



## Staff Report

**TO:** City Council  
**FROM:** Jennifer Ustation, Finance Director  
**DATE:** February 7, 2023  
**SUBJECT:** FY2022-2023 Mid-Year Budget Report

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**Description** Receive and file FY2022-2023 Mid-Year Budget Report for activity from July 1, 2022, to December 31, 2022, including review and approval of recommended budget amendments and Capital Improvement Plan updates.

### **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, 2022, to December 31, 2022, 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 HDL Companies, (the City's sales tax analysis service) the national GDP has functionally stagnated; it was roughly the same level in Q3 of 2022 as it was in Q4 of 2021. During that period, prices in the U.S. rose sharply. In response to both underlying inflation and the Federal Reserve's rate hikes, interest rates have shot up, rising from record lows to levels that align with long term historical averages. While interest rates are not high from a long run perspective, their rapid increase from such a low floor has sent asset markets reeling. Today's economy is fragile and highly susceptible to further negative shocks. Beacon Economics does not view a recession as a foregone conclusion as many other forecasts have suggested. However, it should be acknowledged that certain choices by policymakers in the months ahead could trigger an economic crisis.

The U.S. economy is not currently in a recession despite the lack of overall GDP growth. Despite the addition of 4 million payroll jobs since the start of this year, the U.S. unemployment rate remains well below 4% and the job openings rate is at 6.3%, well above the pre-pandemic peak of 4.8%. At the same time, industrial production is at a record high, manufacturing orders are still rising, and overall inventories remain low. The U.S. economy is clearly operating at capacity, the exact opposite of what economists refer to as a 'recession' – a period which an economy, driven by some type of negative shock, produces less than it could. In contrast, today's economy is one that is running at full speed. The U.S. is struggling with meeting demand, rather than a lack of demand.

### *California Economy*

Employers in the state have struggled to hire workers and fill positions. Typically, there are more unemployed workers in the state than there are job openings, but since the outbreak of the pandemic, this paradigm has flipped. Since October 2021, there have been more job openings in California than there are workers to fill the positions, meaning that worker availability has been the primary constraint on job growth in the state.

In October, California's economy reached a milestone, having finally recovered all jobs that were lost during the outset of the pandemic. The state reached this milestone more slowly than the national economy and many other states, because California is experiencing a pronounced labor shortage. States that exhibited labor force expansion have also had the highest job growth, while job counts have yet to recover pre-pandemic levels in states where the labor force contracted significantly. This phenomenon has also played out regionally within California, with job recovery closely tied to labor force expansion in many counties across the state.

The drop in homes sales has led to an increase in the number of available homes on the market, although the current level remains far below pre-pandemic inventories. This means that, despite the drop-off in sales, housing supply in the state remains incredibly constrained. Tight housing supply will have two consequences. First, when interest rates begin to fall, the consequent increase in buyers will again place upward pressure on housing prices. Second, while prices can and may go lower (prices have already started to turn down slightly), there is not enough supply in the market to provide the type of overheating that could lead to acute price declines.

To meaningfully lower the costs of home ownership in California, the supply of housing must increase, particularly in the state's largest metropolitan areas. California, given its high housing prices, is a net exporter of workers with lower level of earnings and formal education, and a net importer of workers with higher levels of formal education. This

represents a key policy challenge for the state as the economy produces (and needs) jobs that pay a range of wages. Ultimately, California, and particularly its large metropolitan areas, needs to allow more housing development to increase overall supply and prevent its lowest income workers from being priced out of the state.

### *City of Beaumont*

The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 4.2 percent in November 2022, up from a revised 4.0 percent in October 2022, and below the year-ago estimate of 5.4 percent. The unemployment rate was 4.2 percent in Riverside County, and 4.1 percent in San Bernardino County. Almost all sectors of jobs increased over the year, remaining consistent with the state results.

The City continues to see growth in development. Below is a table representing the permit data for the City of Beaumont over the last ten calendar years. Permit activity for 2022 had an increase in permits issued by 39.5% (850).

<b>Permit Information</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total Permits Issued	1030	1552	1517	2052	1907	2286	2704	2229	1555	2148	2998
Total Permits Finals	928	959	1339	1674	1410	2001	2404	2319	1443	1385	2213
Average a Month	86	129	138	138	159	191	225	185	129	179	249
S/F Homes	273	500	390	457	446	745	707	531	275	475	833
S/F Homes Finals	223	307	448	405	333	552	536	629	335	277	766
Solar PV on New S/F	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	475	833
Average a Month	23	42	36	38	37	37	59	44	23	36	69
Commercial	80	106	67	81	93	88	107	124	109	124	160
Commercial Finals	89	85	53	63	65	99	51	104	93	75	81
Average a Month	7	9	6	7	8	7	9	10	9	10	13
<i>Population Totals</i>	<i>39,317</i>	<i>40,472</i>	<i>41,659</i>	<i>43,370</i>	<i>44,821</i>	<i>46,179</i>	<i>46,545</i>	<i>48,407</i>	<i>48,407</i>	<i>51,063</i>	<i>55,280</i>

## **General Fund**

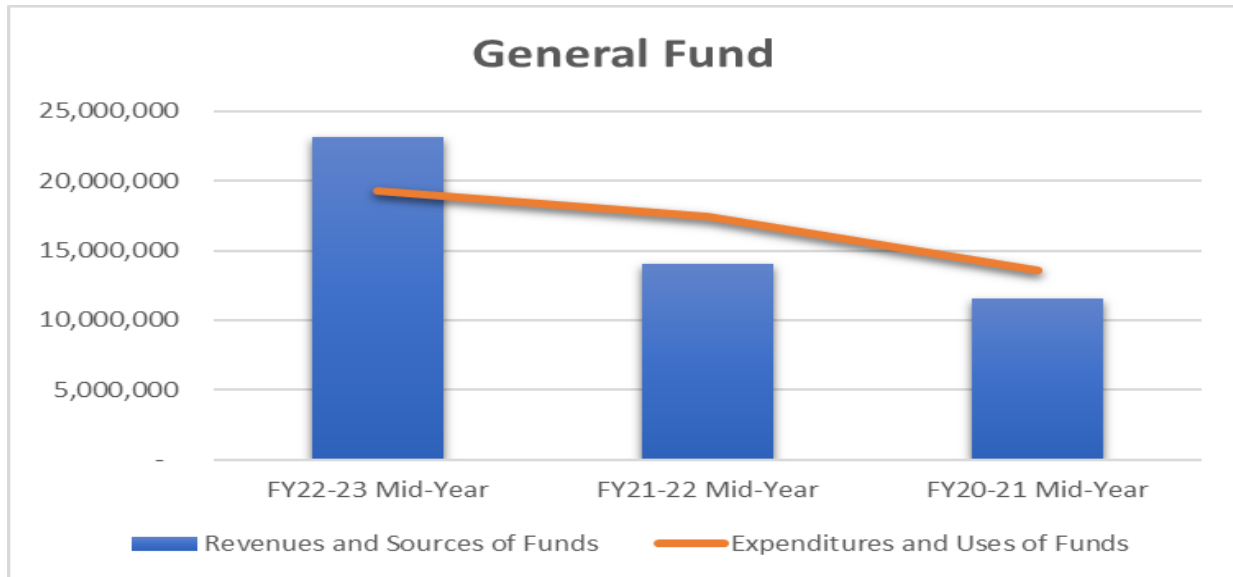
### *Overview*

As of December 31, 2022, General Fund Revenues and Sources of Funds totaled \$23.1M, an increase of 100% (\$11.6M) from the same point last year. Expenditures and Uses of Funds totaled \$19.3M, which is approximately 10.9% (\$1.9M) from last year's midway point.

For this period, July through December 2022, Revenues and Sources of Funds exceeded Expenditures and Uses of Funds by approximately \$3.8M. 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 month 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 City has recently seen a large increase in sales tax revenue, which was not fully programmed in operating costs for the current fiscal year.

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

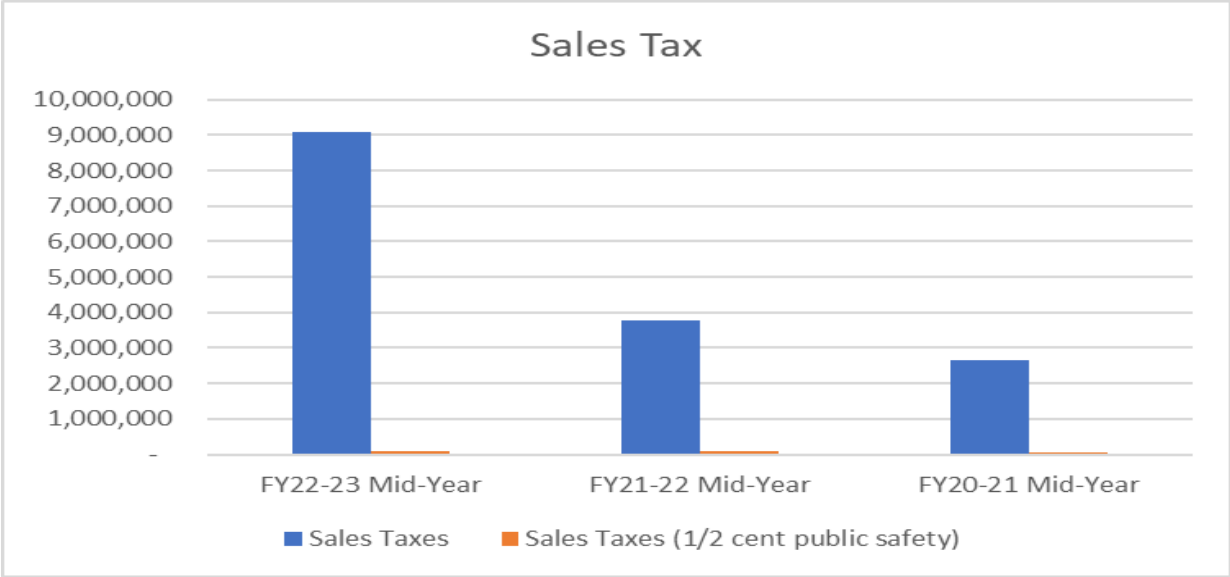


	FY22-23 Budget*	FY22-23 Mid-Year	% of Budget	FY21-22 Mid-Year	FY20-21 Mid-Year
Revenues and Sources of Funds	60,668,702	23,113,249	38%	14,035,302	11,508,793
Expenditures and Uses of Funds	79,615,482	19,297,333	24%	17,433,555	13,557,435

### *Revenue and Sources of Funds*

The General Fund has many sources of revenues with the taxes category accounting for 68% 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 has become the largest 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 134% (\$5.2M) from the same point last year. The table below summarizes these balances, as well as those of the two preceding years.



	<u>FY22-23 Budget*</u>	<u>FY22-23 Mid- Year</u>	<u>% of Budget</u>	<u>FY21-22 Mid- Year</u>	<u>FY20-21 Mid- Year</u>
Sales Taxes	24,634,104	9,074,544	37%	3,788,432	2,645,238
Sales Taxes (1/2 cent public safety)	227,463		0%	94,146	55,929

The City receives estimated monthly sales tax payments with a trued up quarterly payment every third month. The HDL forecast for sales taxes anticipate amounts above budget by approximately \$3.4M mostly due to large increases in the business/industry sector.

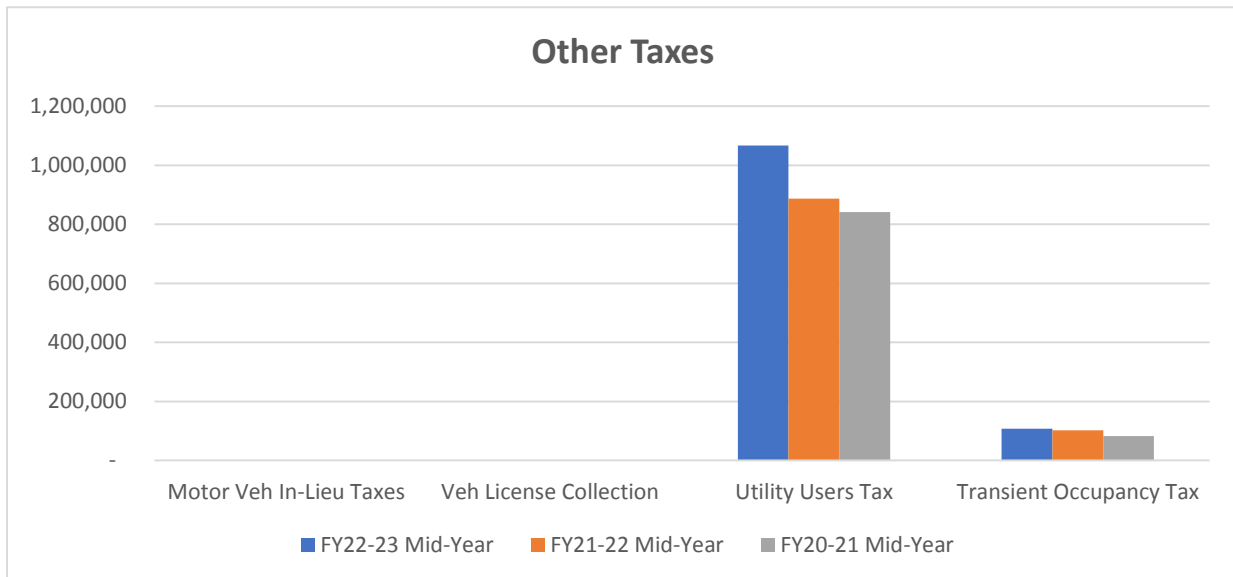
**Property Taxes** – Property tax revenue is comprised of two major components: real property taxes and personal property taxes. At the mid-year point of the fiscal year, property taxes are up 13% (\$284K) from the same point last year. The table below summarizes these balances, as well as those of the two preceding years.



	FY22-23 Budget*	FY22-23 Mid- Year	% of Budget	FY21-22 Mid- Year	FY20-21 Mid- Year
Real Property Taxes	7,270,452	2,214,667	30%	1,965,896	1,948,016
Personal Property Taxes	188,888	243,358	129%	207,936	210,630

The majority of this revenue is received in the second half of the fiscal year, and HDL projections indicate year-end results of real property tax being lower and personal property tax coming in higher, with a total overall projected decrease of \$38K.

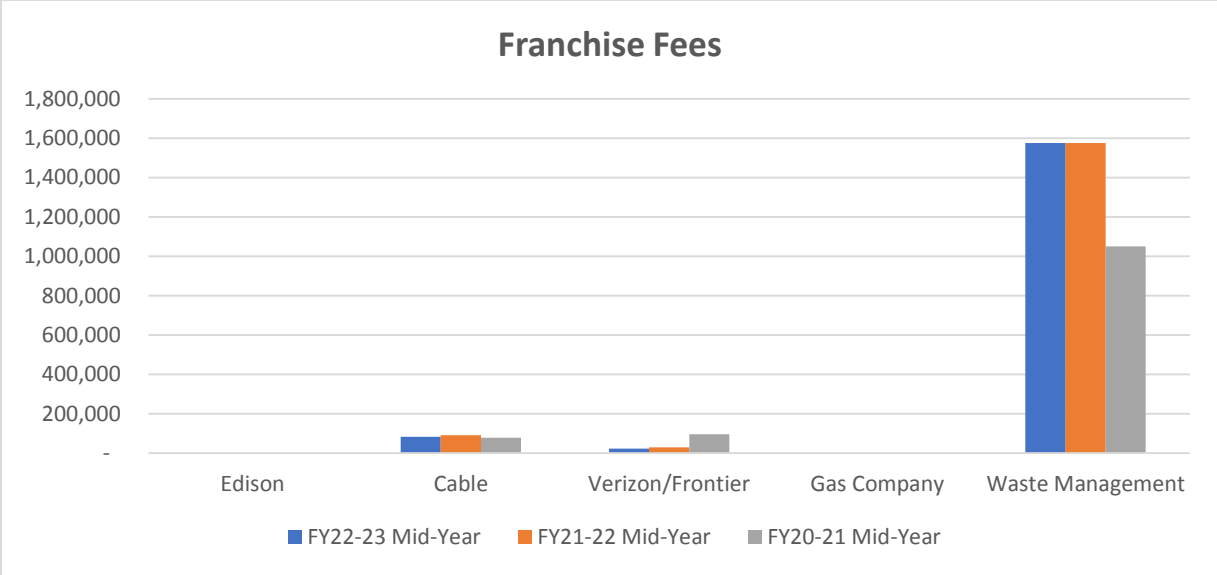
**Other Taxes** – Other taxes is comprised of Motor Vehicle In-Lieu Taxes, Vehicle License Collections, Utility Users Tax, and Transient Occupancy Tax. At the mid-year point of the fiscal year, other taxes are up 18.6% (\$185K) from the same point last year. The table below summarizes these balances, as well as those of the two preceding years.



	FY22-23 Budget*	FY22-23 Mid- Year	% of Budget	FY21-22 Mid- Year	FY20-21 Mid- Year
Motor Veh In-Lieu Taxes	6,762,693	-	0%	-	-
Veh License Collection	50,000	-	0%	-	-
Utility Users Tax	1,988,818	1,067,237	54%	887,559	841,684
Transient Occupancy Tax	419,979	107,435	26%	102,356	83,098

Most of this revenue is received in the second half of the fiscal year and is projected to be above budget by approximately \$200K of Vehicle In-Lieu Tax and Utility User Tax increases.

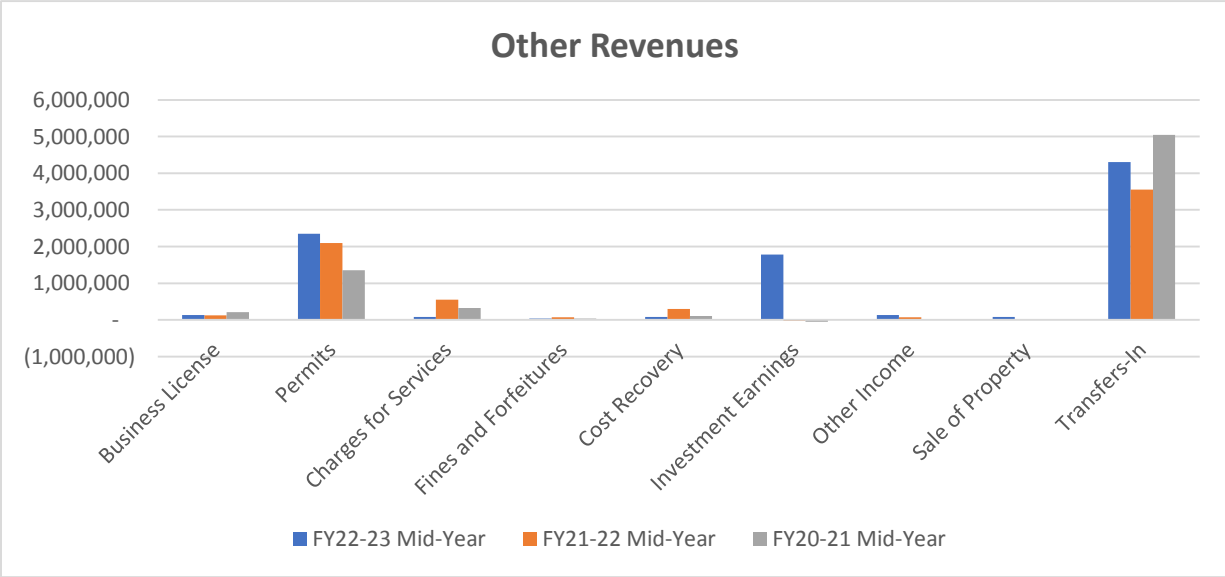
**Franchise Fees** – Franchise fees are collected from Edison, cable company providers, Verizon and Frontier, So. Cal. Gas Company, and Waste Management. At the midpoint of the fiscal year, current year franchise fees are down less than 1% (\$12K) from the same point last year. The table below summarizes these balances, as well as those of the two preceding years.



	FY22-23 Budget*	FY22-23 Mid-Year	% of Budget	FY21-22 Mid-Year	FY20-21 Mid-Year
Edison	475,667	-	0%	-	-
Cable	435,191	83,020	19%	90,374	77,480
Verizon/Frontier	94,911	23,651	25%	28,750	95,470
Gas Company	142,517	-	0%	-	-
Waste Management	2,100,000	1,575,000	75%	1,575,000	1,050,000

Franchise fees are expected to come in below budget by approximately \$82K mostly due to a reduced estimate of cable franchise fees.

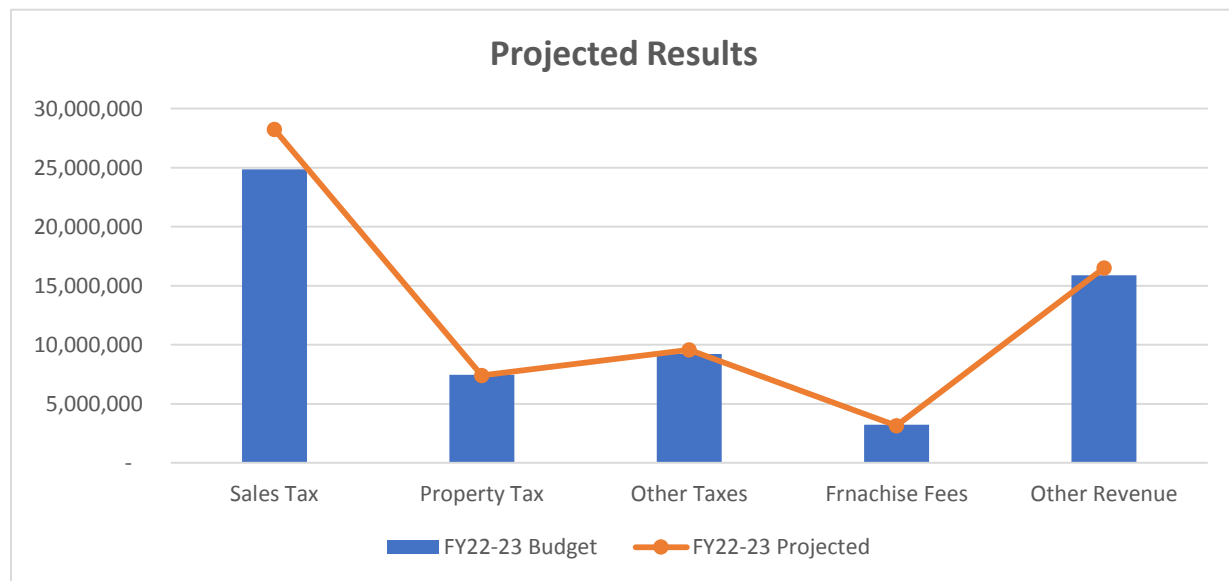
**Other Revenue Categories** – The remaining revenue categories represent 26% of total General Fund Revenues and Sources of Funds. The following table details the mid-year performance of each category for the current year, as well as the two most recent years.



	FY22-23 Budget*	FY22-23 Mid- Year	% of Budget	FY21-22 Mid- Year	FY20-21 Mid- Year
Business License	410,687	133,268	32%	127,618	208,637
Permits	4,574,641	2,348,540	51%	2,095,088	1,354,388
Charges for Services	1,273,780	83,901	7%	553,044	326,926
Fines and Forfeitures	131,545	39,733	30%	69,216	35,141
Cost Recovery	498,587	80,341	16%	297,096	102,733
Investment Earnings	40,000	1,780,565	4451%	(27,640)	(54,394)
Other Income	256,068	136,116	53%	75,304	15,402
Sale of Property	5,000	83,664	1673%	1,129	-
Transfers-In	8,687,711	4,304,310	50%	3,549,755	5,046,492

The Other Revenue categories are projected to be above budget by approximately (\$636K) mostly due to an increase in interest revenue. GASB 31 requires investments to be measured at fair value (the amount the investment can be sold at the measurement date, not book value). The mid-year point contains a reversal from previous year of \$1.4M, therefore the actual amount of investment earnings to date at mid-year point is \$325K, still considerably more than budgeted.

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.



	FY22-23 Budget	FY22-23 Projected	% of Budget
Sales Tax	24,861,567	28,258,628	114%
Property Tax	7,459,340	7,420,441	99%
Other Taxes	9,221,490	9,565,422	104%
Franchise Fees	3,248,286	3,166,204	97%
Other Revenue	15,878,019	16,514,757	104%
<b>Total General Fund Revenue</b>	<b>60,668,702</b>	<b>64,925,452</b>	<b>107%</b>

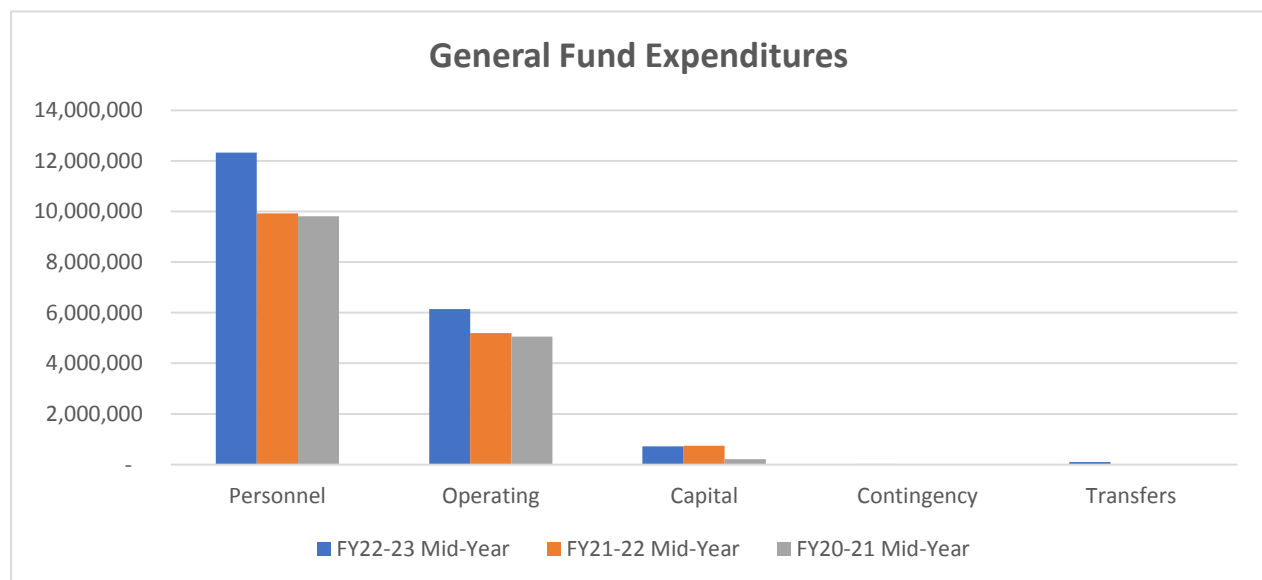


## Expenditures and Uses of Funds

Expenditures and Uses of Funds are \$19.3M or 24.2% at mid-year. This represents a 21.6% (\$3.4M) 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.

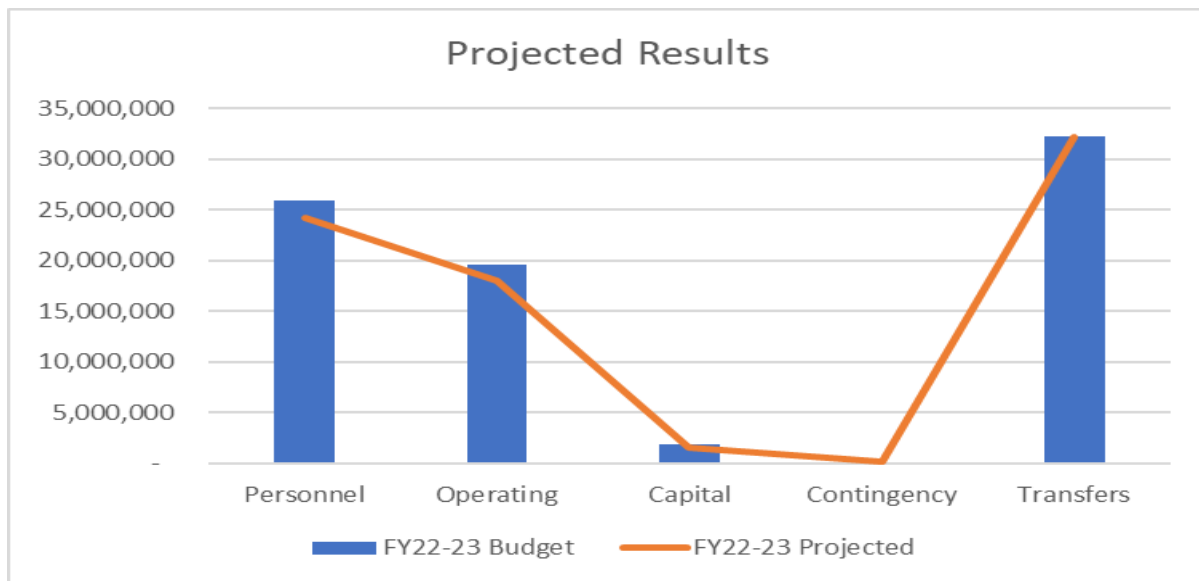
	FY22-23 Budget*	FY22-23 Mid- Year	% of Budget	FY21-22 Mid- Year	FY20-21 Mid- Year
Non-Departmental	32,200,213	97,636	0%	(158,401)	315,482
City Council	51,131	22,510	44%	14,622	13,446
City Clerk	413,242	108,795	26%	109,451	72,619
Administration	1,435,070	447,436	31%	520,857	1,141,032
Finance	1,537,961	724,363	47%	472,435	584,542
IT	1,736,374	824,322	47%	716,305	544,335
Economic Development	1,335,008	129,880	10%	-	-
Risk and HR	2,961,153	2,518,617	85%	2,101,730	1,793,469
Legal	1,500,000	476,279	32%	369,765	444,551
Community Development	953,600	287,752	30%	218,129	210,564
Community Services	1,191,722	481,819	40%	291,114	210,997
Animal Control	335,394	168,639	50%	172,669	141,368
Community Enhancement	337,866	134,486	40%	80,720	125,714
OES	162,200	-	0%	-	-
Police	14,220,583	7,489,131	53%	6,279,508	5,433,932
K-9	9,600	2,770	29%	5,607	527
Police Support	2,538,188	1,078,141	42%	836,884	805,120
Fire	5,223,487	84,413	2%	83,555	8,105
Building and Safety	1,542,266	631,172	41%	576,931	336,105
Public Works	1,806,749	603,794	33%	501,105	552,004
Street Maintenance	2,358,697	953,404	40%	817,905	655,083
Building Maintenance	1,148,673	343,850	30%	306,198	175,868
Parks and Grounds	4,616,305	1,688,123	37%	1,548,366	1,522,424
<b>Total General Fund Expenditures</b>	<b>79,615,482</b>	<b>19,297,333</b>	<b>24%</b>	<b>15,865,455</b>	<b>15,087,287</b>

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



	FY22-23 Budget*	FY22-23 Mid- Year	% of Budget	FY21-22 Mid- Year	FY20-21 Mid- Year
Personnel	25,871,928	12,322,054	48%	9,922,564	9,805,048
Operating	19,525,995	6,139,432	31%	5,194,793	5,060,940
Capital	1,867,346	719,571	39%	748,100	213,073
Contingency	150,000	18,641	12%	-	-
Transfers	32,200,213	97,636	0%	-	8,227
Total General Fund Expenditures	79,615,482	19,297,334		15,865,457	15,087,288

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



	FY22-23 Budget	FY22-23 Projected	% of Budget
Personnel	25,871,928	24,199,948	94%
Operating	19,525,995	17,933,848	92%
Capital	1,867,346	1,580,703	85%
Contingency	150,000	150,000	100%
Transfers	32,200,213	32,200,213	100%
Total General Fund Expenditures	79,615,482	76,064,712	96%

### *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 fund balance at the start of the fiscal year was \$40.3M. On November 1, 2022, the City Council approved a budget amendment to program \$18.15M of the fund balance to needed capital projects. Taking into consideration projected revenues and expenditures at fiscal year-end, fund balance is expected to total approximately \$30M. The following table illustrates projected reserve balances at year-end.

	07/01/22	6/30/23
	Fund Balance	Estimated Fund Balance
16% Cash Flow Reserve	9,706,992	9,706,992
Budget Stabilization Reserve	5,000,000	5,000,000
Emergency Disaster Reserve	1,000,000	1,000,000
MOU Placeholder	460,000	-
Unassigned Fund Balance	24,150,111	14,267,631
	<u>40,317,103</u>	<u>29,974,623</u>

#### *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.

MOU agreements require a one-time bonus for years that General Fund revenues exceed budget by 10% verified by the City’s final audit. For FY2021-2022, the revenues exceeded 10% of budget. The following budget amendment appropriates the funds for the lump-sum payments for all MOUs and includes the subsidized transfer of funds to the Wastewater and Transit Funds to cover those costs. This budget amendment will come from fund balance.

Budget Adjustment for One-Time Lump Sum Bonus	
GF Bonus	378,256
Transfer-Out to WW	37,835
Transfer-Out to Transit	34,840
Total	<u>450,931</u>

Any movement of funds between departments must be approved by the City Council. The GIS Analyst position was originally planned in the Public Works Department. The

position was moved to the department of Information Technology (I.T.) as an I.T. Analyst position and therefore, the budget should be moved to follow the employee. Below is the recommended budget amendment for the movement of the I.T. Analyst position.

Public Works Dept Salaries	(141,257.00)
IT Dept Salaries	<u>141,257.00</u>
Net	<u>-</u>

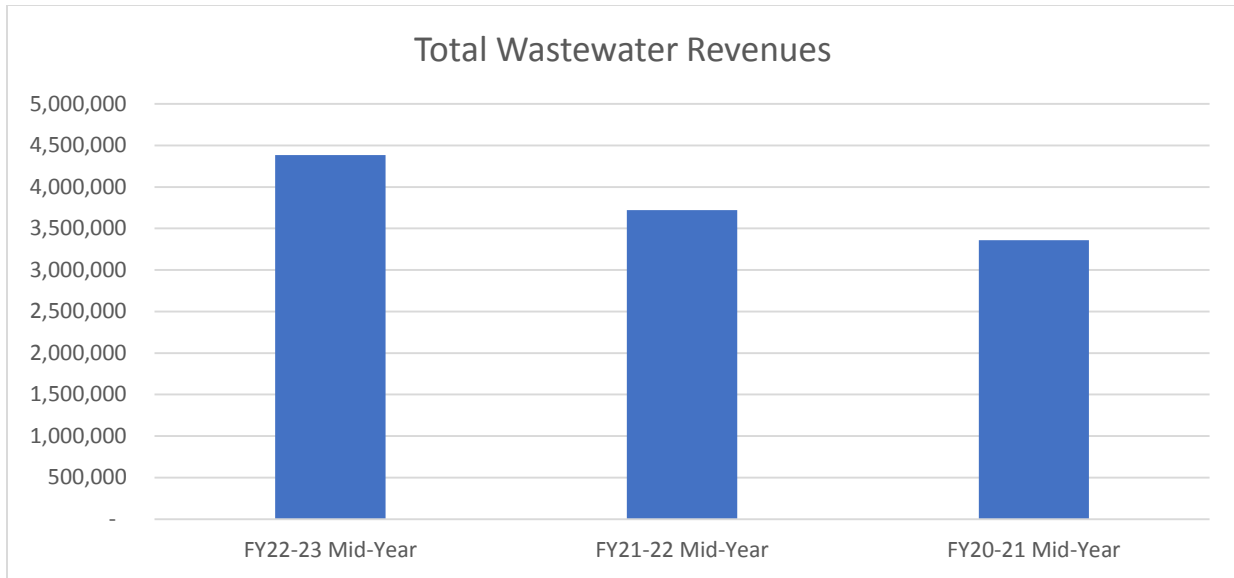
The Parks and Ground Maintenance department removed Cypress Trees from Sixth Street which was not planned in the budget. To keep this department budget whole, an increase is required to cover these costs. Sales tax will need to be increased to cover the cost to allow for current operating revenues to cover current operating costs.

<u>Revenue</u>	
Sales Tax Revenue	46,365
<u>Expenditures</u>	
Parks and Grounds Department	
Contractual Services	46,365

### **Wastewater Fund**

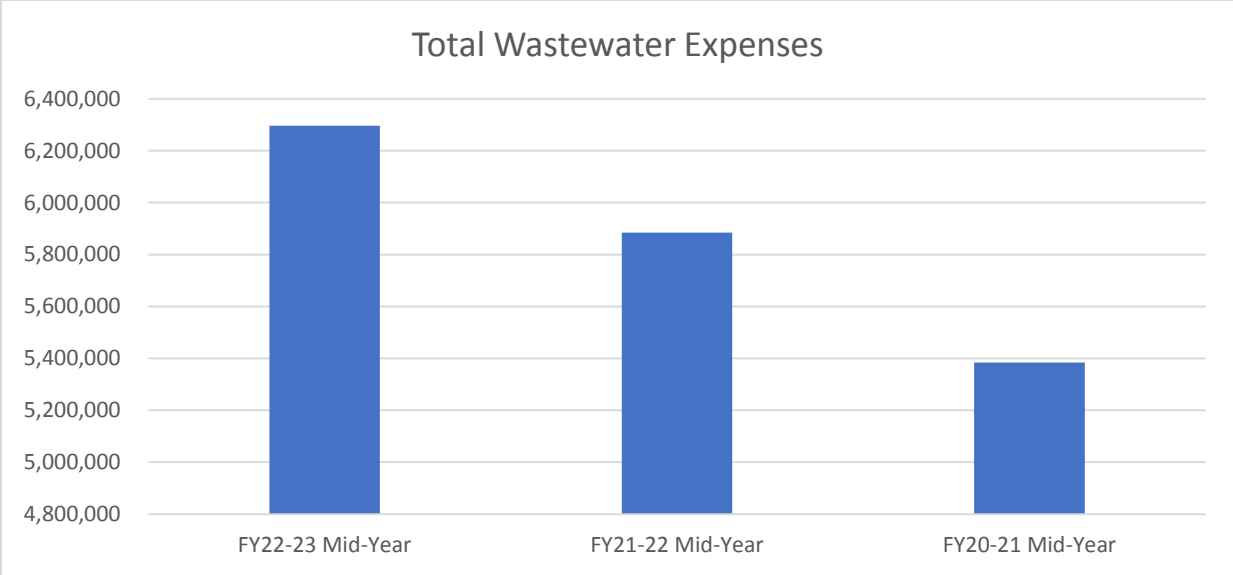
As of December 31, 2022, Wastewater Revenues and Sources of Funds totaled \$4.4M, an increase of 19% (\$663,023) from the same point last year. Expenses and Uses of Funds totaled \$6.3M, which is approximately 7% (\$412,624) from last year's midway point.

**Revenues** – The Wastewater revenues are projected to increase 2.5% (\$326K) 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 preceding years.



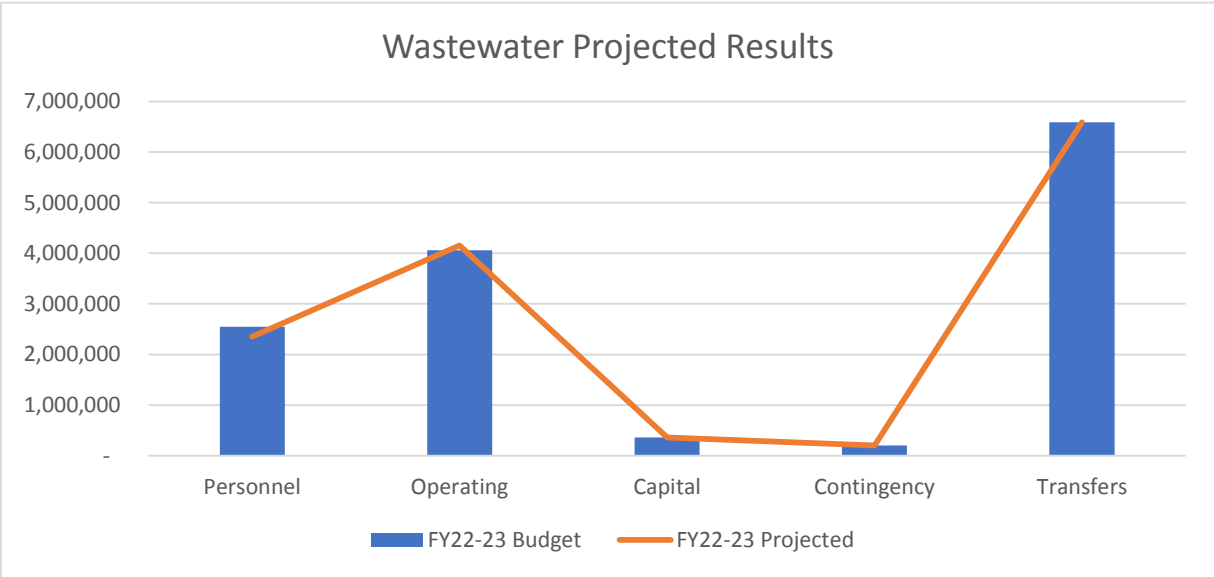
	FY22-23 Budget*	FY22-23 Mid- Year	% of Budget	FY21-22 Mid- Year	FY20-21 Mid- Year
Permits	-	-	0%	150	-
Fines and Forfeitures	3,000	-	0%	-	1,946
Cost Recovery	3,500	-	0%	283	-
Miscellaneous	30,000	30,870	103%	5,293	15,156
Proprietary Revenues	12,821,501	4,350,686	34%	3,715,859	3,342,711
Other Financing Sources		3,052	0%	-	-
Transfers	157,335	-	0%	-	-
<b>Total Wastewater Revenues</b>	<b>13,015,336</b>	<b>4,384,608</b>		<b>3,721,585</b>	<b>3,359,813</b>

**Expenses** - Expenses and Uses of Funds are \$6.3M or 46% at midyear. This represents a 21.6% (\$3.4M) 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.



	FY22-23 Budget*	FY22-23 Mid-Year	% of Budget	FY21-22 Mid-Year	FY20-21 Mid-Year
Personnel	2,545,415	1,211,800	48%	993,084	750,758
Operating	4,055,585	1,272,287	31%	1,739,066	1,060,508
Capital	358,023	208,947	58%	319,626	76,138
Contingency	200,000	-	0%	-	-
Transfers	6,585,213	3,604,018	55%	2,832,652	3,496,844
<b>Total Wastewater Expenses</b>	<b>13,744,236</b>	<b>6,297,052</b>	<b>46%</b>	<b>5,884,428</b>	<b>5,384,248</b>

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



	<u>FY22-23 Budget</u>	<u>FY22-23 Projected</u>	<u>% of Budget</u>
Personnel	2,545,415	2,353,342	92%
Operating	4,055,585	4,153,392	102%
Capital	358,023	358,023	100%
Contingency	200,000	200,000	100%
Transfers	6,585,213	6,585,213	100%
Total Wastewater Expenses	<u>13,744,236</u>	<u>13,649,970</u>	99%

### *Recommended Budget Amendments*

Chemical contracts are negotiated on a quarterly basis. If costs continue to increase it may require a 3<sup>rd</sup> quarter budget amendment for City Council approval. The following recommended budget amendment is to cover the one-time lump sum bonus payment as described above.

Revenues - Transfer-In from GF	37,835
Expenses-Salaries (Bonus)	<u>37,835</u>
Net	<u>-</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 mid-point are listed in the table below.

	Beginning Fund Balance	FY 2023 Budgeted Revenues	FYTD 2023 Actual Revenues	%	FY 2023 Budgeted Expenditures	FYTD 2023 Actual Expenditures	%	T/D Ending Fund Balance
<b>GOVERNMENTAL FUNDS</b>								
120 SELF INSURANCE	2,154,151.97	-	532,386.97	0%	-	41,056.00	0%	2,645,482.94
200 GAS TAX	69,599.00	1,459,493.00	721,513.77	49%	1,459,493.00	729,771.50	50%	61,341.27
201 SB1	1,117,898.24	1,168,504.00	494,805.54	42%	892,435.00	25.00	0%	1,612,678.78
202 MEASURE A	1,955,121.28	605,900.00	340,460.29	56%	604,800.00	-	0%	2,295,581.57
205 AQMD	343,994.88	71,130.00	36,949.15	52%	201,145.00	141,000.01	70%	239,944.02
210 PEG	27,709.97	22,595.00	4,827.09	21%	12,000.00	3,245.83	27%	29,291.23
215 CDBG/GRANTS	(903.49)	312,000.00	126,370.42	41%	542,000.00	298,339.63	55%	(172,872.70)
220 COPS	452,898.86	150,751.00	91,705.21	61%	88,182.00	118,925.64	135%	425,678.43
225 ASSET SEIZURES (STATE)	295,024.16	2,956.00	140.79	5%	-	-	0%	295,164.95
230 ASSET SEIZURES (FEDERAL)	6,036.38	-	2.88	0%	-	-	0%	6,039.26
240 OTHER FUNDS	320,424.80	78,776.00	22,810.90	29%	72,200.00	23,353.44	32%	319,882.26
250 CFD-ADMIN	1,407,534.32	1,908,931.00	4,908.04	0%	1,908,931.00	951,378.00	50%	461,064.36
255 CFD-MAINT SVCS	677,799.38	3,858,848.00	928.34	0%	4,358,848.00	964,712.00	22%	(285,984.28)
260 CFD-PUBLIC SAFETY	188,842.16	911,768.00	660.16	0%	911,768.00	588,804.99	65%	(399,302.67)
500 GENERAL CAPITAL PROJECTS	8,345,916.85	43,374,842.00	966,254.56	2%	43,374,842.00	1,600,892.13	4%	7,711,279.28
510 CFD CAPITAL PROJECTS	13,016,221.01	-	23,958.29	0%	1,300,000.00	213,487.64	0%	12,826,691.66
550 DIF	6,424.13	-	46.91	0%	-	-	0%	6,471.04
552 BASIC SERVICES DIF	1,347,348.14	325,677.00	154,792.61	48%	-	-	0%	1,502,140.75
554 GENERAL PLAN DIF	102,458.95	27,183.00	104,664.15	385%	-	-	0%	207,123.10
555 RECREATIONAL FACILITIES DIF	1,902,958.44	359,663.00	126,094.05	35%	-	-	0%	2,029,052.49
556 TRAFFIC IMPACT DIF	1,622,130.40	163,895.00	51,857.55	32%	150,000.00	1,337.80	1%	1,672,650.15
558 RAILROAD CROSSING DIF	2,605,466.00	178,606.00	123,545.48	69%	-	3,896.90	0%	2,725,114.58
559 POLICE FACILITIES DIF	1,306,700.36	274,163.00	184,842.29	67%	1,450,000.00	(55,057.20)	0%	1,546,599.85
560 FIRE STATION DIF	5,083,305.95	325,677.00	325,756.26	100%	-	-	0%	5,409,062.21
562 ROAD AND BRIDGE DIF	10,564,968.35	1,513,156.00	460,468.43	30%	6,250,000.00	334,875.11	0%	10,690,561.67
566 EMERGENCY PREPAREDNESS DIF	(97,266.00)	346,593.00	615,575.95	178%	-	-	0%	518,309.95
567 COMMUNITY PARK DIF	1,891,663.93	588,630.00	483,576.50	82%	-	-	0%	2,375,240.43
568 REGIONAL PARK DIF	1,945,796.94	-	160.10	0%	-	9,730.82	0%	1,936,226.22
569 NEIGHBORHOOD PARK DIF	2,443,206.67	712,342.00	585,336.71	82%	-	-	0%	3,028,543.38

### Recommended Budget Amendments

The following budgets adjustments are recommended to keep the funds within the appropriation authority.

#### Fund 120 - Self-Insurance

Revenue - Settlement Received	525,000
Expense - Settlement Paid	<u>41,056</u>
Net	<u>483,944</u>

#### Fund 220- SLESA

Revenue	-
Expense - Drones and Software cc 9/6/22	<u>60,266</u>
Net	<u>(60,266)</u>

#### Fund 225- Asset Seizure

Revenue	-
Expense - Safesearch ductless fume hood	<u>3,300</u>
Net	<u>(3,300)</u>

#### Fund 750 – Transit

Revenues - Transfer-In from GF	34,840
Expenses - Salaries (Bonus)	<u>34,840</u>
Net	<u>-</u>



Capital projects are budgeted in the first-year funding is identified and approved within the Capital Improvement Plan (CIP). However, many capital projects span over multiple years and the appropriation of the carryover of these balances are recommended to keep the funds within budget. These adjustments are not changing the projects or the funding, only bringing forward remaining balances of already approved funding.

Projects

Revenue - Fund 500 Capital Projects	2,683,522
Expenditure - Carryover Funds	
Fund 558- Project 2017-012 Penn Grade Sep	1,683,522
Fund 568 - Project P-04 Sports Park	<u>1,000,000</u>
Net	<u>-</u>

*Proprietary 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). The following table shows the proprietary fund positions at the mid-year point.

	Beginning Fund Balance	FY 2023 Estimated Revenues	FYTD 2023 Actual Revenues	%	FY 2023 Budgeted Expenditures	FYTD 2023 Actual Expenditures	%	T/D Ending Fund Balance
<b>PROPRIETARY/ENTERPRISE FUNDS</b>								
564 RECYCLED WATER DIF	4,230,411.43	361,067.00	589,041.79	163%	-	751,975.49	0%	4,067,477.73
600 INTERNAL SERVICE FUND	7,460,855.75	1,217,354.00	595,777.86	49%	2,095,679.00	344,681.65	16%	7,711,951.96
700 WASTEWATER	7,894,606.29	13,015,336.00	4,384,608.07	34%	14,744,236.00	6,297,051.18	43%	5,982,163.18
705 WASTEWATER DIF	5,216,190.14	2,718,679.00	1,324,482.33	49%	3,650,000.00	215,099.65	6%	6,325,572.82
710 WASTEWATER CAPITAL PR	128,491,042.59	10,685,213.00	4,362,412.34	41%	10,235,213.00	4,414,217.20	43%	128,439,237.73
750 TRANSIT	147.61	2,771,617.00	1,129,804.42	41%	2,771,617.00	1,287,683.57	46%	(157,731.54)
760 TRANSIT CAPITAL PROJECT	2,728,822.07	2,290,000.00	342,627.03	15%	2,290,000.00	355,548.13	16%	2,715,900.97
<b>TOTALS</b>	<u>156,022,075.88</u>	<u>33,059,266.00</u>	<u>12,728,753.84</u>	<u>39%</u>	<u>35,786,745.00</u>	<u>13,666,256.87</u>	<u>38%</u>	<u>155,084,572.85</u>

*Recommended Budget Amendments*

The following budget adjustment is recommended to keep the fund within the appropriation authority.

Projects

Revenue - Fund 710 Wastewater Capital Proj	2,349,077
Expenditure - Carryover Funds	
Fund 564- Project 2017-005 WWTP Expansion	<u>2,349,077</u>
Net	<u>-</u>

**Recommended 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 need 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.

The adoption of the CIP commits the City Council to spend money on projects listed in the current fiscal year only. For this reason, the CIP must be reviewed annually and adjusted as needed. The following projects are requiring adjustment and/or have been completed and are ready to close. Any discussion to the CIP items listed below will be brought back to the City Council for approval in a public hearing.

Project 2016-003 Potrero Interchange Phase 1 & 2 – Add Pass Zone TIP funding.

2016-003

<u>Budget</u>	<u>Recommended Change</u>	<u>New Budget</u>
24,924,764	1,750,000	26,674,764

Project 2019-013 Wastewater Master Plan – Close

This project has been completed. The following is a summary of the project.

2019-013

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
350,000.00	302,352.07	47,647.93

Project 2019-018 PLC Upgrade Design – Close

This project has been completed. The following is a summary of the project.

2019-018

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
50,000.00	49,641.50	358.50

Project R-03 Annual Slurry Seal 20/21 – Close

This project has been completed. The following is a summary of the project.

R-03

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
2,141,201.00	2,141,201.00	-

Project R-04 Annual Citywide Street Rehab 20/21 – Close and move remaining funds to new project R-24 2023 Citywide Street Rehabilitation and Maintenance.

This project has been completed. The following is a summary of the project.

R-04

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
1,436,733.00	1,405,724.00	31,009.00

Project R-06 2021 Mid-Year Street Enhancement – Close and move remaining funds to new project R-24 2023 Citywide Street Rehabilitation and Maintenance.

This project has been completed. The following is a summary of the project.

R-06

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
2,225,870.00	1,031,900.42	1,193,969.58

Project R-08 Annual Citywide Street Rehab and Maint 21/22 – Close and move remaining funds to new project R-24 2023 Citywide Street Rehabilitation and Maintenance.

R-08

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
1,060,000.00	20,000.00	1,040,000.00

Project R-09 Annual Citywide Street Rehab and Maint 21/22 – Close and move remaining funds to new project R-24 2023 Citywide Street Rehabilitation and Maintenance.

R-09

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
863,763.00	-	863,763.00

R-10 Citywide Street Improvement 21/22 – Close and move remaining funds to new project R-24 2023 Citywide Street Rehabilitation and Maintenance.

R-10

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
130,000.00	-	130,000.00

Project R-14 Annual Citywide Street Rehab and Maint 22/23 – Close and move remaining funds to new project R-24 2023 Citywide Street Rehabilitation and Maintenance.

R-14

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
604,800.00	-	604,800.00

Project R-15 Annual Citywide Street Rehab and Maint 22/23 – Close and move remaining funds to new project R-24 2023 Citywide Street Rehabilitation and Maintenance.

R-15

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
892,435.00	-	892,435.00

R-16 Citywide Street Improvements 22/23 – Close and move remaining funds to new project R-24 2023 Citywide Street Rehabilitation and Maintenance.

R-16

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
130,000.00	-	130,000.00

Project R-18 Mid-Year Street Enhancement Program 22/23 – Close and move remaining funds to new project R-24 Citywide Street Rehabilitation and Maintenance.

R-18

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
1,907,200.00	-	1,907,200.00

Project P-01 Stewart Park Splash Park – Close and move remaining funds to P-10 Stewart Redevelopment and Skate Park.

P-01

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
1,145,000.00	120,146.49	1,024,853.51

Project P-02 Rangel Park Splash Park – Close and move remaining funds to project P-05 Nicklaus Park Field and Lighting & Field Expansion.

P-02

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
500,000.00	1,000.00	499,000.00

Project P-03 Nicklaus Park Splash Park – Close and move remaining funds to project P-05 Nicklaus Park Field and Lighting & Field Expansion.

P-03

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
850,000.00	-	850,000.00

Project P-07 Nicklaus Park Support Buildings for Leagues – Close and move remaining funds to project P-05 Nicklaus Park Field and Lighting & Field Expansion.

P-07

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
300,000.00	-	300,000.00

Project P-08 Nicklaus Park Skate Park – Close and move remaining funds to project P-05 Nicklaus Park Field and Lighting & Field Expansion.

P-08

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
300,000.00	-	300,000.00

Project P-06 Sports Park Support Building for Leagues – Close and move remaining funds to project P-04 Sports Park Field Lighting and Field Expansion.

P-06

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
300,000.00	-	300,000.00

Project P-12 Playground Shade Covers Phase 2 – close and move remaining funds to project P-09 Playground and Shade Covers Phase 1.

P-12

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
250,000.00	-	250,000.00

Project P-11 Rangel Park Ball Field Lights, Electrical & Play – Close and reprogram funds to R-24 2023 Citywide Street Rehabilitation and Maintenance.

P-11

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
867,213.00	596,735.50	270,477.50

Project P-13 Three Rings Ranch Park Improvements – Additional grant dollars received, need to add additional budget of \$14,791.

P-13

<u>Current</u> <u>Budget</u>	<u>Recommended</u> <u>Change</u>	<u>New Budget</u>
177,952.00	14,791.00	192,743.00

PS-01 New Police Station Feasibility Study – Close and move remaining funds to PS-07 New Police Station Design.

PS-01

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
250,000.00	156,626.72	93,373.28

Project CD-01 Housing Code Updates – Close project.

CD-01

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
160,000.00	159,999.91	0.09

Project F-01 City Hall Landscaping and Painting – Close and put remaining funds back to General Fund.

F-01

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
250,000.00	108,315.00	141,685.00

Project ISFB-05 Fire Station 66 – HVAC – Close.

ISFB-05

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
49,399.00	14,985.00	34,414.00

Project ISFB-06 Police Station – HVAC – Close.

ISFB-06

<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
157,791.00	16,950.00	140,841.00

Project P-16 Shadow Creek Park Playground Rehab – Amount was in prior CIP incorrectly, need to correct.

P-16

<u>Current</u>	<u>Recommended</u>	
<u>Budget</u>	<u>Change</u>	<u>New Budget</u>
500,000.00	(200,000.00)	300,000.00

### New Project Requests

The following are new project requests that are needed immediately to continue operations without interruption or to comply with mandates.

Climate Action Plan CD-05- \$350,000 – General Fund (Available Fund Balance)

PD Restroom Modular - \$150,000 – CFD

VFW Roof - \$175,000 - Internal Service Fund

### **Fiscal Impact:**

The fiscal impact of this report is reducing General Fund Balance by \$446,548 for one-time lump sum bonus, increasing General Fund Sales Tax revenue by \$46,365 and Parks and Grounds department budget by \$46,365, Increasing Wastewater revenue budget \$37,835, increasing Wastewater expense budget \$37,835, increasing Self-Insurance Fund revenue budget \$525,000, increasing Self-Insurance Expenditures Budget \$41,056, Increasing SLESA Expenditure budget \$60,266, increasing Asset Seizure Fund Expenditure \$3,300, increasing Transit Fund revenue budget \$34,840, and increasing Transit Fund expenses \$34,840, increasing Capital Projects revenue budget \$2,683,522, increasing Railroad Crossing Mitigation Fund expenditure \$1,683,522, increasing Regional Park Mitigation expenditures \$1,000,000, increasing Wastewater Capital Projects Fund \$2,349,077, and increasing Recycled Water Mitigation Fund Expenditures \$2,349,077.

### **Recommended Action:**

Receive and file Mid-Year Budget Report and approve recommended budget amendments and review CIP recommended adjustments.

### **Attachments:**

- A. Recommended Budget Adjustments
- B. Draft Five-Year Capital improvement Plan
- C. Draft Prior-Year CIP Projects List
- D. Draft Prior-Year CIP Projects Close List