



## Staff Report

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Lisa Leach, CPA, Interim Finance Director  
Robert L. Vestal, City Engineer | Public Works Director

**DATE:** April 28, 2026

**SUBJECT:** Fiscal Year 2027 Citywide Budget and Five-Year Capital Improvement Plan

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**Description:** This item is to review the proposed Fiscal Year 2027 Citywide Budget and Five-Year Capital Improvement Plan and provide staff direction.

### **Background and Analysis:**

The City is preparing an annual Fiscal Year (FY) budget that must be completed by June 30, 2026. The budget estimates the resources that will be available to meet City operational and capital needs. It then allocates those resources to meet those needs across the City operating departments and to meet priority capital projects.

This is the first of two or three meetings to review and discuss the budget. It is contemplated that the budget will be in final form for City Council adoption by June 2, 2026.

The first review of the budget is structured as follows:

- An overview of the primary operating fund – General Fund - including a comparison of the FY 2026 estimated revenue collections to FY 2027 budget for revenues and FY 2026 budgeted expenditures to FY 2027 proposed budget to highlight variances.
- A review of fund balance and its policy components.
- A detailed review of requests for enhanced spending to address the growth of the City and to improve service delivery – this includes new positions, additional operating cost requests and capital improvement purchases.
- A review of the General Fund long-term financial forecast which includes the continuous pension 115 trust contributions and multiple scenarios.
- An overview of the Wastewater operating fund - including a comparison of the FY 2026 estimated revenue collections to FY 2027 budget for revenues and FY

2026 budgeted expenditures to FY 20275 proposed budget to highlight variances.

- Wastewater proposed budget and requested enhancements.
- A review of the Wastewater Fund long-term financial forecast which includes a new position, additional operating costs and capital improvement purchases.

### **General Fund Overview**

The General Fund includes most City operations. Revenues supporting the General Fund come from taxes, fees for services, transfers from other funds and miscellaneous sources. Expenditures include public safety, communications, community services, public works and street maintenance, planning, economic development, building safety and administration.

The budget for FY 2027 provides for total revenues of \$75,381,103 and total expenditures of \$75,048,880 for a budgeted surplus of \$332,223. The City Manager’s recommended budget includes using \$287,635 for one-time and CIP items allowing the City to improve service delivery. Should the City Council decide to fund the recommended enhancements, the budgeted surplus for the General Fund would be \$44,588.

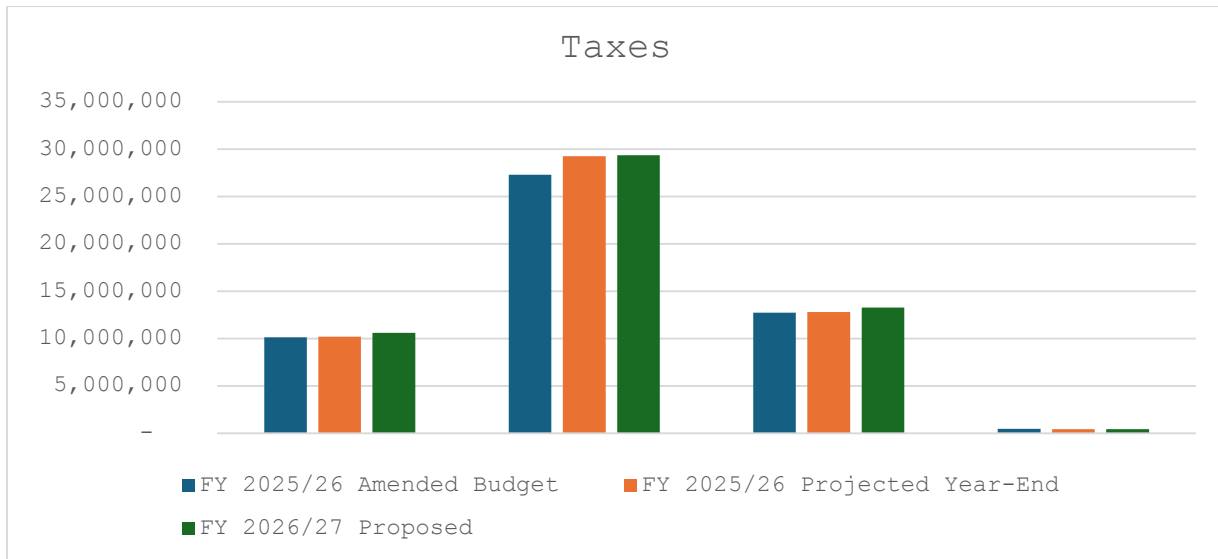
### **General Fund Revenues**

The FY 2027 General Fund revenues are estimated at \$75.4 million and are as follows:

Revenue Category	FY 2025/26		
	FY 2025/26 Amended Budget	Projected Year-End	FY 2026/27 Proposed
Taxes	50,143,017	52,257,171	53,229,485
Licenses	450,000	429,000	420,000
Permits	2,071,119	1,961,233	1,269,148
Franchise Fees	3,419,570	3,449,313	3,565,463
Charges for Services	2,717,534	2,830,693	2,704,478
Fines and Forfeitures	220,000	184,431	193,000
Cost Recovery	1,103,297	1,024,103	1,029,390
Miscellaneous	2,535,593	2,509,028	2,415,736
Other Financing Sources	1,623,468	1,623,747	1,629,030
Transfers	8,203,211	7,926,926	8,925,373
<b>Total General Fund Revenues:</b>	<b>72,486,809</b>	<b>74,195,645</b>	<b>75,381,103</b>

Revenues have increased from the FY 2026 amended budget by \$2.9 million or 4.0%.

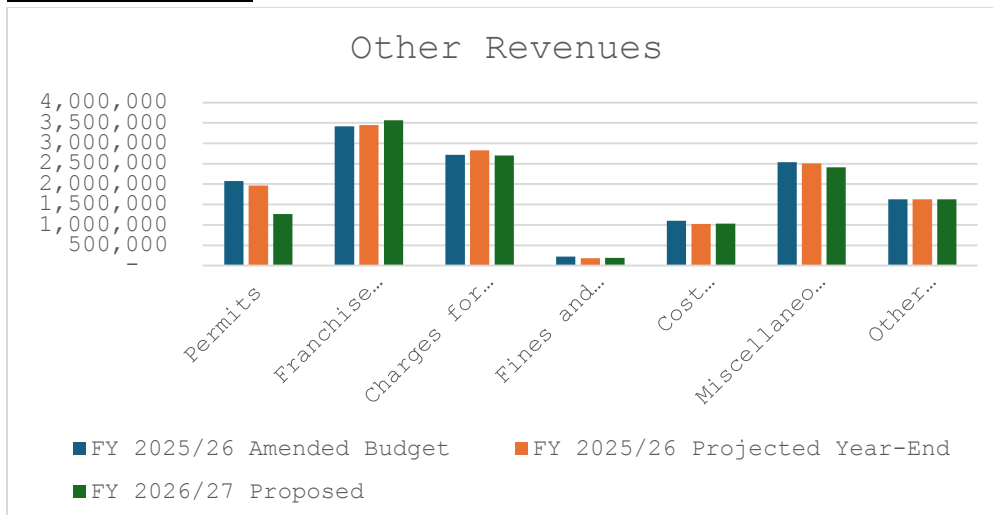
## Taxes



Taxes	FY 2025/26		
	FY 2025/26 Amended Budget	Projected Year-End	FY 2026/27 Proposed
Property Taxes	10,129,563	10,206,859	10,595,743
Sales Taxes	27,280,310	29,262,258	29,371,300
Other Taxes	12,733,144	12,788,054	13,262,442
Business License	450,000	429,000	420,000
<b>Total</b>	<b>50,593,017</b>	<b>52,686,171</b>	<b>53,649,485</b>

HDL has provided a conservative estimate for property and sales tax based on trends within the current year.

## Other Revenues



Revenues	FY 2025/26	FY 2025/26	FY 2026/27
	Amended Budget	Projected Year-End	Proposed
Permits	2,071,119	1,961,233	1,269,148
Franchise Fees	3,419,570	3,449,313	3,565,463
Charges for Services	2,717,534	2,830,693	2,704,478
Fines and Forfeitures	220,000	184,431	193,000
Cost Recovery	1,103,297	1,024,103	1,029,390
Miscellaneous	2,535,593	2,509,028	2,415,736
Other Financing Sources	1,623,468	1,623,747	1,629,030
Total	13,690,581	13,582,548	12,806,245

The permits category decreases from the amended budget due to activity trend for the current year. Franchise fees, charges for services and cost recovery remain relatively flat. Miscellaneous revenues include investment earnings which are estimated actuals as a conservative approach to potential rate decreases.

### **Transfers**

Transfers	Amended	Projected	Proposed
Transfers-In	8,118,211	7,841,926	8,925,373

Transfers from other funds are used to support operations within the General Fund. These transfers include CFD Administration, CFD Maintenance Services, CFD Public Safety, Gas Tax, SLESA, Grants, and K9 donations.

A summary of General Fund revenues has been included as **Attachment A**.

### **General Fund Expenses**

General Fund expenses are budgeted at \$75.05 million *before* consideration of enhancement requests. This represents an increase of \$2.94 million or 4.1% in operating expenses over the FY 2026 original budget. Comparisons of expense budgets are as follows:

The FY 2025 amended budget includes re-appropriation of funds from prior years, mid-year adjustments, and Capital Improvement Plan (CIP) adjustments. Therefore, comparison of original to proposed will be used.

Expense Category	FY 2025/26	FY 2025/26	FY 2026/27
	Original Budget	Amended Budget	Proposed
Personnel	37,760,112	37,543,186	42,255,162
Operating	30,234,178	30,988,493	30,038,433
Capital	3,450,872	3,797,871	2,612,085
Contingency	150,000	150,000	150,000
Debt Service	-	-	-
Sub-Total	71,595,162	72,479,550	75,055,680
Transfers	520,000	1,696,059	-
Total	72,115,162	74,175,609	75,055,680

- **Personnel** – the primary drivers of this increase include filling the newly added positions approved in FY26, class and comp study and MOU increases.
- **Operating Expenses** – Operating costs remain flat.
- **Capital** – Capital costs have decreased due to less available funds to purchase capital items.
- **Transfers-out** – Include any transfers to other funds usually to support capital projects. Capital projects are a decision unit and requested as an enhancement and there are not planned transfers for FY27.

A summary of General Fund expenditures by department is included in **Attachment B**.

### **General Fund Recommended Enhancements**

The City Manager is not recommending any additional positions due to the ongoing labor negotiations and lack of general fund revenues to support ongoing costs into the future. The City Manager is recommending to approve all one time and capital enhancement requests.

### **Operating Cost Enhancements**

City staff has proposed some enhanced spending on operating costs to improve service delivery. These requests total \$287,635.

*Finance* –

- Fee Study

*Community Development/Planning* –

- ICHI Plan Subscription Software

*Police Department* –

- Peregrine software

*Community Services -*

- On-Call Maintenance Services

**Capital Improvement Projects**

*Information Technology –*

- Cybersecurity Grant Funding City Matching

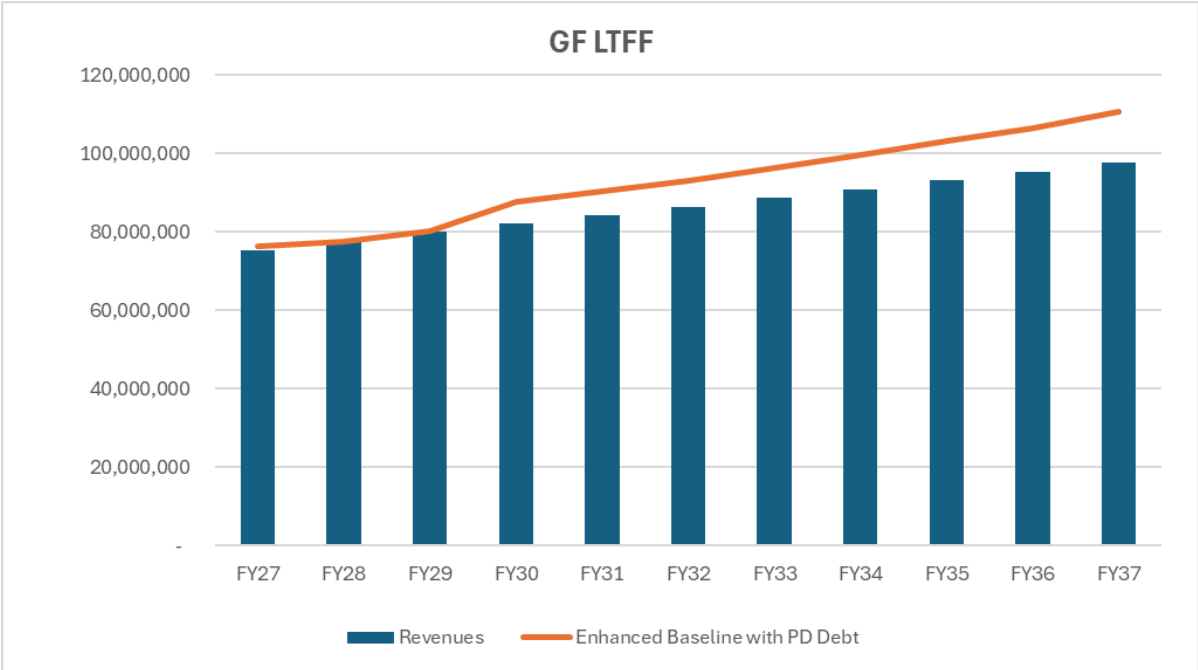
**One-Time Funds**

The General Fund budget provides unprogrammed available resources after enhancements and CIP of \$45k

**Long-Term Financial Forecast**

Staff prepared various long-term forecast scenarios and are provided in **Attachment B**.

- Included all FY 2027 Enhanced Baseline
- Added a 3.5% COLA effective July 1, 2026.
- Included Potential Sales Tax Revenue from Regency Project
- Included Debt Service Payment starting in FY 2030 for a new PD station



Year	Revenues	Expenditures	Surplus/(Deficit)
FY2027	75,381,103	76,366,067	(984,964)
FY2028	77,946,048	77,585,332	360,716
FY2029	80,014,966	80,386,402	(371,436)
FY2030	82,152,480	87,654,830	(5,502,350)
FY2031	84,360,611	90,363,141	(6,002,530)
FY2032	86,466,519	93,224,497	(6,757,978)
FY2033	88,641,342	96,496,525	(7,855,183)
FY2034	90,874,232	99,622,774	(8,748,542)
FY2035	93,154,643	103,187,259	(10,032,616)
FY2036	95,474,185	106,632,960	(11,158,775)
FY2037	97,826,194	110,554,279	(12,728,085)

The long-term fiscal forecast begins to reflect a deficit in FY 2029 based on the assumptions applied.

### Fund Balance

From Audited Financials			6/30/2025
Nonspendable			422,889
Restricted			
	Pension 115 Trust		4,372,256
Committed			
	Capital Projects		800,000
	MOU Revenue Bonus		582,382
	Self-Insurance		6,304,943
Assigned			
	Re-appropriation		569,092
Unassigned			
	16% Working Cash Flow Reserve		12,070,951
	Budget Stabilization Reserve		5,000,000
	Emergency Disaster Reserve		1,000,000
	Available Reserves		22,503,703
			53,626,216
<b>FY26 Changes in Available Reserves</b>			
Beginning Balance Available Reserves			22,503,703
	Re-appropriation Adjustment		(617,569)
	CIP Adjustment #1 Potrero		(800,000)
	MOU Revenue Bonus Adjustment		(25,506)
Available Remaining			21,060,628

Fund balance are dollars that have been accumulated and saved over the years to provide financial buffers for cash flow, budget stabilization/recessionary downturns, emergency disasters, and risk mitigation costs.

### *Fund Balance Policy*

The current City of Beaumont policy has a working cash flow requirement of 16% of the annual budget. These funds are needed to continue operations with the delay of tax receipts and grant reimbursements. Expenses occur more consistently than receipt of revenues, therefore cash flow is used to continue payments as needed until revenues are received.

The City of Beaumont Fund Balance Policy also requires a \$5M Budget Stabilization reserve. This reserve is to mitigate the loss of revenue should there be an economic downturn. These dollars will help mitigate the loss of up to 6.6% of overall revenue, allowing time to prepare a plan of action. This plan can include the use of Pension 115 funds to pay or reimburse the City for pension costs, freeing up budget capacity to continue operations.

An Emergency Disaster can result in disasters caused by human or nature resulting in unexpected complications for the budget. The current policy has \$1M required reserves to address this situation. The current reserves also hold \$5.1M in self-insurance funds. The City Council approved a minimum balance in these funds of \$2M. The City Council can choose to use any funds in this category to address operational deficits caused by recession or emergency situations.

## **Enterprise Funds**

### **Wastewater Fund Overview**

The Wastewater Operating Fund provides for the day-to-day operations of the sewer system, equipment needs and the payment of debt service. Revenues supporting wastewater operations come primarily from sewer fee payments. Expenses include personnel costs, operating costs, equipment related costs, transfers to support capital projects, debt service payments and overhead costs to the General Fund.

### **Wastewater Revenue**

Revenues for the wastewater system are projected to increase from \$16,245,917 in FY 2026 to \$16,781,283 in FY 2027. This is driven by a rate increase identified in the approved rate study and growth.

Revenue Category	FY 2025/26	FY 2025/26	FY 2026/27 Proposed
	Amended Budget	Projected Year- End	
Fines and Forfeiture	-	93,399	-
Cost Recovery	8,053	-	-
Miscellaneous	138,851	426,269	161,939
Proprietary	16,099,013	16,138,612	16,619,344
Other Financing Sou	-	-	-
Transfers	-	-	-
<b>Total</b>	<b>16,245,917</b>	<b>16,658,280</b>	<b>16,781,283</b>

### Wastewater Expenses

Estimated expenses for the wastewater system increase from \$16,245,917 in FY 2026 original budget to \$16,781,283 in FY 2026. This represents an increase of \$535,366 or a 3.3% increase and is as follows:

Expense Category	FY 2025/26	FY 2025/26	FY 2026/27 Proposed
	Original Budget	Amended Budget	
Personnel	2,888,418	2,885,454	3,139,036
Operating	7,092,548	7,111,697	7,183,726
Capital	-	-	-
Contingency	229,320	585,517	335,994
Sub-Total	10,210,286	10,582,668	10,658,756
Transfers	6,035,631	6,035,631	6,122,527
<b>Total</b>	<b>16,245,917</b>	<b>16,618,299</b>	<b>16,781,283</b>

Explanation of change in expenses:

- **Personnel costs** – Personnel have increased to account for class and comp and MOU negotiations.
- **Operating costs** – Operating costs have increased due to utilities, fuel, equipment supplies and maintenance costs.

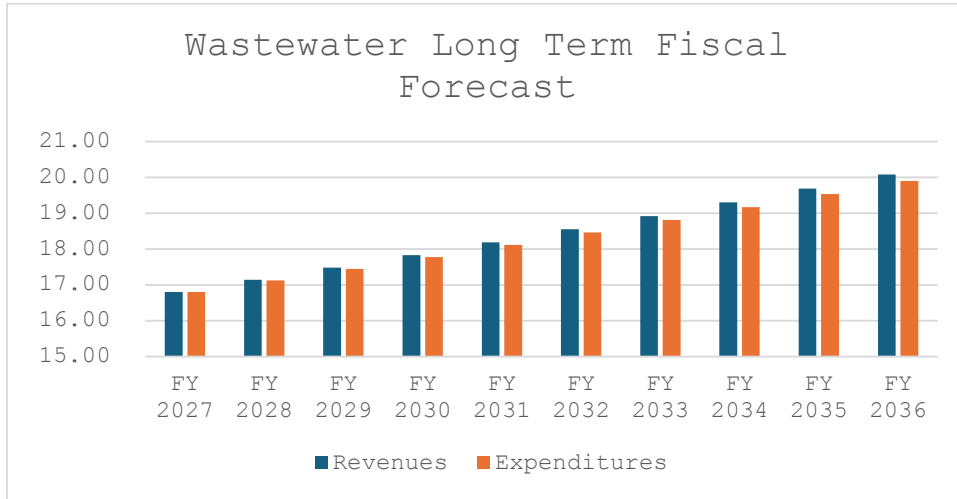
A schedule summarizing the revenues and expenses in the Wastewater Fund is included in **Attachment C and Attachment D**. The remaining balance available for enhancement requests is \$0.

Wastewater Enhancement Request

New position requested –  
 Wastewater Collections I/II \$161,900

Wastewater Long-Term Fiscal Forecast

The Wastewater long-term fiscal forecast increases rates that are provided within the Wastewater Rate Study to FY 2028. An assumption was applied that rates would increase at 2% annually after FY 2028. All surplus funds should first be applied to maintain reserve requirements and then set aside into the repair and replace fund if no addition to reserves is needed.



Year	Revenues	Expenditures	Surplus/(Deficit)
FY2027	16.80	16.80	-
FY2028	17.14	17.12	0.02
FY2029	17.48	17.44	0.03
FY2030	17.83	17.78	0.05
FY2031	18.18	18.11	0.07
FY2032	18.55	18.46	0.09
FY2033	18.92	18.81	0.11
FY2034	19.30	19.17	0.13
FY2035	19.68	19.53	0.15
FY2036	20.08	19.90	0.18

## **Transit Fund**

Transit is funded primarily through rider fares, EV charging, and significant subsidies by the Riverside County Transportation Commission (RCTC). Total revenues are \$3,873,973 and expenses are \$3,816,744, leaving a surplus of \$57,229.

### Transit Enhancement Request

(2) Bus Drivers - \$185,500

## **Capital Improvement Plan**

The FY 2027-2031 proposed Capital Improvement Plan has been included as **Attachment E**. The plan has \$26.7 million in proposed funding for capital purchases and projects in FY 2027. The total five-year plan includes \$56.4 million in funding for projects. For reference, the FY 2026 CIP programmed \$22.5 million.

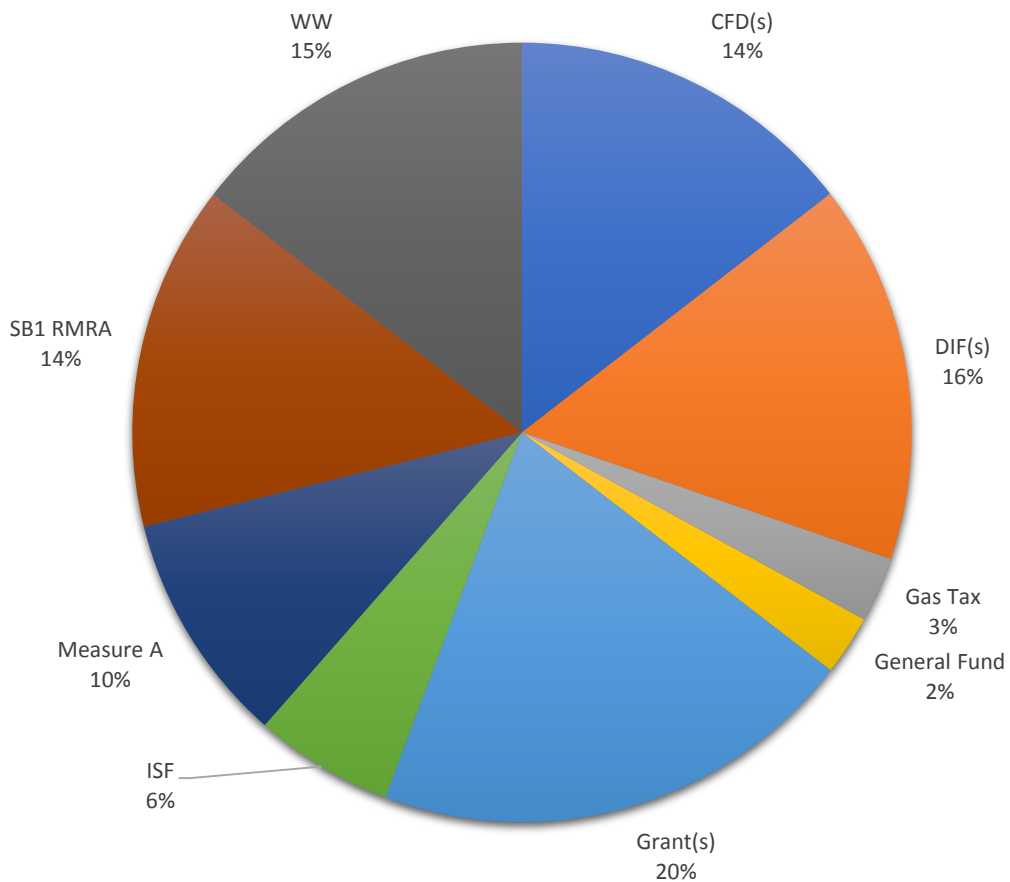
The FY 2027 CIP proposes one general fund project, the Grace Building Rehabilitation project, with a budget of \$1.4 million. The project proposes rehabilitating the building for office use. Improvements will include mechanical, electrical, plumbing, accessibility, structural, roofing, and aesthetic improvements.

The following is a summary of the funding sources and respective amounts proposed in the FY 2027- 2031 CIP.

### Capital Budget Category Overview

Project by Funding	FY 2027	5-Year CIP
CFD(s)	\$1,413,233	\$8,184,007
DIF(s)	\$3,368,400	\$8,881,256
Gas Tax	\$327,897	\$1,525,059
General Fund	\$1,400,000	\$1,400,000
Grant(s)	\$11,417,642	11,417,642
ISF	\$3,190,501	\$3,252,944
Measure A	\$1,036,000	\$5,433,000
SB1 RMRA	\$1,675,318	\$8,086,949
WW	\$550,000	\$8,202,786
<b>Grand Total</b>	<b>\$26,666,705</b>	<b>\$56,383,643</b>

### Five-Year Capital Budget Category Overview



Staff is seeking Council's input on the draft budget and enhancement proposals to ensure alignment with the City's goals and fiscal priorities.

**Fiscal Impact:**

The first meeting regarding the FY 2027 budget is intended to seek guidance from City Council regarding the proposed budget. No fiscal impact is anticipated from this discussion.

The estimated cost to prepare this report is \$2,500.

**Recommended Action:**

Review the proposed FY 2027 budget and provide guidance to staff prior to bringing the budget back for City Council consideration and adoption.

**Attachments:**

- A. Summary of General Fund Revenue
- B. Summary of General Fund Expenditures
- C. Summary of Wastewater Revenues
- D. Summary of Wastewater Expenses
- E. Proposed Five-Year Capital Improvement Plan
- F. Presentation