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TOWN OF JEROME, ARIZONA

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June 26, 2023

TO: Jerome Town Council
Mayor Christina "Alex" Barber

FROM: Brett Klein, Town Manager / Clerk

REFERENCE: Final Draft of FY 2024 Budget for Adoption

Attached is the final draft of the fiscal year 2023-2024 Town Budget. Thank you to the Town Council and staff for all the work they put in to creating this budget. Attached you can also find a summary of the interfund transfers and the fund balance analysis.

General Fund:

The general fund is the main operating fund for the Town comprised of all general government functions. The proposed budget is balanced at \$2,976,539.00. The tentative budget utilizes only \$428,389 of the fund balance, which is the predicted general fund surplus for the current fiscal year. In comparison, the current year utilized just over \$1M in order to balance, in an effort to complete certain necessary projects. Utilizing the \$428,389 fund balance, plus considering the anticipated surplus leaves, \$1,078,274 in reserve or 61% of general fund operating expenses.

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, wildland fire fees, and Yavapai County's library funding formula. State Urban Revenue share has increased to 18% from 15%, while there have been few opportunities compared to prior years to recover wildland fire revenue. Yavapai County unilaterally lowered its municipal library contribution to cities and towns due to its own budget shortages.

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

- Competitive cost-of-living adjustment of 5% for staff;
- Enhanced Town contributions for dependent insurance;
- Enhanced Town contributions toward general retirement of a 2% increase;
- Budgeted funds to certify a new police officer;
- Two (2) new Firewise employees in the fire department;

- GIS hardware and software for accurate mapping and asset management;
- Historic Preservation expense line item;
- Town Hall security enhancements; and
- Safety fencing along portions of 89A

In addition to the challenges of reduced revenues in certain areas, we recently received information that our internet services are going to increase substantially. Those increases are accounted for in the tentative budget.

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 \$1,145,889.00 compared to \$1,275,750.00 for the current fiscal year, with certain capital projects shifting to the capital or contingency funds. For FY 2024, the Utility Fund will cover the following projects beyond the routine maintenance and operations:

- Walnut Springs Tank Refurbishment;
- Verde Central siphon line repair;
- Mescal Canyon siphon line repair; and
- The completion of Cleopatra Hill water tank.

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 balanced at \$249,645.00 compared to \$285,454.00 for the current fiscal year. For FY 2024, the HURF Fund will cover a number of paving projects that are much needed, including: the sliding jail area, Town Hall, the new public restrooms, and various Town parking areas. See the attached list of transfers for impacts to the HURF Fund.

Parking Fund:

After several years of operation and a modest recent increase to \$5.00 for the paid parking rates, the revenue forecast has been adjusted to 87% of the current year budget. 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. 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;
- A new roof on the fire department;
- A new HVAC system for the fire department;
- Continued repairs on the cantilevered sidewalk;
- Design work for the hotel Jerome;
- 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 June 13th Regular Council Meeting. It may be reduced but not increased prior to its final adoption at this meeting.