



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: November 15, 2021
SUBJECT: Budget Workshop – Initiation of the Fiscal Year 2022-23 Budget Building Process

Background and Analysis:

The City operates under a fiscal operating budget and a multi-year capital improvement budget. This meeting begins the process of building the FY2022-23 operating budget and updating the capital improvement budget.

Workshop Format

This workshop is structured to accomplish the following:

1. Review recommended of Mission, Vision and Values Statements and accept or provide direction;
2. Review and discuss the results of the City Program Survey – FY2022-23;
3. Overview and discussion of revenue projections and current financial conditions of the City; and
4. Discuss the City Council budget priorities and provide direction to staff regarding next steps in the budget building process.

Mission, Vision, Value

Mission and vision statements determine the City's purpose, focuses on the City's future direction, and provides a template for decision-making. Goals and objectives are established to support the City's mission and achieve the City's vision. Core values support these goals and objectives while reinforcing the underlying operational decisions, actions, and priorities.

City staff recommends the following Mission, Vision, and Value Statements:

Mission –The City of Beaumont is committed to provide core services to the community that ensure it remains a desirable place to live, work and play. Through responsible and professional leadership and in partnership with local agencies to achieve common goals and leverage area resources, the City will strive to improve the quality of life for all residents living and working in the community.

Vision - The City of Beaumont maintains its reputation as a safe community and evolves to meet the needs of Beaumont’s residential and commercial growth. The City strives to create an economically balanced community to achieve fiscal sustainability and ensure that City resources are maximized and deployed in a manner that meets Beaumont’s long-term needs, as well as the needs for every citizen while enhancing and maintaining Beaumont’s natural beauty.

Values – The City **ASPIRES** to reach new heights.

Accountability – We hold ourselves accountable for our actions and to be transparent with one another and with our community.

Stewardship – We will be good stewards of City resources and the public.

Promote Trust – We strive to promote trust in our community and with one another through effective communication, respect, transparency, and broadly sharing information.

Integrity and Ethics – Our actions will maintain the trust and confidence of the public and the organization.

Responsibility – We take responsibility for our actions as an organization and achieving results.

Excellence – We strive to maintain excellence in everything we do for the organization and for the public.

The City Council’s adopted goals have been included as Attachment A for review and affirmation.

Review of Survey Results

City Council and City senior management independently completed a survey regarding services and major functions performed by the City. The survey was completed as a

first step to allow both City Council and City management to assess the importance of the individual services and functions that the City provides. Respondents were also given the opportunity to assess whether the individual services and functions were being performed acceptably or unacceptably.

The survey results were tabulated to provide an aggregate of senior management respondents and City Council respondents separately. The results of the survey will be presented for Council review at the workshop.

Current Financial Condition of the City

General Fund

The General Fund of the City is the primary fund where the City Council has discretion in its funding decisions. The General Fund includes a significant portion of operations including public safety, public works, permitting, planning, finance, information technology, administration, parks and recreation, and streets maintenance.

Over the past three fiscal years the financial condition of the City has continued to stabilize and build its reserve balances. In FY2021, the City Council allocated \$5.8 million in one-time General Funds to address various needs of the City.

As of June 30, 2021, due to positive operating results of the previous years and a \$5 million one-time payment received during FY2020, the City has an estimated unaudited Unassigned General Fund Balance of \$17,396,043.

The City Council has a policy to maintain a minimum 25% of General Fund expenditures in reserves to address financial downturns or unplanned needs for financial resources. The estimated General Fund expense for FY2022 is \$39.5 million which would require a reserve balance of \$9.8 million. The estimated General Fund expense for FY2023 is \$40.5 million, requiring an estimated reserve balance of \$10.13 million.

The committed portion of the General Fund balance includes a self-insurance fund balance of \$2,850,717, and a pension liability balance of \$2,500,000. Additionally, \$214,799 of reserve funds were reappropriated at the beginning of FY2022.

The Unassigned General Fund balance available to the City Council for appropriation is \$7.26 million. These funds are available for one-time allocations which should not include changes in pay or new positions as there may not be sufficient funds to continue

those types of expenditures. Below is a summary of the General Fund operating results for the previous three fiscal years.

Beginning Fund Balance		FY 2019 Actual	FY 2020 Actual	FY 2021 Unaudited (estimate)
Uncommitted Funds		\$ 11,514,778.00	\$ 15,480,676.00	\$ 24,065,174.00
Revenues				
	Property Tax	\$ 5,656,662.00	\$ 6,109,623.00	\$ 6,991,565.00
	Sales Tax	\$ 5,558,667.00	\$ 6,593,630.00	\$ 7,552,253.00
	Franchise Fees	\$ 912,924.00	\$ 8,074,504.00	\$ 3,183,803.00
	Motor Veh In-Lieu Tax	\$ 4,517,090.00	\$ 4,997,852.00	\$ 5,709,914.00
	Other Taxes	\$ 1,942,682.00	\$ 1,966,905.00	\$ 2,223,664.00
	Permit and Licenses	\$ 5,773,934.00	\$ 3,229,430.00	\$ 3,466,783.00
	Charges for Services	\$ 9,160,140.00	\$ 1,182,455.00	\$ 1,132,112.00
	Fines and Forfeitures	\$ 129,224.00	\$ 117,638.00	\$ 135,556.00
	Cost Recovery	\$ 742,948.00	\$ 924,290.00	\$ 337,741.00
	Misc Revenues	\$ 265,169.00	\$ 273,638.00	\$ 375,197.00
	Total Revenues	\$ 34,659,440.00	\$ 33,469,965.00	\$ 31,108,588.00
Expenses				
	General Govt	\$ 6,105,944.00	\$ 6,445,861.00	\$ 8,408,067.00
	Public Safety	\$ 14,552,371.00	\$ 16,216,204.00	\$ 17,578,156.00
	Public Works	\$ 2,945,227.00	\$ 2,600,861.00	\$ 2,869,038.00
	Community Development	\$ 2,189,159.00	\$ 1,713,123.00	\$ 1,585,675.00
	Community Services	\$ 3,929,423.00	\$ 4,062,549.00	\$ 4,158,864.00
	Refuse	\$ 5,504,512.00	\$ -	\$ -
	Other	\$ -	\$ 33,474.00	\$ 476,759.00
	Total Expenses	\$ 35,226,636.00	\$ 31,072,072.00	\$ 35,076,559.00
	Operating Surplus/(deficit)			
	Net Transfers(In/(Out))	\$ 4,533,094.00	\$ 6,186,605.00	\$ 3,090,071.00
Ending Fund Balance		\$ 15,480,676.00	\$ 24,065,174.00	\$ 23,187,274.00
Non-spendable		\$ 220,634.00	\$ 224,671.00	\$ 225,715.00
Restricted				
Committed			\$ 4,550,000.00	\$ 5,565,516.00

Unassigned		\$ 15,260,042.00	\$ 19,290,503.00	\$ 17,396,043.00
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*Unassigned fund balance in FY2019 and FY2020 did not deduct self-insurance funds. These funds have been placed in committed status for the FY2021 balance.

Wastewater Fund

The Wastewater Fund is a proprietary fund which functions more like a business operation. User fees fund operations, capital needs, and the cash reserves. The City's wastewater operations have increased to meet continued growth and in association with the newly constructed Wastewater Treatment Plant Expansion and Brine Line Project. The refinement of operation has increased staffing and operational needs.

As of June 30, 2021, the estimated unaudited Wastewater operating fund has approximately \$5.6 million in unrestricted cash reserves. The FY2022 revenue budget for the Wastewater Fund is \$11,021,604. The City's Reserve Policy requires that 25% of expenditures be maintained as a reserve. Based on year-end balance, the reserve allocation is calculated to be \$2,755,401.

The following table provides results of operations for the previous two fiscal years and unaudited results from FY2020-21:

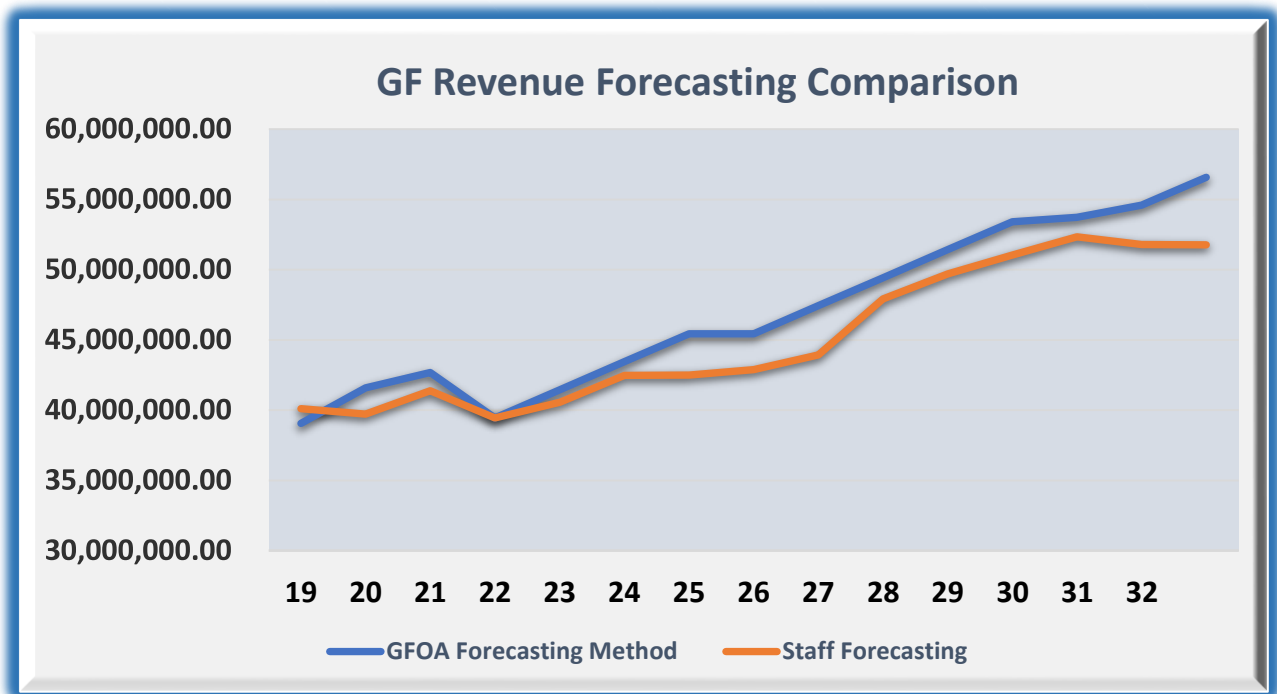
Beginning Fund Balance		FY2019 Actual	FY2020 Actual	FY2021 Unaudited (estimate)
		\$ 666,434.00	\$ 4,447,570.00	\$ 5,553,831.00
Revenue				
	Interest	\$ 120,105.00	\$ 50,180.00	\$ 20,816.00
	Sewer Fees	\$ 8,811,917.00	\$ 10,527,803.00	\$ 10,893,361.00
	Other	\$ 831.00	\$ 780.00	\$ 4,769.00
	Total Revenue	\$ 8,932,853.00	\$ 10,578,763.00	\$ 10,918,946.00
Expenses				
	Personnel	\$ 957,850.00	\$ 1,988,979.00	\$ 2,221,333.00
	Admin Overhead	\$ 612,000.00	\$ 650,000.00	\$ 650,000.00
	Other Operating Costs	\$ 3,353,587.00	\$ 2,169,645.00	\$ 2,835,409.00
	Capital Costs	\$ 349,327.00	\$ 146,130.00	\$ 93,710.00
	Total Expense	\$ 5,272,764.00	\$ 4,954,754.00	\$ 5,800,452.00

	Operating Surplus/Deficit	\$ 3,660,089.00	\$ 5,624,009.00	\$ 5,118,494.00
	Net Transfers (In/Out)	\$ 121,047.00	\$ (4,517,748.00)	\$ (4,988,196.00)
	Ending Fund Balance	\$ 4,447,570.00	\$ 5,553,831.00	\$ 5,684,129.00

General Fund Revenue Projections

Revenue forecasting is a fundamental part of budgeting and financial planning. It is a tool used to anticipate future resource availability and to plan for sustainable enhancements to City services. It also is used to analyze the financial sustainability of existing policies and programs.

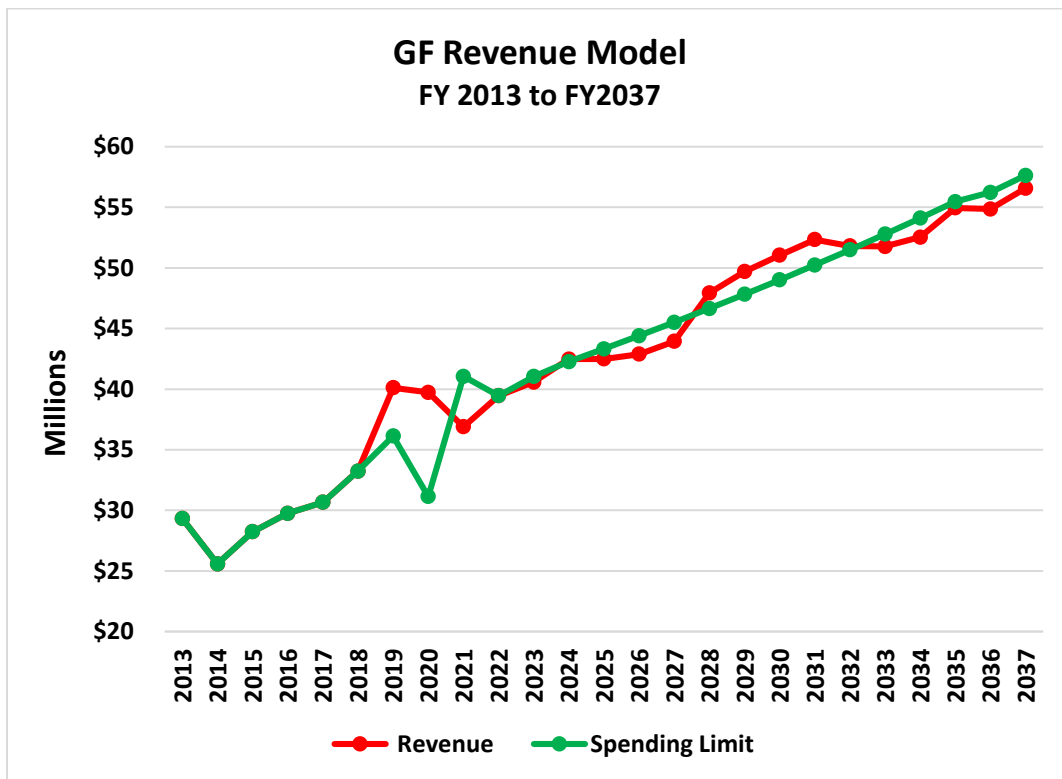
City staff has completed a General Fund Revenue Forecast using assumptions related to population change, permit activity projection, and economic trends such as inflation and recession. This forecast was then measured against the Government Finance Officers Association (GFOA) recommended revenue forecasting method. This method uses statistical formulas, past actual results, trends and prior year forecast errors to predict future results. These two methods compared, show a similar trendline result. Below is the comparison of the two methods.



The General Fund projected revenue from the City staff calculations is \$40,569,838 for FY2023 while the GFOA recommended forecast projects \$41,452,969 for FY2023. This results in a difference of \$883,131. The GFOA forecasting methodology model is a guide to determine whether the core assumptions are in line with other forecasting methods, while the City staff model contemplates local economic data to provide a more granular assessment of the factors impacting Beaumont.

General Fund Spending Threshold

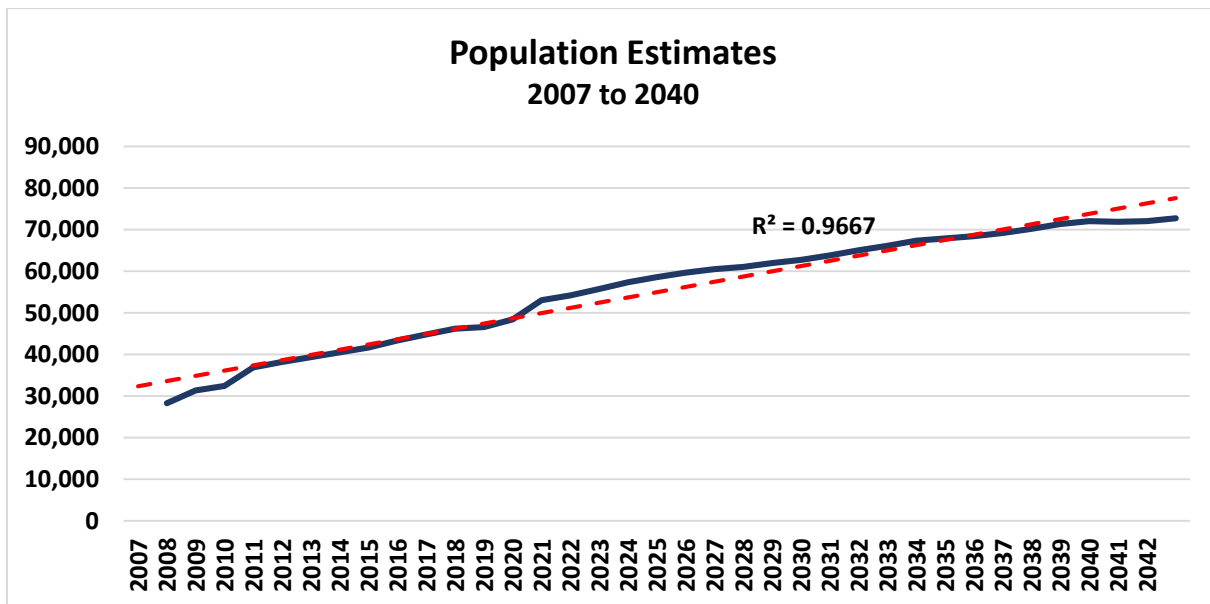
The revenue model is used to establish spending thresholds which help ensure that budgetary allocations are sustainable over a multi-year period. The current City staff model indicates that the General Fund could typically sustain an annualized increase of 2.4%. This model affirms the sustainability of spending with the revenue projections for the next five fiscal years.



General Fund Revenue Assumptions

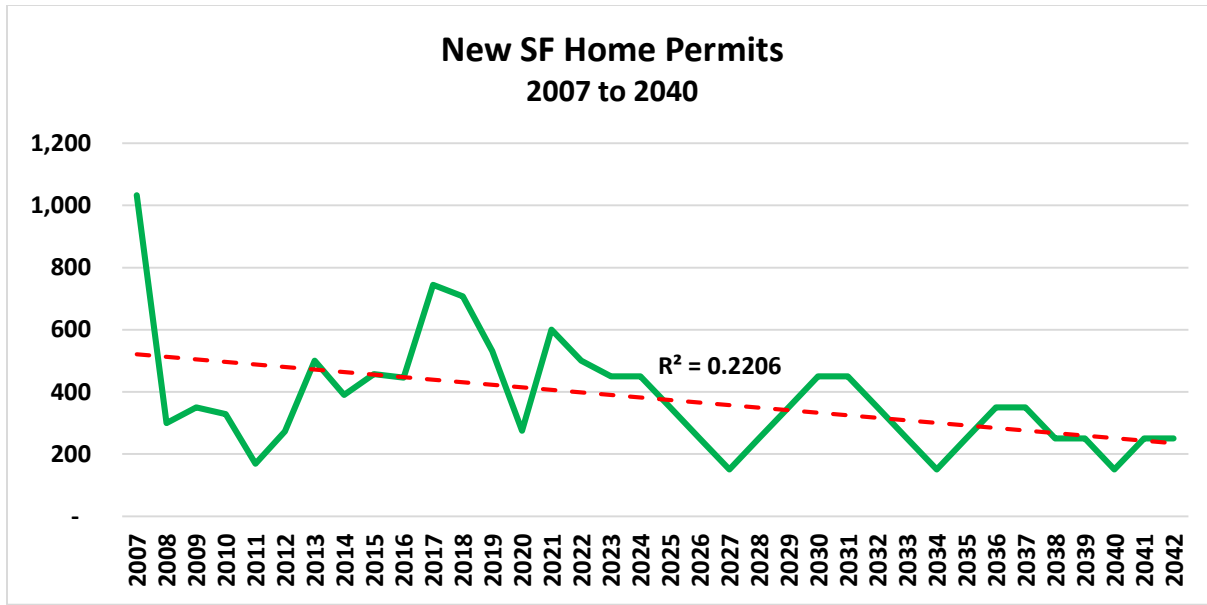
Population Growth

Since 2007, the City has seen continuous growth in its population by an average of 5% each year. The population data provided from the 2020 US Census estimates Beaumont's population to be 53,036 as of April 2021. The population forecast estimate uses prior year data and adds estimated single family and multi-family units final (number of estimated final units by average household size) to project the additional population for each continuous year.



New Single Family Home Permits

The utilization of the current community development project information and historical permit data is used to forecast future permit projections. City staff then determines the number of permits estimated to be final in a fiscal year by adding two years of homes permitted and multiplying by an average permits final percentage factor.



City’s Financial Factors

The City’s financial factors needed for consideration during the budget process are to ensure resources are deployed as effectively and efficiently as possible. The survey results are used to determine the level of criticality between City programs and any deficiencies that need to be addressed. Routine monitoring of local and regional economic trends are used to update revenue projections to maintain an accurate forecast of revenues.

Fiscal Impact:

City staff estimates the cost to prepare this report to be \$11,700.

Recommended Action:

- Establish mission, vision and value statements,
- Confirm City Council goals,
- Discuss program survey results, and
- Review and affirm multi-year revenue model.

Attachments:

- A. City Council Adopted Goals

- B. Population and Housing Forecast
- C. City Staff Multi-Year Revenue Projection