



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: June 3, 2025
SUBJECT: Fiscal Year 2025-2026 Adoption of Gann Limit, City-Wide Budget and Five-Year Capital Improvement Plan

Description The purpose of this item is to request City Council consideration and adoption of three key fiscal planning documents for the City of Beaumont: (1) the Gann Appropriations Limit for Fiscal Year 2025-2026, (2) the Citywide Operating Budget for Fiscal Year 2025-2026, and (3) the Five-Year Capital Improvement Plan (CIP) for Fiscal Years 2025-2026 through 2029-2030, including the related prior-year project list. Together, these documents establish the City's financial plan for the upcoming fiscal year and support long-range infrastructure planning aligned with community needs and Council priorities.

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 revenues 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 \$130,919,921 for FY 2024-2025 to \$139,496,687 for FY 2025-2026.

As identified in the resolution as **Attachment A** and worksheet as **Attachment B**, the revenues subject to the appropriation limit for FY 2025-2026 total is \$52,876,765. The City is well below the Gann limit for the upcoming fiscal year.

Citywide Budget

On January 29, 2025, the City Council held an interactive strategic planning 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 was circulated to obtain input from the residents.

The City Council met on December 17, 2024, to review and give input to City staff on the budget timeline. On January 13, 2025, the department managers met to discuss the budget timelines and requirements for requesting any enhancements associated with their department programs. On January 27, 2025, the City Council Finance and Audit Committee was presented with FY 2025-2026 Revenue budget assumptions which were used to build projected revenues. On May 6, 2025, the City Council approved the Short-Range Transit Plan which is incorporated into the overall budget and is subject to approval by the Riverside County Transportation Commission.

On April 22, 2025, the City Council reviewed the first draft of the General Fund and Enterprise Fund department enhancement requests, and the proposed Five-Year Capital Improvement Plan. The City Council was provided with a long-term financial forecast during the process which included all the enhancement requests with potential future revenue reduction of sales tax and debt financing for a future police station. At the meeting, the City Council discussed the projected budget surplus of \$405k and determined to leave it as a surplus.

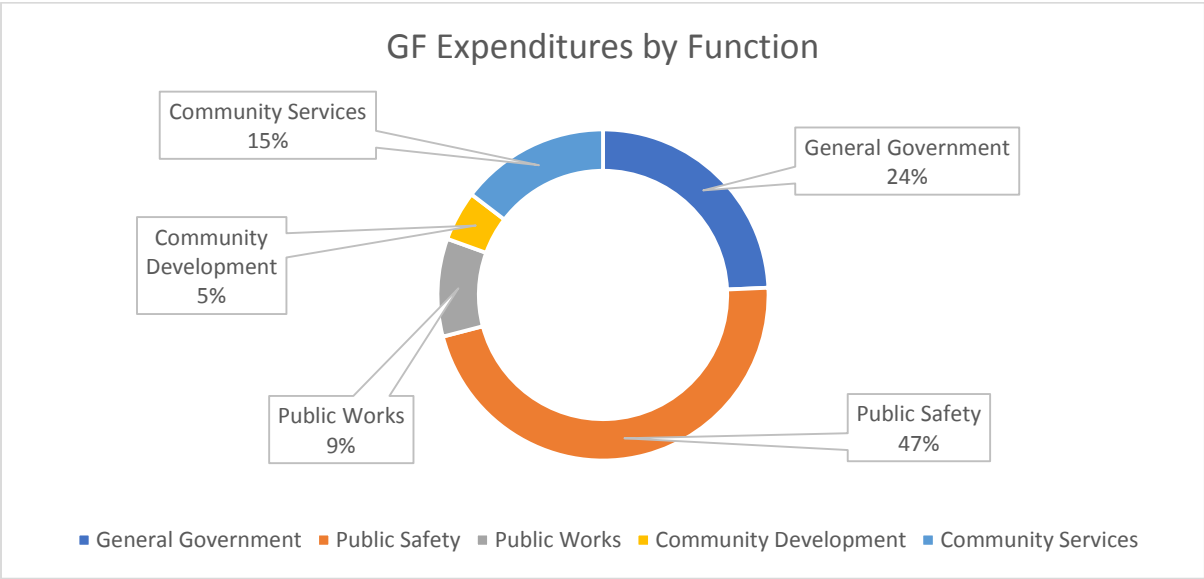
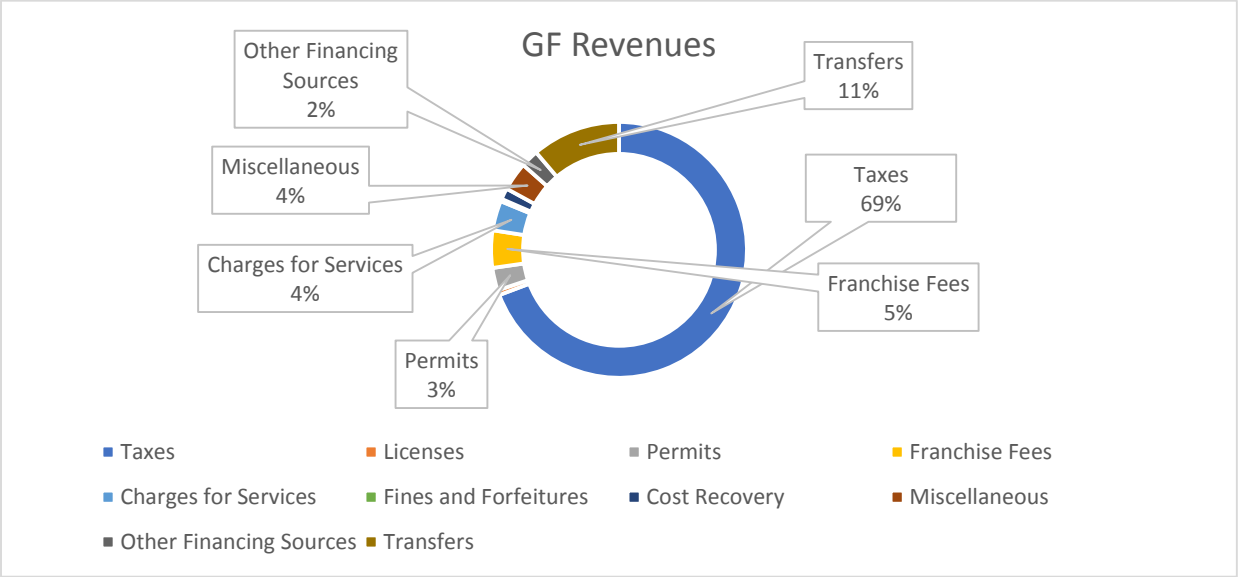
Budget Overview

The City has three major operating funds (General Fund, Wastewater Fund, and Transit Fund) as reflected in the adoption resolution **Attachment C**. Revenues and expenditures for the FY 2025-2026 for these three funds are as follows:

Operating Fund	Revenues	Expenditures
General Fund	\$72,401,809	\$72,115,162

Wastewater	\$16,245,917	\$16,245,917
Transit	\$3,626,365	\$3,626,365

General Fund Highlights



- Revenues have increased from FY 2024-2025 adopted budget by \$4.2M or 6%.
- Expenditures have decreased from FY 2024-2025 adopted budget by \$5.3M or 8%.
- 26.5 new positions were added, totaling \$3.4M.
- Operating costs enhancements totaling \$2.5M.
- Capital projects total \$500K.

- Revenues exceed expenditures by \$286,647, available for City Council appropriation throughout FY 2025-2026.
- Funding sources for Programs by Departments have been budgeted and balanced **Attachment D**.

**Changes in budget surplus from budget workshop include refinement of personnel cost estimates, contract addition and inflation, and inclusion of strategic plan software.*

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

Wastewater Fund Highlights

- Revenues and expenses have increased from Fiscal Year 2024-2025 budget by \$1.4M or 9.5%.
- 1 new position was added totaling \$198,503.
- Capital projects totaling \$235K.

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

Transit Fund Overview

- Revenues and expenses have increased by \$348K or 10.6%.
- 1 position upgrade totaling \$48K.
- Capital projects totaling \$272K.

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

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
	\$172,795,275	\$166,895,707

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

Capital Improvement Plan

Each year as a 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 Fiscal Year 2025-2026 budget at the April 22, 2025, budget workshop.

Prior Year Capital Improvement Plan

The Prior Year Capital Improvement Plan Fiscal Year 2025-2029 (**Attachment K**).

Five-Year Capital Improvement Plan

An updated Five-Year Capital Improvement Plan is presented for the City Council to review and approve (**Attachment M**). 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 sources, 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 Fiscal Year 2025-2026 capital projects have been included in the Fiscal Year 2025-2026 Citywide Budget.

Furthermore, City staff is proposing to revise one CIP project and to close eight projects.

BUDGET CHANGES

T25-01 Beaumont City & Transit Yard: City staff is requesting to close out Grant funded Transit projects T-08, T-12, T-13, T-20, T-21, T25-04, and transfer the remaining funds to T25-01 Beaumont City & Transit Yard as well as adding an additional Grant - STA funds received for FY 26.

Budget	Change	Funding Source	New Budget
\$10,300,000	\$22,264	Grant - STA	\$11,320,838
	\$998,574	Grant – STA (Closed Projects)	

CLOSED PROJECTS

CIP Project	Reason for Closure
T-08 Fleet Video Cameras	Project is complete
T25-04 Portable RNG Compressor	Project cancelled following feasibility assessment
T-12 2- Electric Support Vehicles	Project is complete
T-13 Shop Truck	Project is complete
T-20 Shop Support Vehicle Replacement 24-02	Project is complete
T-21 7 CNG Rider II Replacement Vehicles 24-01	Project is complete
T23-02 Microtransit Feasibility Analysis	Incorporated into T25-03 Comprehensive Operation Analysis
T24-03 Bus Stop Place Improvement Plan	Incorporated into T25-03 Comprehensive Operation Analysis

Fiscal Impact:

Adoption of the Fiscal Year 2025-2026 Citywide Budget, Gann Appropriations Limit, and Five-Year Capital Improvement Plan establishes the City's legal expenditure authority for operations, services, and capital investments for the upcoming fiscal year. The proposed FY 2025-2026 budget includes \$172.8 million in total projected revenues and \$166.8 million in expenditures across all funds, resulting in a structurally balanced budget. The General Fund projects a surplus of \$286,647, providing flexibility for unanticipated needs or future Council appropriation. Approval of the Five-Year CIP allocates funding for critical infrastructure improvements through FY 2029/2030. Adoption of the Gann Limit resolution ensures compliance with State constitutional spending limits.

The estimated cost to prepare this staff report is \$1,500.

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 2025-2026 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, 2025 to June 30, 2026,” 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 2025/2026-2029/2030 and Related Prior Year CIP Project List.”

Approve FY2025-2026 Requisition List.

Attachments:

- A. Resolution – Adopting the Gann Limit FY26
- B. GANN Worksheet
- C. Resolution – Adopting the FY26 Budget
- D. Program Costs with Support Revenues
- E. Budget Report General Fund Revenues
- F. Budget Report General Fund Expenditures by Department
- G. Budget Report Wastewater Fund
- H. Budget Report Transit
- I. Budget Report All Funds
- J. FY26 Schedule of Transfers
- K. Prior CIP 2025-2029
- L. CIP Resolution
- M. Five Year Capital Improvement Plan
- N. CIP Change Log
- O. City Council Requisition Approval List FY25/26