



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE February 4, 2025
SUBJECT: FY2024-2025 Mid-Year Budget Report

Description Receive and file FY2024-2025 mid-year budget report.

Background and Analysis:

Overview

As per the City of Beaumont Financial Management Policy, a mid-year budget report will be presented to the Mayor and City Council for review and discussion as an action item on a City Council agenda. This report provides financial data for the six months of the fiscal year from July 1, 2024, to December 31, 2024, and provides the City Council with a broader look of the City's financial picture at the mid-point of the fiscal year. The report focuses on the current fiscal year and provides an analysis of adopted budget revenues and expenditure appropriations.

Economic Outlook

National Economy

According to Beacon Economics' 2025 at the start of 2025, the U.S. economy remains on a strong growth trajectory, with real GDP averaging 3% over the past nine quarters and household finances in robust condition. Incomes have outpaced inflation over the past five years, and household debt levels are declining, contributing to record-high net worth and improved, though still significant, inequality levels. Despite these positive economic indicators, voter sentiment was subdued leading up to the 2024 election, driven by perceptions of inflation and economic pessimism. President Donald Trump's second term inherits a resilient economy, but the administration's immediate focus may amplify current trends rather than address critical long-term vulnerabilities.

The primary risks stem from unsustainable fiscal and financial imbalances. The Federal deficit has widened to 7% of GDP, and the debt-to-GDP ratio is a staggering 120%, raising concerns about fiscal sustainability. Additionally, asset markets show signs of

significant overvaluation, with stock market capitalization exceeding 200% of GDP and Bitcoin crossing \$100,000. While the Federal Reserve has eased interest rates and continues quantitative tightening, these measures may not be sufficient to contain the looming risks. Trump's economic policies, including potential tax cut extensions and deregulation, are likely to support short-term growth but exacerbate imbalances, making the eventual economic correction more severe and potentially destabilizing.

California Economy

California continues to demonstrate resilience as a leading economic powerhouse, contributing 14% of the nation's GDP and maintaining a real median household income nearly 11% higher than the national average. Real GDP growth in the state is keeping pace with national trends, growing 2.8% between the first two quarters of 2024, and surpassing regional averages in the Far West. Politically, the rejection of ballot measures for rent control and minimum wage increases in the November elections highlight a potential rightward shift in the state's electorate. Despite balancing its 2024-2025 budget, California remains heavily reliant on tech-driven revenues, exposing itself to risks tied to market volatility. The state's fiscal health is projected to face significant deficits in the coming years, underscoring the fragility of its dependence on high-income taxpayers and the tech industry.

Looking ahead, challenges tied to labor market strain, international migration policies, and tariff proposals from the incoming Trump administration pose additional risks. California's unemployment rate has risen to 5.4%, and domestic migration remains net-negative, with international migration serving as a crucial stabilizer for workforce and economic growth. Proposed tariffs on imports from Mexico and China may increase costs for consumers and producers, while the elimination of federal EV tax credits could hinder the state's clean energy progress. However, California's commitment to renewable energy initiatives and sustained EV incentives reflects its proactive approach to mitigating these challenges. The state faces a precarious balancing act as it navigates these economic pressures, relying on innovation and fiscal prudence to maintain its resilience.

City of Beaumont

The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 5.3% in November 2024, a slight decrease from 5.5% in October, and remaining flat to a year-ago estimate of 5.3%. The unemployment rate was 5.4% in Riverside County, and 5.1% in San Bernardino County.

The City had an overall decline in total permit activity in calendar year 2024. Calendar year 2023 had a slight decrease from 2022 and in comparison, calendar year 2024 is

below calendar year 2023 by 28.5%. Below is a table representing the permit data for the City of Beaumont over the last ten calendar years. Total permit activity for 2023 had a decrease in permits issued from 2022 by .9% -(29).

Permit Information	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Dec
<i>Information for Total Permit figures includes all residential and commercial construction</i>												
Total Permits Issued	1517	2052	1907	2286	2704	2229	1555	2148	2998	2969	2,121	144
Total Permits Finals	1339	1674	1410	2001	2404	2319	1443	1385	2213	1975	2,063	146
Average a Month	138	138	159	191	225	185	129	179	249	247	176	
S/F Homes	390	457	446	745	707	531	275	475	883	658	285	11
S/F Homes Finals	448	405	333	552	536	629	335	277	766	533	535	35
Average a Month	36	38	37	37	59	44	23	36	69	54	23	
Commercial	67	81	93	88	107	124	109	124	160	116	135	8
Commercial Finals	53	63	65	99	51	104	93	75	81	89	101	11
Average a Month	6	7	8	7	9	10	9	10	13	9	11	
Population Totals	41,659	43,370	44,821	46,179	46,545	46,545	48,407	51,603	53,036	53,036	53,036	

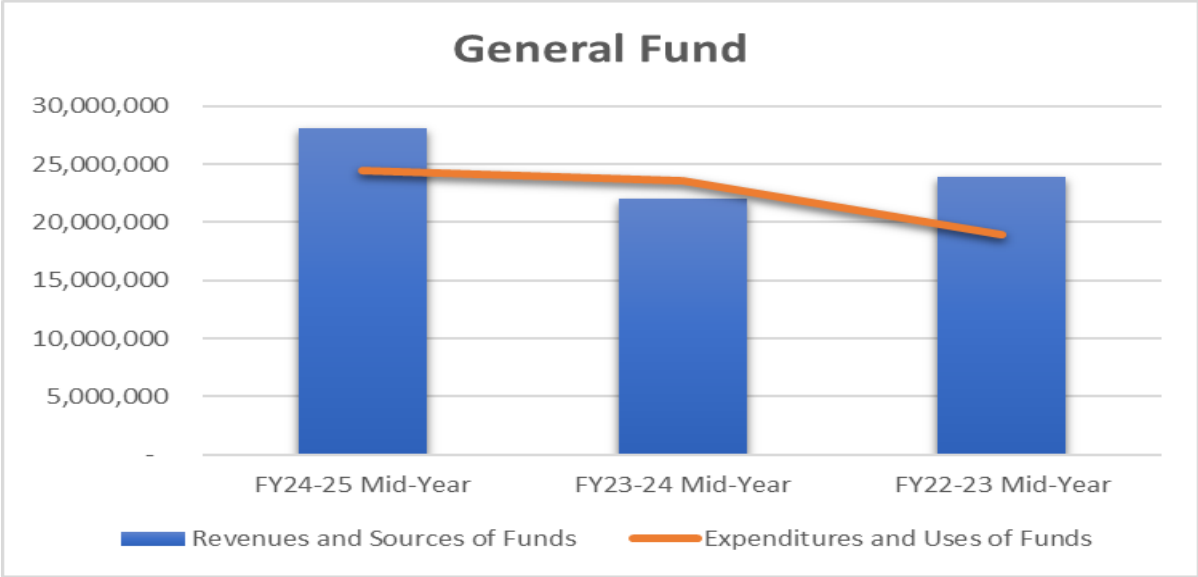
General Fund

Overview

As of December 31, 2024, General Fund Revenues and Sources of Funds totaled \$28M, an increase of 27.8% (\$6.1M) from the same point last year. Expenditure and Uses of Funds totaled \$24.5M, which is an increase of 3.8% (\$899k) from last year’s midway point.

For this period, July through December 2024, Revenues and Sources of Funds exceeded Expenditures and Sources of Funds by approximately \$3.6M. Several of the General Fund’s larger revenue streams, such as Property Taxes, are received in the latter half of the fiscal year. Historically, during the first six months of the fiscal year, the General Fund cash flow needs are reliant upon the City’s 16% Operating Reserve which prevents the City from having to borrow funds (i.e. issue tax and revenue anticipation notes), thereby avoiding additional interest and issuance expenses. However, the 1st quarter Sales Tax payment included a one-time \$6.22M California Department of Tax and Fee Administration (CDTFA) audit correction of a fulfillment center which pushed revenues ahead of expenditures this fiscal year.

The table below summarizes this activity for the current year, as well as the two previous years.

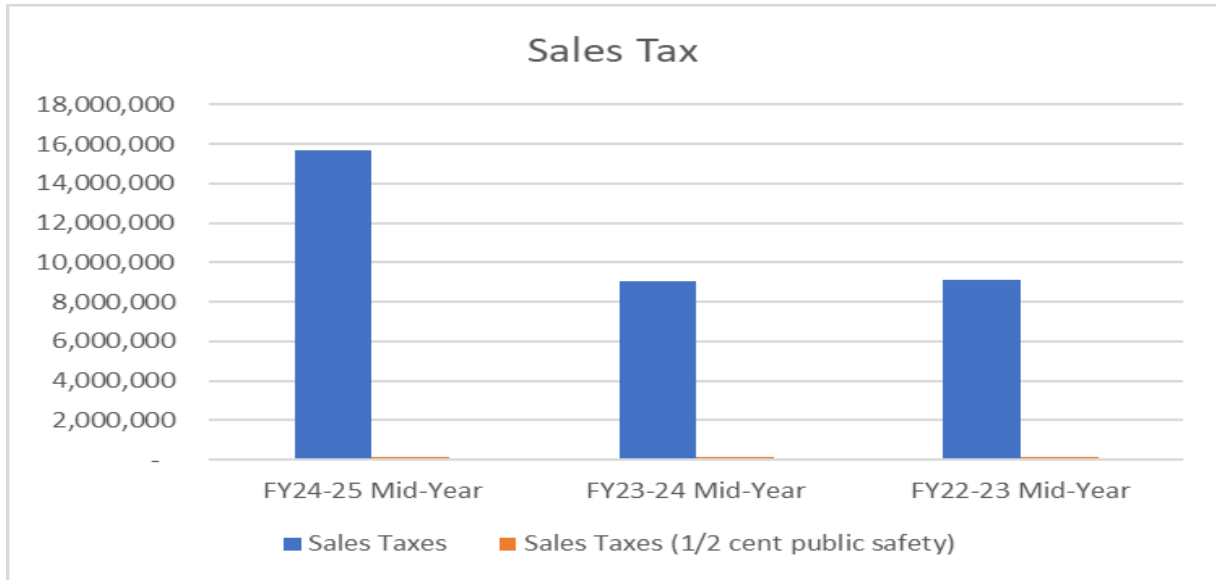


	FY24-25 Budget*	FY24-25 Mid- Year	% of Budget	FY23-24 Mid- Year	FY22-23 Mid- Year
Revenues and Sources of Funds	68,117,655	28,144,358	41%	22,006,377	23,942,908
Expenditures and Uses of Funds	73,202,815	24,472,983	33%	23,573,723	18,958,728

Revenue and Sources of Funds

The General Fund has many sources of revenues with the Tax category accounting for 74% of the total General Fund budget. The taxes category includes Property Tax, Sales Tax, and Other Taxes such as Utility Users Tax and Transient Occupancy Tax.

Sales Tax – Sales tax revenue is a significant source of tax revenue for the City of Beaumont. It is comprised of two components: the City’s share of the State sales tax rate and a voter approved 0.5% general sales tax for public safety. At the mid-year point of the fiscal year, sales tax receipts are up from the same point last year, with only revenue received as of October 2024. This is due largely to a one-time audit correction from a fulfillment center in the amount of \$6.2M. This amount will be excluded from the future budget since it is one-time. November and December 2024 Sales Taxes will record during third quarter. The table below summarizes these balances, as well as those of the two previous years.



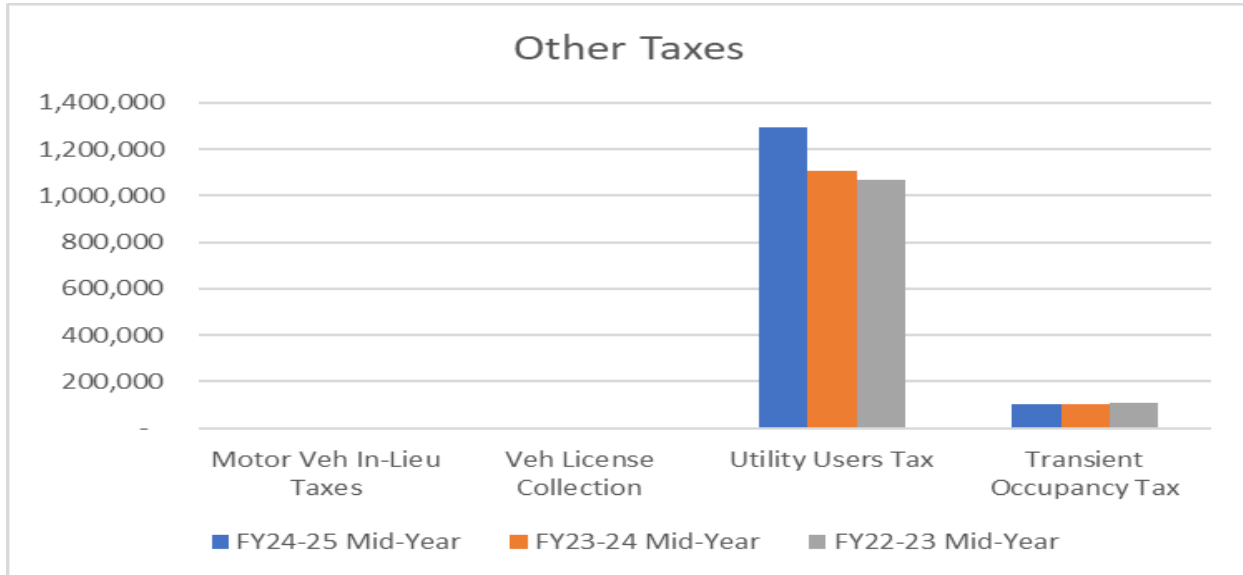
	FY24-25 Budget*	FY24-25 Mid- Year	% of Budget	FY23-24 Mid- Year	FY22-23 Mid- Year
Sales Taxes	27,385,276	15,659,895	57%	9,064,942	9,074,543
Sales Taxes (1/2 cent public safety)	257,634	106,835	41%	108,008	108,898

Property Taxes – Property tax revenue is comprised of two major components: real property taxes and personal property taxes. At the mid-year point of the fiscal year, property taxes are currently at 34% and expect the majority of this revenue to be received in the second half of the fiscal year. The table below summarizes these balances, as well as those of the previous two years.



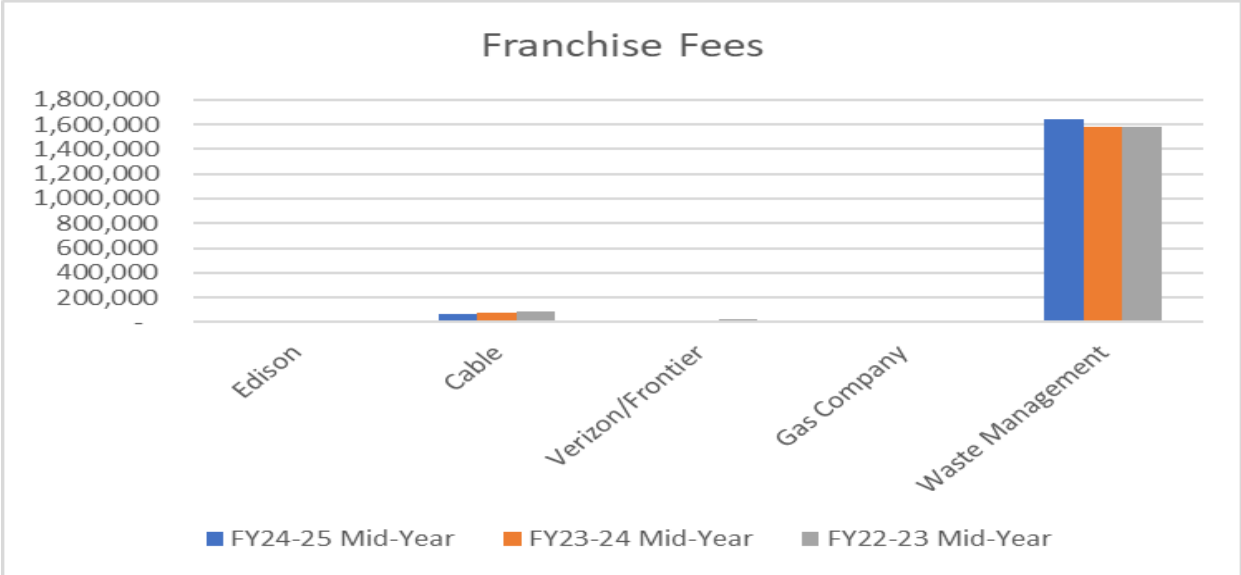
	FY24-25 Budget*	FY24-25 Mid- Year	% of Budget	FY23-24 Mid- Year	FY22-23 Mid- Year
Real Property Taxes	7,210,860	2,465,596	34%	2,103,058	1,827,858
Personal Property Taxes	266,098	387,650	146%	318,316	243,357

Other Taxes – Other taxes are comprised of Motor Vehicle In-Lieu Taxes, Vehicle License Collections, Utility Users Tax, and Transient Occupancy Tax. At the mid-year point of the fiscal year, other taxes are up 16% (\$190K) from the same point last year. The table below summarizes these balances, as well as those of the previous two years. Most of this revenue is received in the second half of the fiscal year.



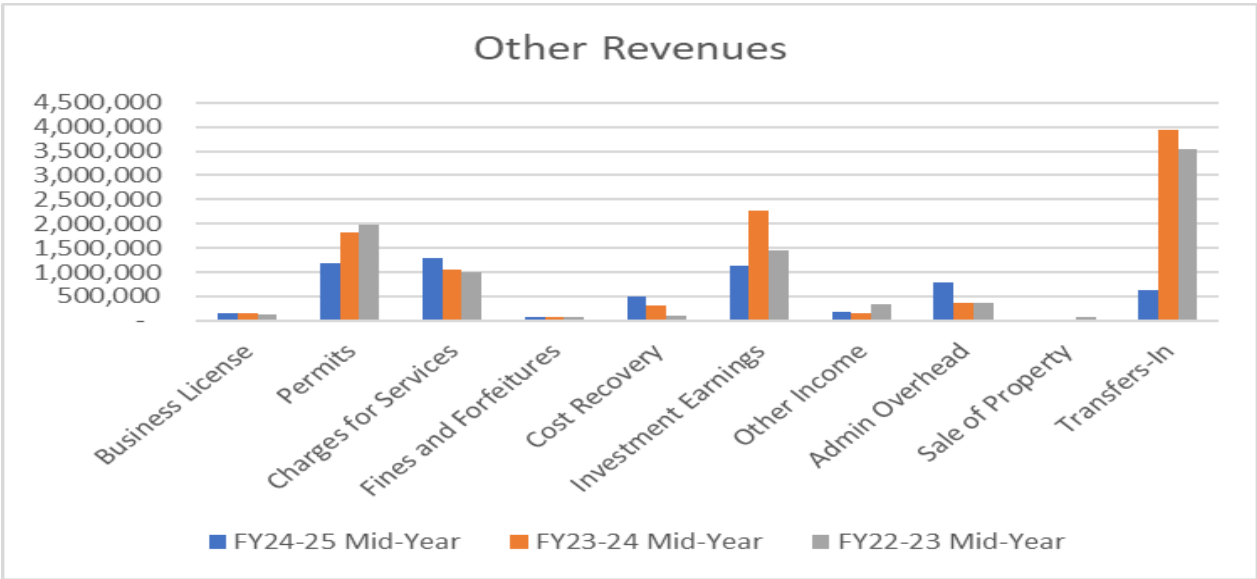
	FY24-25 Budget*	FY24-25 Mid- Year	% of Budget	FY23-24 Mid- Year	FY22-23 Mid- Year
Motor Veh In-Lieu Taxes	8,123,441	-	0%	-	-
Veh License Collection	66,490	-	0%	-	-
Utility Users Tax	2,794,014	1,295,939	46%	1,104,723	1,067,237
Transient Occupancy Tax	436,566	102,024	23%	102,520	107,435

Franchise Fees – Franchise fees are collected from Edison, cable company providers, Verizon and Frontier, Gas Company, and Waste Management. At the midpoint of the fiscal year, franchise fees are up less than 3% (\$51K) from the same point last year. The table below summarizes these balances, as well as those of the two previous years.



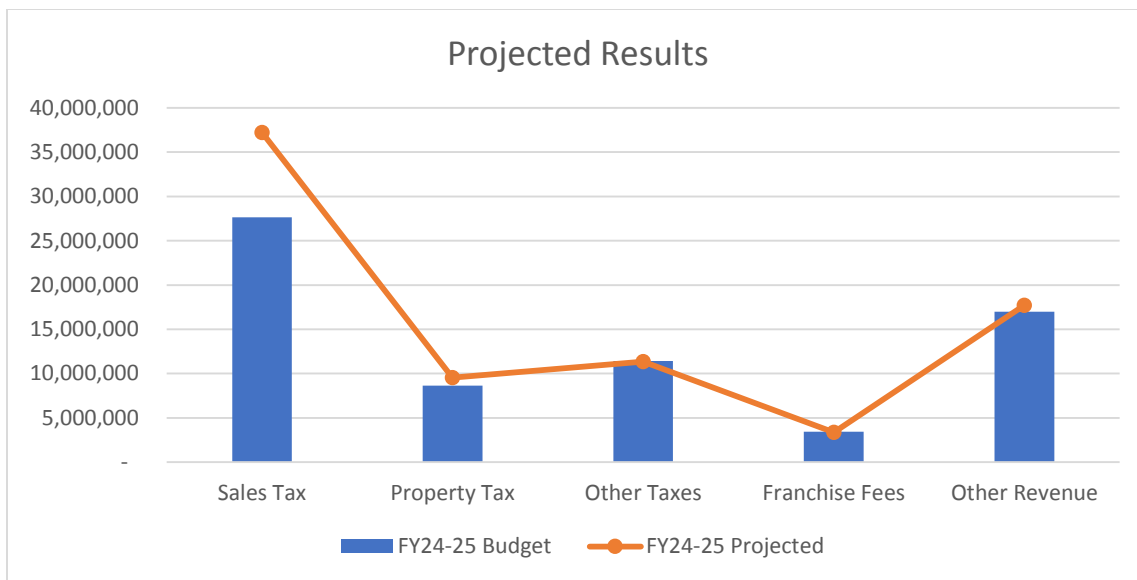
	FY24-25 Budget*	FY24-25 Mid-Year	% of Budget	FY23-24 Mid-Year	FY22-23 Mid-Year
Edison	654,592	-	0%	-	-
Cable	310,877	68,185	22%	75,090	83,020
Verizon/Frontier	85,762	13,616	16%	18,602	23,651
Gas Company	249,431	-	0%	-	-
Waste Management	2,121,000	1,638,000	77%	1,575,000	1,575,000

Other Revenue Categories – The remaining revenue categories represent 26% of total General Fund Revenues and Sources of Funds. The following table details the mid-year performance of each category for the current year, as well as the two most recent years.



	FY24-25 Budget*	FY24-25 Mid- Year	% of Budget	FY23-24 Mid- Year	FY22-23 Mid- Year
Business License	398,437	158,302	40%	149,549	133,455
Permits	2,204,998	1,180,218	54%	1,827,086	1,973,187
Charges for Services	2,666,801	1,298,446	49%	1,061,135	1,013,871
Fines and Forfeitures	174,194	75,603	43%	62,619	64,183
Cost Recovery	950,988	499,048	52%	314,265	99,963
Investment Earnings	1,575,134	1,133,404	72%	2,276,858	1,439,627
Other Income	174,781	177,235	101%	166,911	332,901
Admin Overhead	1,589,468	794,500	50%	375,000	375,000
Sale of Property	-	-	0%	817	83,664
Transfers-In	7,263,776	633,857	9%	3,929,309	3,549,755

By year end, these categories in total are projected to exceed budgeted amounts. Projected results for each major revenue category are shown in the following table.



	FY24-25 Budget	FY24-25 Projected	% of Budget
Sales Tax	27,642,910	37,228,777	135%
Property Tax	8,633,995	9,530,635	110%
Other Taxes	11,420,511	11,360,819	99%
Franchise Fees	3,421,662	3,345,686	98%
Other Revenue	16,998,577	17,722,400	104%
Total General Fund Revenue	68,117,655	79,188,317	116%

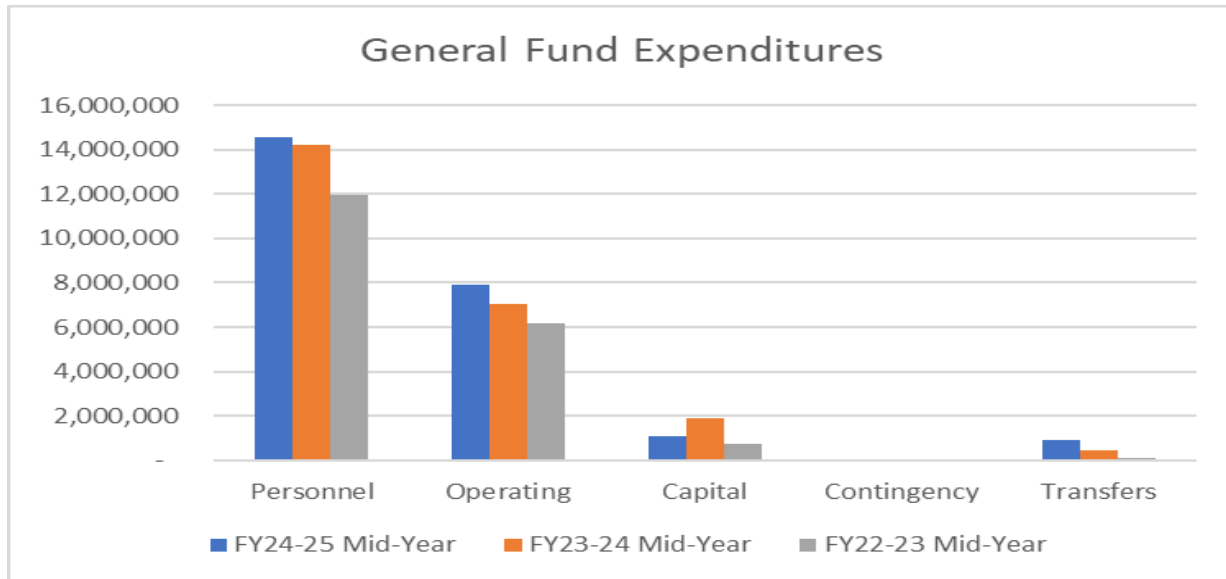
Expenditures and Uses of Funds

Expenditures and Uses of Funds are \$24.4M or 33% at midyear. This represents a 3.8% (\$988k) increase from the same point last year. The following table shows mid-

year expenditures organized by department for the current year, as well as the two preceding years.

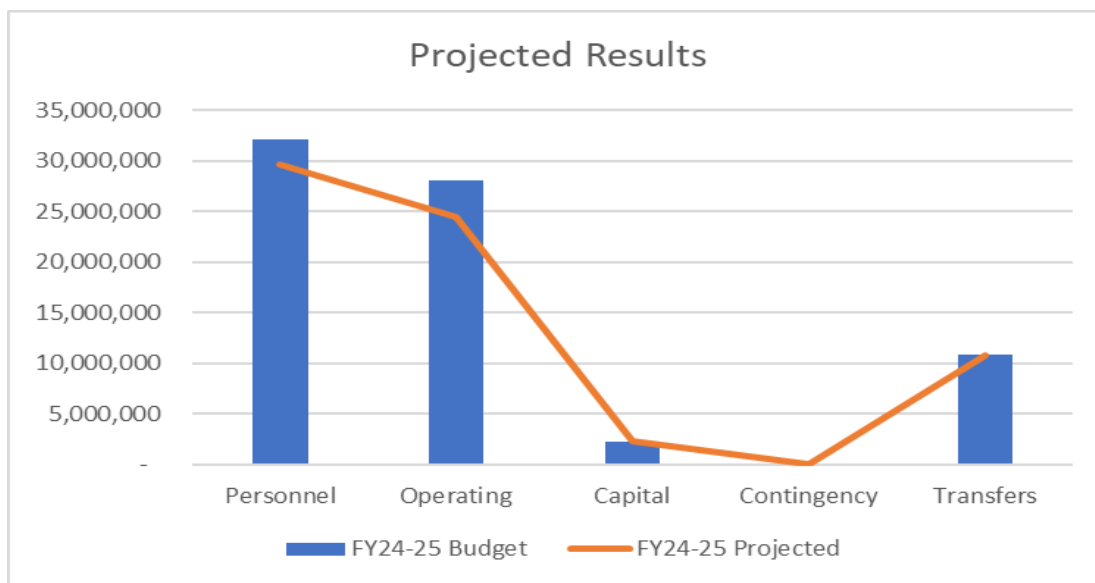
	FY24-25 Budget*	FY24-25 Mid- Year	% of Budget	FY23-24 Mid- Year	FY22-23 Mid- Year
Non-Departmental	11,400,845	917,939	8%	470,760	97,636
City Council	358,132	141,502	40%	30,032	22,510
City Clerk	736,213	210,799	29%	230,375	108,483
Administration	1,446,925	509,565	35%	468,840	435,404
Communications	603,904	203,405	34%	92,449	-
Finance	1,970,722	914,786	46%	861,174	713,235
IT	1,977,193	975,134	49%	1,063,324	814,957
Economic Development	2,005,145	266,951	13%	297,622	125,615
Risk and HR	3,780,143	2,882,358	76%	2,367,017	2,512,507
Legal	1,500,000	474,289	32%	576,492	476,279
Community Development	995,328	316,477	32%	382,361	270,620
Community Services	2,194,756	852,959	39%	930,163	478,192
Animal Control	372,247	149,443	40%	182,112	163,650
Community Enhancement	385,343	157,346	41%	158,516	142,260
Police	17,411,796	8,684,166	50%	8,466,708	7,386,028
K-9	17,463	6,980	40%	4,940	2,770
Police Support	3,310,412	1,355,033	41%	1,216,791	1,038,766
Fire	9,271,237	43,845	0%	58,057	86,886
Building and Safety	1,449,509	722,733	50%	566,278	571,619
Public Works	2,851,042	1,098,381	39%	1,114,844	575,614
Street Maintenance	3,033,478	1,225,065	40%	1,106,029	935,814
Building Maintenance	1,391,247	454,209	33%	532,954	406,955
Parks and Grounds	4,739,735	1,909,621	40%	2,395,885	1,592,930
Total General Fund Expenditures	73,202,815	24,472,986	33%	23,573,723	18,958,730

General Fund expenses are also shown by category in the following table.



	FY24-25 Budget*	FY24-25 Mid- Year	% of Budget	FY23-24 Mid- Year	FY22-23 Mid- Year
Personnel	32,065,631	14,582,573	45%	14,203,220	11,938,020
Operating	27,997,128	7,889,664	28%	7,044,581	6,184,860
Capital	2,272,313	1,075,816	47%	1,881,905	719,571
Contingency	75,000	7,089	9%	14,352	18,640
Transfers	10,792,743	917,836	9%	429,663	97,635
Total General Fund Expenditures	73,202,815	24,472,978	33%	23,573,721	18,958,726

By year end, these categories in total are estimated to total less than budgeted amounts. Projected results for each expenditure category are shown in the following table.



	FY24-25 Budget	FY24-25 Projected	% of Budget
Personnel	32,065,631	29,667,731	93%
Operating	27,997,128	24,487,509	87%
Capital	2,272,313	2,272,313	100%
Contingency	75,000	75,000	100%
Transfers	10,792,743	10,792,743	100%
Total General Fund Expenditures	73,202,815	67,295,296	92%

Fund Balance

Fund balance is comprised of reserves and designations for specific operating needs or purposes. The 16% Working Capital Reserve is used to provide sufficient cash flow during the first half of the fiscal year, primarily resulting from timing differences between expenditures and revenues. The Budget Stabilization Reserve is established for the

purpose of stabilizing delivery of services during periods of budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures. The Emergency Disaster Reserve is to cover emergency costs related to any disaster caused by nature or human. Any remaining fund balance is available for City Council appropriation or can be reserved for future appropriation.

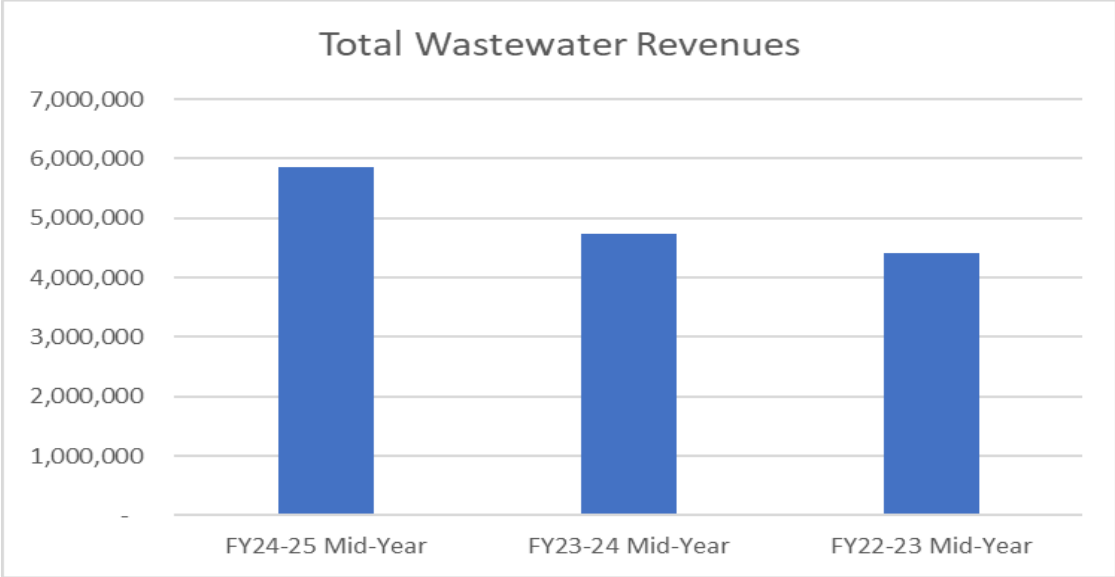
The unassigned fund balance at the start of the fiscal year was \$15M. On September 3, 2024, the City Council re-appropriated unexpended expenditures from FY2023-2024 in the amount of \$1.4M. On October 1, 2024, the City Council approved a CIP budget amendment to program 3.9M of the assigned reserves balance to the Police Station Land Purchase. Taking into consideration projected revenues and expenditures at the fiscal year-end, fund balance is expected to total approximately \$49M. The following table illustrates projected reserve balances at year-end.

	07/01/24 Fund Balance	6/30/25 Estimated Fund Balance
16% Cash Flow Reserve	11,553,283	11,553,283
Budget Stabilization Reserve	5,000,000	5,000,000
Emergency Disaster Reserve	1,000,000	1,000,000
Assigned Reserves	5,253,242	
Unassigned Fund Balance	15,024,686	32,002,867
	37,831,211	49,556,150

Wastewater Fund

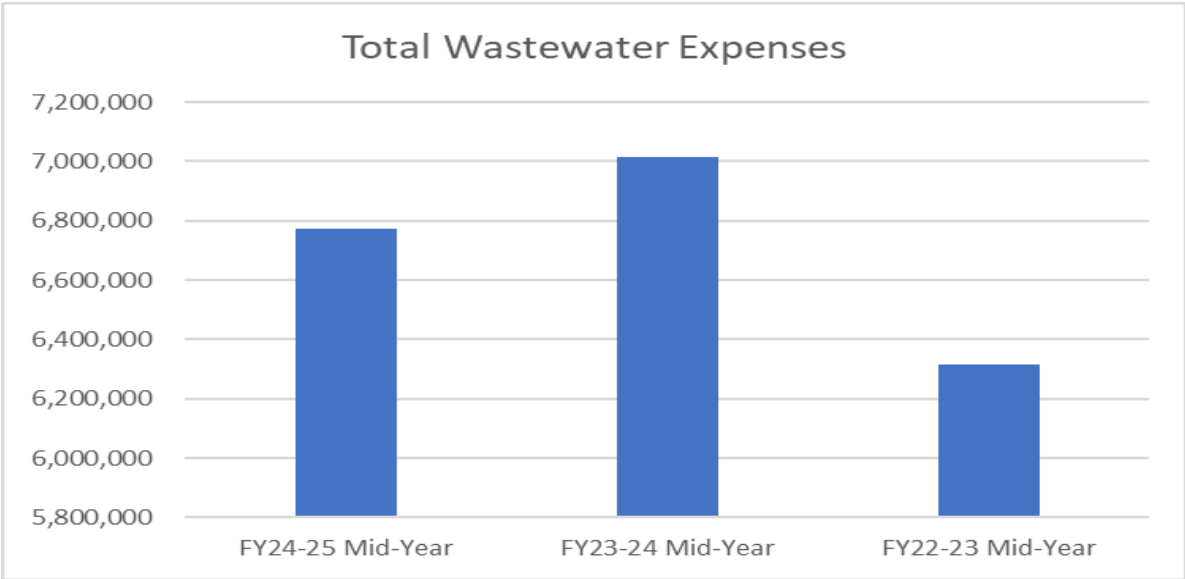
As of December 31, 2024, Wastewater Revenues and Sources of Funds totaled \$5.8M, an increase of 23% (\$1.1M) from the same point last year. Expenses and Uses of Funds totaled \$6.8M, which is approximately a decrease of 3.4% (\$240k) from last year's midway point.

Revenues – The Wastewater revenues are projected to increase by \$1.9M mostly from an increase in investment revenue and sewer service charge fees. Sewer service charge fees are billed bi-monthly, and the mid-year report represents two billings. The following table details the mid-year performance of each category for the current year, as well as the two most recent years.



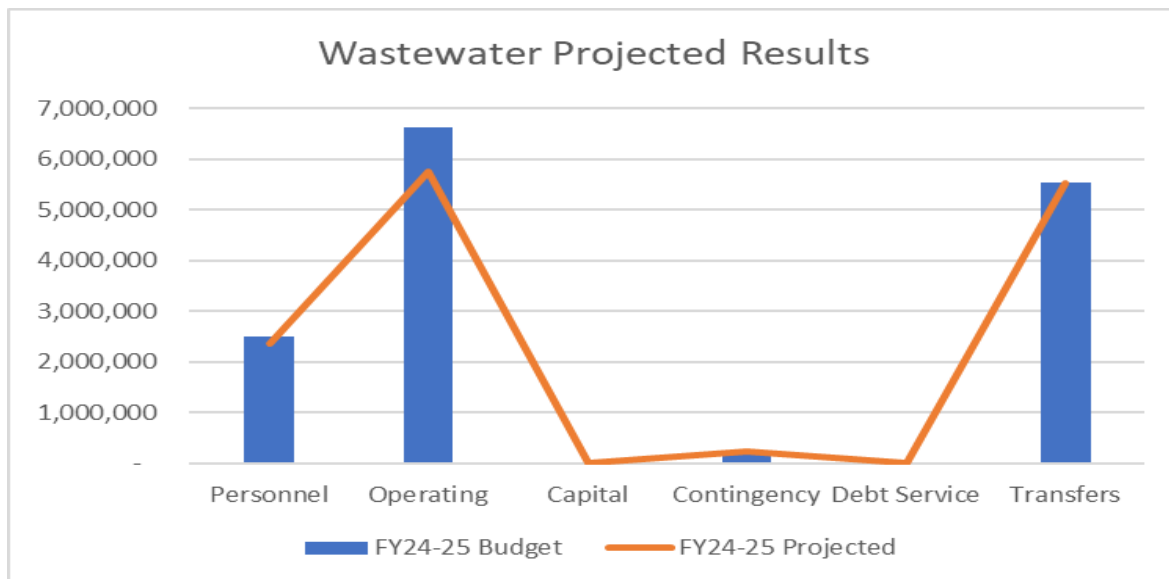
	FY24-25 Budget*	FY24-25 Mid- Year	% of Budget	FY23-24 Mid- Year	FY22-23 Mid- Year
Permits	-	-	0%	-	-
Fines and Forfeitures	-	5,000	0%	-	-
Cost Recovery	3,500	167,304	4780%	-	-
Miscellaneous	113,921	141,646	124%	123,134	63,387
Proprietary Revenues	14,712,628	5,545,783	38%	4,616,793	4,344,911
Other Financing Sources	-	135	0%	2,660	3,092
Transfers	-	-	0%	-	-
Total Wastewater Revenues	14,830,049	5,859,868		4,742,587	4,411,390

Expenses - Expenses and Uses of Funds are \$6.8M or 45% at midyear. This represents a 3.4% (\$240k) decrease from the same point last year. The following table shows mid-year expenditures organized by category for the current year, as well as the two preceding years.



	FY24-25 Budget*	FY24-25 Mid- Year	% of Budget	FY23-24 Mid- Year	FY22-23 Mid- Year
Personnel	2,509,844	1,221,706	49%	1,179,807	1,181,372
Operating	6,619,309	2,249,458	34%	2,045,046	1,602,568
Capital	-	-	#DIV/0!	240,306	254,202
Contingency	237,440	-	0%	-	-
Debt Service	346	-	0%	-	-
Transfers	5,524,250	3,301,543	60%	3,547,608	3,278,069
Total Wastewater Expenses	14,891,189	6,772,707	45%	7,012,767	6,316,211

By year end, these categories in total are estimated to total less than budgeted amounts. Projected results for each expenditure category are shown in the following table.



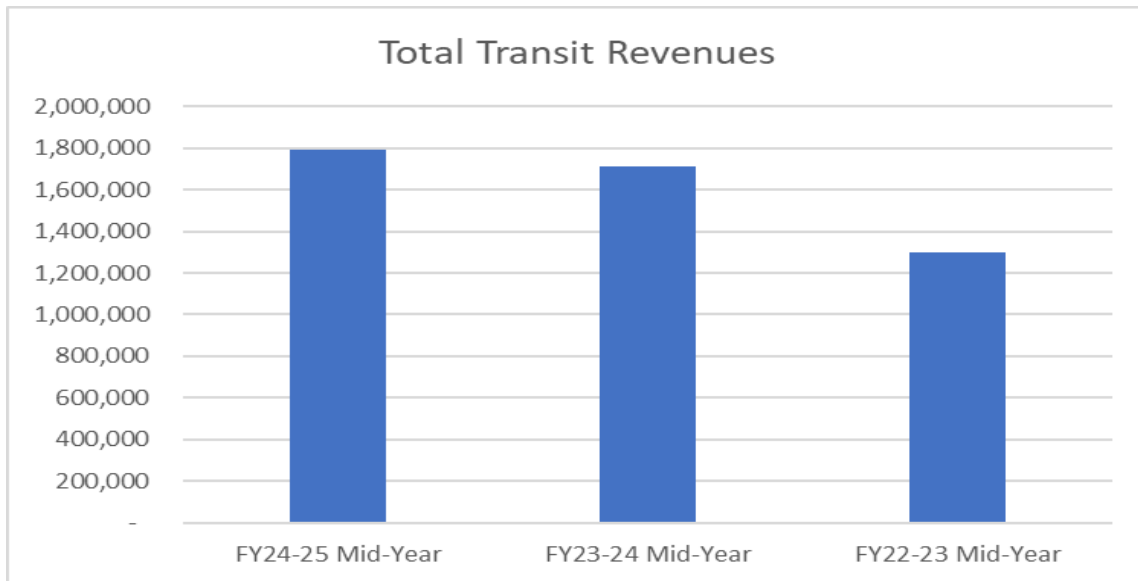
	FY24-25 Budget	FY24-25 Projected	% of Budget
Personnel	2,509,844	2,364,849	94%
Operating	6,619,309	5,739,325	87%
Capital	-	-	0%
Contingency	237,440	237,440	100%
Debt Service	346	346	100%
Transfers	5,524,250	5,524,250	100%
Total Wastewater Expenses	14,891,189	13,866,210	93%

Transit Fund

As of December 31, 2024, Transit Revenues and Sources of Funds totaled \$1.7M, an increase of 4.6% (\$75k) from the same point last year. Expenses and Uses of Funds

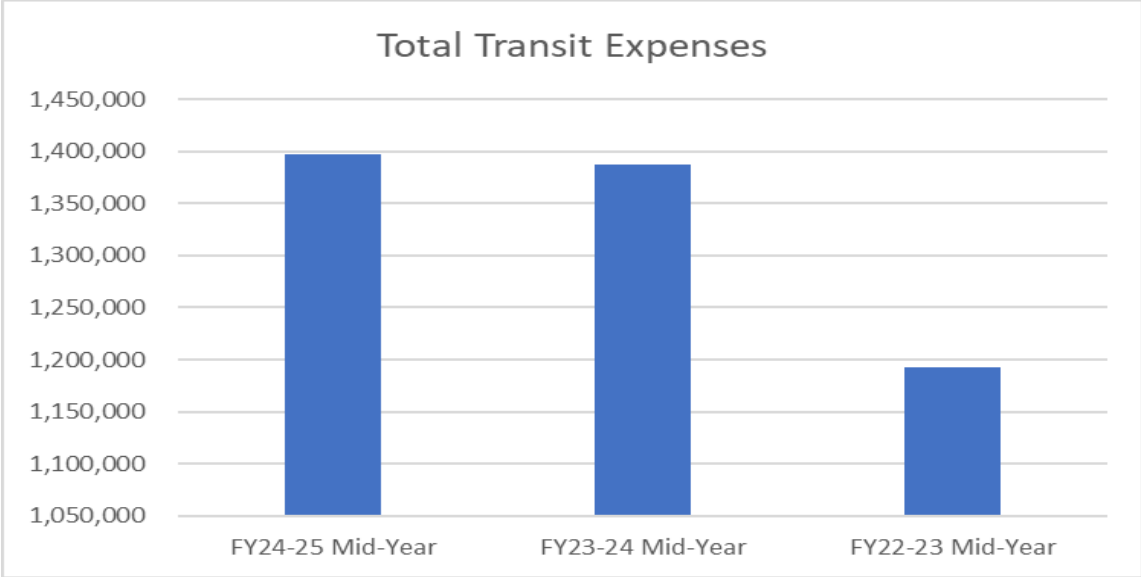
totaled \$1.4M, which is approximately an increase of less than 1% (\$9k) from last year’s midway point.

Revenues – The Transit revenues are projected to increase 5% (\$177k), mostly from an increase in investment earnings and EV charging. EV Charging station revenues are journaled monthly, and the route fees are received daily. The following table provides details on transit revenues.



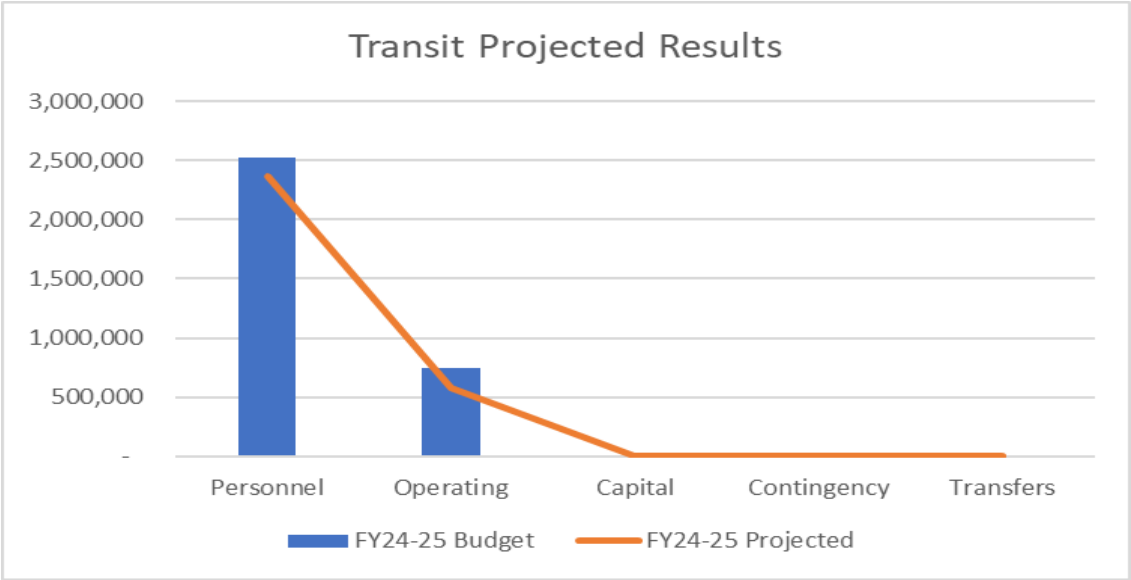
	FY24-25 Budget*	FY24-25 Mid-Year	% of Budget	FY23-24 Mid-Year	FY22-23 Mid-Year
	-	-	0%	-	-
Taxes	199,000	99,500	0%	84,500	90,667
Intergovernmental	2,989,021	1,557,829	52%	1,633,616	1,124,125
Miscellaneous	42,500	104,770	247%	(36,840)	56,378
Proprietary Revenues	47,550	29,099	61%	30,979	19,639
Other Financing Sources	-	-	0%	3	6,870
Transfers	-	-	0%	-	-
Total Transit Revenues	3,278,071	1,791,198		1,712,258	1,297,679

Expenses - Expenses and Uses of Funds are \$1.4M or 46% at mid-year. This represents less than 1% (\$9k) increase from the same point last year. The following table shows mid-year expenditures organized by category for the current year, as well as the two preceding years.



	FY24-25 Budget*	FY24-25 Mid-Year	% of Budget	FY23-24 Mid-Year	FY22-23 Mid-Year
Personnel	2,527,682	1,169,202	46%	1,105,989	975,528
Operating	742,693	223,776	30%	277,951	214,330
Capital	7,696	3,848	50%	3,103	3,058
Contingency	-	-	0%	-	-
Transfers	-	-	0%	-	-
Total Transit Expenses	3,278,071	1,396,826	43%	1,387,043	1,192,916

By year end, these categories in total are estimated to total slightly less than the budgeted amounts. Projected results for each expenditure category are shown in the following table.



	<u>FY24-25 Budget</u>	<u>FY24-25 Projected</u>	<u>% of Budget</u>
Personnel	2,527,682	2,370,221	94%
Operating	742,693	582,778	78%
Capital	7,696	7,696	100%
Contingency	-	-	0%
Transfers	-	-	0%
Total Transit Expenses	<u>3,278,071</u>	<u>2,960,695</u>	<u>90%</u>

Other Funds

Governmental Funds

Other funds of the City are used to segregate resources that are for a specific purpose. All governmental fund positions at the midpoint are listed in the attached Treasurer Reports.

Propriety Funds

When the City charges customers for certain services it provides, these services are generally reported in proprietary funds. There are two types of proprietary funds: enterprise fund (business-type activities) and internal service funds (internal allocation costs) included in the attached Treasurer Reports.

Recommended Grant Budget Amendments

Public Works - Solid Waste, SB 1383 Local Assistance Grant. \$94,778 of the prior FY23/24 balance is being requested for State procurement requirements, education and outreach to the community and equipment.

Building – LEAP Local Early Action Planning Grant, \$10,275 of Enterprise Permitting and Licensing (EPL) upgrade costs reimbursed by the grant.

Recommended General Fund Budget Amendments

As the year progresses, certain items and issues arise that are unforeseen in the budget process. These items are brought forth to Council in requested budget amendments. The following are recommended budget amendments for the General Fund.

New positions were approved by City Council for Planning (Associate Planner) and Public Works (Environmental Compliance Specialist and Assistant Engineer). The recommended budget amount request is \$53,881 for the remainder of the fiscal year.

Community Enhancement – Requesting \$39,725 for contractual services to implement new processes and programs, and contractual services for upgrade to the EPL system.

Movement of funds between departments – Decrease \$15,734 from Street Maintenance department and increase \$15,734 for Public Works to cover DMV costs for the dump truck.

Self-Insurance Fund Budget Adjustments

The Self-Insurance Fund is used for settlements and claims arising from litigation activity within the City. In the current budget interest was not accounted for, the recommended budget increase to revenue is \$160,000. The City has also had to pay a settlement in the amount of \$160,000 and supplies in the amount of \$820. The recommended budget increase to expenditures is \$160,820.

Capital Improvement Program Mid-Year Updates

The Capital Improvement Plan (CIP) outlines a schedule of public service expenditures. The CIP does not address all of the capital expenditures for the City, but provides for large, physical improvements which are permanent, including the basic facilities, services and installations needed for the functioning of the community. The CIP also includes major contractual contracts that can stem over multiple years or use funds that have been provided through development.

A public hearing on the CIP will be held prior to this item. CIP amendment budget adjustments have been included in the attachments.

Fiscal Impact:

The estimated cost to prepare this report is \$960.

The General Fund budget amendments will reduce unprogrammed revenues and increase spending authority by \$93,606.

The Other Grants Fund spending authority will increase by \$94,778; the Grants Fund will increase revenue and expenditures by \$10,275, and the Self-Insurance Fund will increase revenues by \$160,000 and increase spending authority by \$160,820.

The CIP budget amendments will reduce the General Fund Balance by \$700,000, reduce Traffic Signal DIF balance by \$100,000, reduce the AQMD Fund balance by \$50,000, reduce Road and Bridge DIF balance by \$300,000, and reduce the ISF Facilities balance by \$400,000.

Recommended Action:

Receive and file the FY2024-25 midyear budget report and approve attached budget amendments.

Attachments:

- A. Department Requested Budget Amendments
- B. CIP Budget Amendments
- C. Treasurer Reports Governmental Funds
- D. Treasurer Reports Proprietary Funds