



Staff Report

TO: City Council

FROM: Jennifer Ustation, Finance Director
Robet Vestal, Public Works Director

DATE June 4, 2024

SUBJECT: Public Hearing for the Fiscal Year 2024-2025 Adoption of Gann Limit, City-Wide Budget, and Five-Year Capital Improvement Plan for Fiscal Years 2025-2029

Description Adopt by resolution the FY2024-2025 Gann Limit, FY2024-2025 City-Wide Budget, and the Five-Year Capital Improvement Plan for Fiscal Years 2025-2029

Background and Analysis:

As stated in the City of Beaumont Financial Management Policy, the annual budget is the primary mechanism for the implementation of City Council policies and the achievement of their goals and objectives. The budget is a policy document, operations guide, financial plan, and a communications device. It is the single most important means of setting spending policies and priorities of the City. It constitutes approval by the City Council of service levels and operating programs and provides resources to finance them. Expenditures must be kept within total appropriations for all Accounting Funds.

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 \$123,832,391 for FY 2023-2024 to \$130,919,921 for FY 2024-25.

As identified in **Attachment D**, the revenues subject to the appropriation limit for FY 2024-2025 total is \$49,070,416. The City is well below the Gann limit for the upcoming fiscal year.

Citywide Budget

On January 28, 2023, the City Council held an interactive strategic plan/goal setting workshop. The strategic planning process is an organizational management activity aimed at setting priorities, goals and objectives for an organization. Once those priorities are identified, it enables those responsible for carrying out those goals to focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals, establish agreement around intended outcomes/results, and assess and adjust the organizations' direction in response to a changing environment. As a part of the process, a community outreach survey circulated the community to obtain input from the residents. On November 7, 2023, the City Council had an interactive strategic plan meeting to review updates on the progress of the adopted strategic plan as the beginning of the budget process.

The City Council met on December 5, 2023, to review and give input to City staff on the budget timeline. On January 11, 2024, the department managers met to discuss the budget timelines and requirements for requesting any enhancements associated with their department programs. On January 22, 2024, the Finance and Audit Committee was presented with FY 2024-2025 Revenue budget assumptions which were used to build projected revenues. On April 16, 2024, the City Council approved the Short-Range Transit Plan. It is incorporated into the overall budget and was approved by the Riverside County Transit Commission.

On April 30, 2024, the City Council reviewed the first draft of the General Fund budget, department enhancement requests, and the updated Five-year Capital Improvement plan. The City Council was provided with a long-term financial forecast and available remaining fund balances during the process. At the meeting, the City Council provided directions to program \$400,000 of available General Funds to replace street signs throughout the city which leaves approximately \$1.3M of General Fund revenue

unprogrammed. These funds are available to be programmed throughout the year if needed. The City Council was also presented with the Wastewater proposed budget and requested enhancements. There were no changes requested.

Budget Overview

The City has three major operating funds (General Fund, Wastewater Fund and Transit Fund). Revenues and expenditures for FY 2024-2025 for these three funds are as follows.

Operating Fund	Revenues	Expenditures
General Fund	\$68,117,655	\$66,734,916
Wastewater	\$14,830,049	\$14,830,049
Transit	\$3,278,071	\$3,278,071

General Fund Highlights

- Revenues have **increased** from the FY 2023-2024 amended budget by \$264,552 or less than 1%.
- Expenses have **decreased** from the FY 2023-2024 amended budget by \$6.0million or 8%, including enhancements and additions to the CIP.
- 6.5 new positions were added totaling \$1,193,118; 10 Part-Time Seasonal positions \$39,785; 1 Police Officer funded by SLESA \$142,774.
- The City Manager recommended reclassification of 1 position- CSC to Recreation Coordinator \$5,867
- Operating cost enhancements totaling \$960,656.
- Capital projects totaling \$6,193,243. This includes the City Council recommendation of the City-wide Street sign replacement project.
- Revenues exceed expenses by \$1,382,739 which is available for City Council appropriation throughout FY 2024-2025.
- Funding sources for Programs by Departments have been budgeted and balanced **Attachment E**.

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

Wastewater Fund Highlights

- Revenues have **increased** from the FY2023-2024 budget by \$1.4million or 10%.

- Expenses have **increased** from the FY2023-2024 budget by \$884,827 or 6.4%. Personnel costs increased due to merits, but no new positions are requested. Operating costs increased due to Admin overhead, utilities and supplies. Contingency costs increased due to emergency repairs.
- Capital projects totaling \$180,000.

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

Transit Fund Overview

- Revenues have **increased** from the FY2023-2024 budget by \$245,301 or 7%.
- 1 new full-time position and 2 part-time positions were added totaling \$146,650.
- Capital projects totaling \$10,790,000 which include Beaumont City & Transit Yard, Vehicles Lifts and a Comprehensive operations analysis.
- FY2024-2025 Transit Budget is balanced.

A summary for the Transit Fund is included as **Attachment I**.

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, state/county pass through funds, and debt service funds.

All Funds	Revenues	Expenditures
	\$171,338,816	\$165,740,736

A summary for All Funds is included as **Attachment J**. Most of these funds are used to support programs or capital improvements and are transferred into the funds making the expenditure. A Schedule of Transfers has been included as **Attachment K**.

Personnel Changes

Personnel changes have been outlined in the highlights. A schedule of personnel changes has been included as **Attachment L**.

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 2024-2025 budget on the April 30, 2024, budget workshop.

Five-Year Capital Improvement Plan FY 2025-2029

An updated Five-Year Capital Improvement Plan is presented for the City Council to review and approve (**Attachment C**). 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. These projects include the request made on April 30, 2024, for Street Sign replacements.

All FY 2024-2025 capital projects have been included in the FY 2024-2025 Citywide Budget.

Fiscal Impact:

This item sets the city-wide budget for FY 2024-2025 and provides expenditure authority for operations and FY 2024-2025 capital improvements.

The estimated cost to prepare this report is \$2,000.

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 2024-2025 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, 2024 to June 30, 2025," 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 2025-2029"

Attachments:

- A. Gann Resolution
- B. Budget Resolution
- C. CIP Resolution and Project List
- D. FY 2024-25 Gann Worksheet
- E. FY 2024-2025 Programs by Department with Funding Sources
- F. FY 2024-2025 General Fund Revenues
- G. FY 2024-2025 General Fund Expenditures by Department
- H. FY 2024-2025 Wastewater Fund
- I. FY 2024-2025 Transit Fund
- J. FY 2024-2025 All Funds Summary
- K. FY 2024-2025 Schedule of Transfers
- L. FY2024-2025 Schedule of Personnel Changes