditures
	\$170,414,114	\$174,505,547

A summary for All Funds is included as **Attachment H**.

Capital Improvement Plan

Each year as part of the budgetary process, City Council adopts a five-year capital improvement plan (CIP) pursuant to California Government Code 65403. The City

Council reviewed the project requests for the FY 2023-24 budget at the April 18, 2023, budget workshop and additional projects were reviewed at the May 9, 2023, workshop.

Prior Year Capital Improvement Plan Project List

The Prior Year CIP project list is a culmination of prior CIP projects dating back to 2016, which are active and underway (**Attachment I**). The list indicates the status and funding source for each. Many of these projects are under design or construction.

Five-Year Capital Improvement Plan FY 2024-2028

The Five-Year CIP Plan is being presented for the City Council's approval (**Attachment J**). The project list continues to provide a balance of projects City-wide, including street improvements, public safety, quality of life, facility maintenance and wastewater system improvements based on priorities of City Council. Projects are categorized by funding source, some of the funding sources are restricted funds that must be used to increase capacity of infrastructure and for a purpose consistent with the specified impact fee.

All FY 2023-24 capital projects have been included in the FY 2023-24 City-wide Budget.

Fiscal Impact:

This item sets the City-wide budget for FY 2023-24 and provides expenditure authority for operations and capital improvements.

Recommended Action:

Hold a public hearing,

Waive the full reading and adopt by title only, "Resolution of the City Council of the City of Beaumont, Approving the Appropriation Limit for the 2023-24 Fiscal Year,"

Waive the full reading and adopt by title only, "Resolution of the City Council of the City of Beaumont, California, Adopting an operating Budget of Expenditures for the Period of July 1, 2023, to June 30, 2024," and

Waive the full reading and adopt by title only, "A Resolution of the City Council of the City of Beaumont Adopting a Five-Year Capital Improvement Plan for Fiscal Years 2023/2024-2027/2028 and Related Prior Year CIP Project List."

Attachments:

- A. Gann Resolution
- B. Budget Resolution
- C. CIP Resolution
- D. FY 2023-24 Gann Worksheet

- E. FY 2023-24 General Fund Revenues
- F. FY 2023-24 General Fund Expenditures by Department
- G. FY 2023-24 Wastewater Fund
- H. FY 2023-24 All Funds Summary
- I. Prior Year CIP Project List FY16-23
- J. Five Year Capital Improvement Plan FY 2024-2028
- K. Proposed FY2024 Organizational Chart
- L. Uniform Compensation Plan effective July 1, 2023