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# TOWN OF JEROME, ARIZONA

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June 1, 2024

**TO:** Jerome Town Council  
Mayor Christina "Alex" Barber

**FROM:** Brett Klein, Town Manager / Clerk

**REFERENCE:** **Final Draft of FY 2025 Budget for Adoption**

Attached is the final draft of the fiscal year 2024-2025 Town Budget. Thank you to the Town Council and staff for all the work they put in to creating this budget document. Attached you can also find a summary of the fund balance analysis, a list of the transfers and a levy rate statement.

## **General Fund:**

The general fund is the main operating fund for the Town comprised of all general government functions. The proposed budget is set at \$3,048,050.00, which is just a 2.4% increase over fiscal year 2024. The tentative budget utilizes only \$407,000 of the fund balance, which is a little more than the predicted general fund surplus for the current fiscal year of \$285,000. In comparison, the current year utilized \$428,389, so we continue to reduce the reliance on the fund balance. When factoring in the anticipated surplus, that leaves over 48% of general fund operating expenses uncommitted and available in an emergency.

General fund revenues in this current year and forecasted for the next fiscal year in the budget are most impacted by the State Shared Revenue, sales tax, wildland fire fees, and Yavapai County's library funding formula. State Urban Revenue share will be decreasing for a couple years as the State moved to a new funding formula, but we anticipated this last year and conservatively budgeted for the State revenue share. This helped mitigate the impact to our budget for this upcoming fiscal year. We also were able to participate in more opportunities for wildland fire revenue, thanks to the new brush truck, being fully staffed, and adding a fire mitigation staff member. Yavapai County lowered its municipal library contribution to cities and towns due to its own budget shortages, but only a small amount compared to last year and we were able to weather that reduction. This fiscal year we have received quite a bit more sales tax revenue than last year as travel and tourism continue to grow post-pandemic.

The conservative revenue forecasts are still able to cover the anticipated general fund expenses including a number of new programs and commodities. The general fund expense budget includes the following personnel, one-time, and ongoing expenses:

- Competitive cost-of-living adjustment of 4.5% for staff;
- Enhanced Town contributions for dependent insurance;
- Enhanced Town contributions toward general retirement of a 2% increase;
- Budgeted funds for an additional fire mitigation employee;
- A “new” police vehicle;
- New Town Hall server for data storage of financial records;
- Enhanced Historic Preservation expense line item;
- Town Hall and Court security enhancements;
- Court conference / attorney room;
- Paying down the PSPRS shortage;
- Zoning ordinance update;
- Cemetery appraisal;
- A new Town Hall Furnace;
- Window replacement in Town Hall and the co-op; and
- File room enhancements.

#### **Utility Fund:**

The three utilities that comprise the utility fund are: Water, Sewer and Sanitation. The utility fund is different than the general fund. It is a proprietary or business-type activity that is run similar to how a private business is run. The expenses are offset by user fees. User fees are the primary revenue typically of a utility fund, but due to the unique circumstances of Jerome, the Town’s expenses are offset significantly through a general fund subsidy.

The Utility Fund is balanced at \$1,098,768, compared to \$1,145,889.00 for the current fiscal year. The slight reduction is due to less reliance on the general fund and certain capital projects shifting to the capital or contingency funds. For FY 2025, the Utility Fund will cover the following projects beyond the routine maintenance and operations:

- Walnut Springs Tank Refurbishment;
- Verde Central siphon line repair (hopefully starting real soon);
- Mescal Canyon siphon line repair;
- Water line repairs to Dundee / Holly and Deception; and
- New dumpster.

In addition, the design of the new wastewater treatment plant, and a new sanitation truck will be procured through outside funds. See the attached list of transfers for impacts to the Utility Fund.

#### **HURF Fund:**

HURF is a State shared highway user revenue fund provided to cities and towns based on a formula that includes the Town population and gasoline sales within the county. The tentative budgeted HURF fund is set at \$240,750.00, compared to \$249,645.00 for the current fiscal year. For FY 2025, the HURF Fund will continue to cover paving projects that are much needed,

including the first section of County. See the attached list of transfers for impacts to the HURF Fund.

**Parking Fund:**

Revenues from the Parking fund cover the maintenance of the system, and will also cover necessary and needed public safety items and infrastructure repair due to the significant traffic received in the Town. See the attached transfer list for impacts to the Parking Fund.

**Capital, Contingencies, and One-time Operating Expenses:**

The Town is expecting to receive a SEARCH Grant for the siting of a new water tank, and subsequent expenses involved with this process. The Town is also expected to procure an interim loan to cover certain costs associated with the new wastewater treatment plant. The Town is also expecting a CDBG grant for Deception, a drainage grant for areas yet to be determined and will be completing several other large-scale grant applications including for the reconstruction of Verde Avenue, the reconstruction of Center Street, sanitary sewer lines and a design grant for County Road. Other items included in these categories are:

- A new inclinometer for one that has ceased to work due to the underground movements;
- Engineering for the eventual repair of retaining walls;
- The aforementioned sanitation truck;
- Design work for retaining walls;
- Design work for the hotel Jerome;
- Generators for redundancy;
- Historic building preservation and rehabilitation; and
- Costs associated with the new wastewater treatment plant.

Thank you again to the many individuals who participated in creating this proposed, tentative budget. The final product is a balanced, conservative, and realistic budget that will allow the Town to meet its financial obligations and continue to address much needed improvements.

The tentative budget was approved at the May 28<sup>th</sup> Special Council Meeting. It may be reduced but not increased prior to its final adoption at this meeting.