

**Exhibit 'A'**

<b>Account</b>	<b>Description</b>	<b>Budget Amt</b>	<b>New Amt</b>	<b>Increase/ Decrease</b>	<b>Notes</b>
100-2002-420-55-00	Workers Compensation Expense	1,129.58	1,041.21	(88.37)	Recreation Coordinator Payroll Distribution Change (included Farmers Market NRPA)
100-2002-420-60-00	SDI Expense	1,254.57	1,050.18	(204.39)	Recreation Coordinator Payroll Distribution Change (included Farmers Market NRPA)
100-2002-555-00-00	Dues/Subscriptions	3,387.00	4,201.00	814.00	Corrected from last Budget Adjustment - New Employee Memberships
100-2010-410-30-00	Overtime	0.00	198.29	198.29	
100-2010-510-01-00	Contract Services	37,500.00	54,541.77	17,041.77	
100-2044-410-10-00	Salary	83,822.12	86,252.93	2,430.81	Hired CS Director with Prior Work Experience
100-2044-420-12-00	FICA MED Tax Expense	1,215.42	7,999.60	6,784.18	Hired CS Director with Prior Work Experience
100-2044-515-01-00	Utilities	10,000.00	19,390.47	9,390.47	Increase in Utility Charges
100-2044-521-02-00	General Supplies & Postage	100.00	800.00	700.00	
100-2062-515-01-00	Utilities	3,400.00	15,281.91	11,881.91	Increase in Utility Charges
100-2065-410-10-00	Salary	14,394.60	18,757.01	4,362.41	Changed PR Distribution for 2nd Recreation Coordinator
100-2065-420-50-00	Retirement City Contribution	1,075.28	1,400.90	325.62	Changed PR Distribution for 2nd Recreation Coordinator
100-2069-515-01-00	Utilities	40,000.00	60,000.00	20,000.00	
100-2069-600-04-00	Capital Equipment-4 Chair Rack	0.00	1,156.33	1,156.33	Equipment
100-3011-410-30-00	Overtime	50,000.00	112,200.00	62,200.00	
100-3011-420-22-00	SUI Expense	9,321.16	17,321.16	8,000.00	Unemployment Expense
100-3011-552-02-00	Public Notice - Advertising	2,000.00	2,534.70	534.70	PD Referrals & Job Announcements
100-3011-600-03-04	Capital Outlay/Technology Equi	17,000.00	17,690.62	690.62	
100-3011-600-03-05	Tasers	0.00	106,848.65	106,848.65	Tasers - Approved by Council
100-3041-410-10-00	Salary	27,574.31	33,575.10	6,000.79	Hired new Animal Control Officer with Prior Work Experience
100-3041-420-11-00	FICA Tax Expense	1,661.87	16,536.12	14,874.25	Hired new Animal Control Officer with Prior Work Experience
100-3041-420-12-00	FICA MED Tax Expense	388.66	15,636.10	15,247.44	Hired new Animal Control Officer with Prior Work Experience
100-3041-420-50-00	Retirement City Contribution	2,002.28	16,721.78	14,719.50	Hired new Animal Control Officer with Prior Work Experience
100-3041-420-55-00	Workers Compensation Expense	260.58	15,545.83	15,285.25	Hired new Animal Control Officer with Prior Work Experience
100-3041-420-60-00	SDI Expense	294.85	15,560.79	15,265.94	Hired new Animal Control Officer with Prior Work Experience
100-3041-510-01-00	Contract Services	2,300.00	4,300.00	2,000.00	Animal Control Emergency Services
100-3041-521-01-00	Office Supplies	100.00	200.00	100.00	
100-3050-410-30-00	Overtime	4,000.00	8,500.00	4,500.00	
100-3050-410-36-00	FTO Wages	0.00	560.00	560.00	
100-3999-334-30-02	Cal OES Fires	0.00	11,545.00	(11,545.00)	Reimbursement for Mariposa Fires
100-3999-334-30-15	National Opioids Settlements	0.00	9,204.56	(9,204.56)	Opioid Settlements
100-3999-334-30-16	Officer Wellness/Mental Health	0.00	25,000.00	(25,000.00)	Officer Wellness & Mental Health Grant
100-3999-410-30-02	Cal OES Fires	0.00	11,545.00	11,545.00	
100-3999-520-00-15	National Opioids Settlements	0.00	9,204.56	9,204.56	
100-3999-520-00-16	Officer Wellness/Mental Health	0.00	25,000.00	25,000.00	

Account	Description	Budget Amt	New Amt	Increase/ Decrease	Notes
100-4010-410-30-00	Overtime	3,000.00	5,734.30	2,734.30	
100-4010-510-03-00	Tree Trimming	10,000.00	19,000.00	9,000.00	
100-4010-555-04-00	Taxes & Assessments (FID)	2,500.00	5,841.08	3,341.08	Giacolini Property Proration
100-5005-510-10-00	Professional Services-Audit	15,580.00	40,635.00	25,055.00	Fee Study Carried over from Last FY
100-5005-521-02-00	General Supplies	1,500.00	1,704.15	204.15	Storage Equipment
100-5005-552-02-00	Public Notice - Advertising	0.00	391.25	391.25	Job Advertisement for Finance Director
100-5005-555-00-00	Dues/Subscriptions	400.00	579.59	179.59	
100-6003-510-10-00	Professional Services	130,000.00	221,623.81	91,623.81	Increase in Legal Services
100-6004-410-10-00	Salary	20,989.65	22,193.29	1,203.64	
100-6004-410-20-00	Part-Time Wages	5,323.57	-	(5,323.57)	No Part Time worker will be hired this FY
100-6004-420-11-00	FICA Tax Expense	1,631.42	1,275.49	(355.93)	No Part Time worker will be hired this FY
100-6004-420-12-00	FICA MED Tax Expense	381.54	300.50	(81.04)	No Part Time worker will be hired this FY
100-6004-420-40-00	Health Insurance Expense	6,308.75	5,363.67	(945.08)	No Part Time worker will be hired this FY
100-6004-420-55-00	Workers Compensation Expense	266.84	232.14	(34.70)	No Part Time worker will be hired this FY
100-6004-420-60-00	SDI Expense	289.45	209.18	(80.27)	No Part Time worker will be hired this FY
100-6004-551-01-00	Communications-Telephone	0.00	164.97	164.97	New Budget Line for City Clerk/Code Enforcement
100-6004-552-02-00	Public Notice - Advertising	0.00	1,205.00	1,205.00	Job Advertisement for Code Enforcement Officer
100-6004-556-00-00	Community, Employees & Pub Rel	3,500.00	5,000.00	1,500.00	Community Events
100-7001-410-10-00	Salary	22,346.42	23,204.09	857.67	
100-7001-410-37-00	Vehicle Allowance	375.00	656.25	281.25	
100-7001-420-11-00	FICA Tax Expense	1,385.48	1,490.53	105.05	
100-7001-420-12-00	FICA MED Tax Expense	324.02	348.76	24.74	
100-7001-420-55-00	Workers Compensation Expense	228.99	236.14	7.15	
100-7001-510-03-00	Cont.Svc-DevelopmentConsulting	600,000.00	10,000.00	(590,000.00)	
100-7001-600-03-70	Animal Shelter	0.00	100,176.40	100,176.40	Final Payments/Dog Run
100-7001-600-03-73	East Side Comm. Park(25 Acres)	4,508,685.00	150,000.00	(4,358,685.00)	Will not be Completing Park this Fiscal Year
100-7001-600-03-74	Downtown Revitalization Prog	421,750.00	150,000.00	(271,750.00)	
100-7001-600-03-75	Clean CA Downtown Corridor Rev	0.00	271,750.00	271,750.00	
100-8000-600-03-16	Lighting for Range at WWTP	5,100.00	14,496.82	9,396.82	
130-0000-361-02-00	Lease Income	0.00	67,123.55	(67,123.55)	PFA Lease Payment
140-0000-344-50-00	Development Impact Fees	147,000.00	180,566.20	(33,566.20)	10 Finals through FY 22-23
180-0000-344-50-00	Development Impact Fees	84,000.00	99,619.40	(15,619.40)	10 Finals through FY 22-23
300-0000-361-01-00	Interest Earnings	0.00	500.00	(500.00)	
410-4041-410-10-00	Salary	316,741.82	281,105.76	(35,636.06)	Hired PW Lead with Prior Work Experience
410-4041-410-30-00	Overtime	12,428.00	17,998.96	5,570.96	

Account	Description	Budget Amt	New Amt	Increase/ Decrease	Notes
410-4041-420-11-00	FICA Tax Expense	22,037.04	19,823.60	(2,213.44)	Hired PW Lead with Prior Work Experience
410-4041-420-12-00	FICA MED Tax Expense	5,389.39	4,573.19	(816.20)	Hired PW Lead with Prior Work Experience
410-4041-420-22-00	SUI Expense	1,832.27	9,832.27	8,000.00	Unemployment Expense
410-4041-420-40-00	Health Insurance Expense	58,774.07	40,301.21	(18,472.86)	Hired PW Lead with Prior Work Experience
410-4041-420-50-00	Retirement City Contribution	29,685.28	24,418.31	(5,266.97)	Hired PW Lead with Prior Work Experience
410-4041-420-55-00	Workers Compensation Expense	38,482.56	33,525.50	(4,957.06)	Hired PW Lead with Prior Work Experience
410-4041-420-60-00	SDI Expense	4,890.44	3,384.22	(1,506.22)	Hired PW Lead with Prior Work Experience
410-4041-521-03-01	Special Supplies - FID S Water	56,115.00	57,232.90	1,117.90	FID Water
410-4041-552-02-00	Public Notice - Advertising	0.00	1,092.50	1,092.50	Job Advertisement for WWTP Manager
410-4041-600-03-03	Capital Imp-Well 9A Emerg Rep	0.00	59,045.47	59,045.47	Emergency Repair on Well 9A
410-5005-410-30-00	Overtime	600.00	850.00	250.00	
410-5005-521-02-00	General Supplies	500.00	1,179.07	679.07	Storage Equipment
410-5005-552-02-00	Public Notice - Advertising	0.00	391.25	391.25	Job Advertisement for Finance Director
420-4042-410-10-00	Salary	277,222.31	255,754.17	(21,468.14)	Hired PW Lead with Prior Work Experience
420-4042-410-30-00	Overtime	7,500.00	17,624.45	10,124.45	
420-4042-420-11-00	FICA Tax Expense	19,216.26	18,225.33	(990.93)	Hired PW Lead with Prior Work Experience
420-4042-420-12-00	FICA MED Tax Expense	4,729.70	4,303.10	(426.60)	Hired PW Lead with Prior Work Experience
420-4042-420-22-00	SUI Expense	1,604.79	11,102.50	9,497.71	Unemployment Expense
420-4042-420-40-00	Health Insurance Expense	50,456.35	36,076.97	(14,379.38)	Hired PW Lead with Prior Work Experience
420-4042-420-50-00	Retirement City Contribution	25,882.90	22,012.19	(3,870.71)	Hired PW Lead with Prior Work Experience
420-4042-420-55-00	Workers Compensation Expense	34,838.16	32,108.51	(2,729.65)	Hired PW Lead with Prior Work Experience
420-4042-420-60-00	SDI Expense	4,389.98	3,008.29	(1,381.69)	Hired PW Lead with Prior Work Experience
420-4042-510-01-00	Contract Services	30,000.00	130,000.00	100,000.00	Extra sludge hauling not done previous year, additional repair and maintenance
420-4042-510-10-00	Professional Services	2,500.00	6,314.00	3,814.00	2020 UWMP (Urban Water Management Plan)
420-4042-521-04-00	Special Supplies-Major Repairs	40,000.00	52,000.00	12,000.00	Equipment Failure/Maintenance Repair
420-4042-552-02-00	Public Notice - Advertising	0.00	1,092.50	1,092.50	Job Advertisement for WWTP Manager
420-5005-521-02-00	General Supplies	500.00	1,208.56	708.56	
420-5005-552-02-00	Public Notice - Advertising	0.00	391.25	391.25	Job Advertisement for Finance Director
420-8000-600-03-62	Goldenrod/CA Lift Station Pump	16,524.00	18,007.30	1,483.30	
430-5005-410-30-00	Overtime	1,200.00	1,450.00	250.00	
430-5005-521-03-00	General Supplies	500.00	958.96	458.96	Storage Equipment
430-5005-552-02-00	Public Notice - Advertising	0.00	391.25	391.25	Job Advertisement for Finance Director
470-4047-515-01-00	Utilities	1,000.00	1,750.00	750.00	Increase in Utility Charges
500-4050-410-10-00	Salary	113,655.72	115,264.89	1,609.17	
500-4050-410-35-00	Stand By	1,514.61	2,294.23	779.62	

Account	Description	Budget Amt	New Amt	Increase/ Decrease	Notes
500-4050-420-11-00	FICA Tax Expense	3,321.86	7,325.06	4,003.20	Discrepancy in formula on Budget Sheet
500-4050-420-12-00	FICA MED Tax Expense	4,781.59	1,666.61	(3,114.98)	Discrepancy in formula on Budget Sheet
500-4050-420-40-00	Health Insurance Expense	22,885.92	25,900.29	3,014.37	Discrepancy in formula on Budget Sheet
500-4050-420-50-00	Retirement City Contribution	5,085.38	12,473.36	7,387.98	Discrepancy in formula on Budget Sheet
500-4050-420-55-00	Workers Compensation Expense	5,724.64	13,959.60	8,234.96	Discrepancy in formula on Budget Sheet
500-4050-420-60-00	SDI Expense	16,205.25	1,180.79	(15,024.46)	Discrepancy in formula on Budget Sheet
500-4050-515-01-00	Utilities	14,500.00	21,184.95	6,684.95	Increase in Utility Charges
500-4050-521-03-00	Vehicle & Eq Parts/Supplies	6,500.00	12,500.00	6,000.00	
500-4050-521-03-04	Vehicle Repairs	40,000.00	53,000.00	13,000.00	
500-4050-521-03-05	Equipment Repairs and Mainten.	30,000.00	35,000.00	5,000.00	
500-4050-551-02-00	Communications-Cellular Phone	660.00	1,397.32	737.32	Purchased new Technology Equipment for Fleet Dept
500-8000-600-04-33	Patrol Vehicles	0.00	144,879.78	144,879.78	2 Vehicles Carried over from Last FY-Chief's vehicle will be reimbursed by RMA
540-0000-344-50-00	Development Impact Fees	272,128.00	319,960.89	(47,832.89)	10 Finals through FY 22-23
570-0000-344-50-00	Development Impact Fees	300,672.00	324,162.00	(23,490.00)	10 Finals through FY 22-23
730-2046-410-10-00	Salary	0.00	7,313.00	7,313.00	
730-2046-410-20-00	Part-Time Wages	17,680.00	-	(17,680.00)	
730-2046-420-40-00	Health Insurance Expense	0.00	1,133.49	1,133.49	
740-2045-410-10-00	Salary	0.00	10,449.90	10,449.90	
740-2045-410-20-00	Part Time Salaries	13,260.00	2,810.10	(10,449.90)	
740-2045-420-40-00	Health Insurance Expense	0.00	1,113.97	1,113.97	
740-2045-420-50-00	Retirement City Contribution	0.00	740.66	740.66	
750-4075-410-10-00	Salary	94,813.20	104,544.72	9,731.52	Hired PW Lead with Prior Work Experience
750-4075-410-30-00	Overtime	5,000.00	7,208.74	2,208.74	
750-4075-410-35-00	Stand By	1,267.83	4,414.45	3,146.62	
750-4075-420-11-00	FICA Tax Expense	10,208.27	11,274.43	1,066.16	Hired PW Lead with Prior Work Experience
750-4075-420-12-00	FICA MED Tax Expense	2,636.11	5,299.37	2,663.26	Hired PW Lead with Prior Work Experience
750-4075-420-50-00	Retirement City Contribution	8,391.02	9,674.68	1,283.66	Hired PW Lead with Prior Work Experience
750-4075-521-06-00	Uniforms	750.00	1,150.00	400.00	Uniform for Part Time Seasonal Staff
780-8000-334-03-17	Kerman ST ADA Transition Plan	0.00	10,000.00	(10,000.00)	
780-8000-600-03-17	Kerman ST ADA Transition Plan	0.00	10,000.00	10,000.00	Kerman ST ADA Transition Plan
810-4081-510-05-00	Tree Trimming	60,000.00	63,750.00	3,750.00	Tree Trimming
850-0000-314-03-00	SB325III Bicycle & Ped. Improv	12,245.00	17,079.00	(4,834.00)	
870-0000-369-01-00	Miscellaneous	600.00	10,242.63	(9,642.63)	Claim Reimbursements
870-4087-410-30-00	Overtime	2,500.00	4,131.46	1,631.46	Overtime
870-4087-521-06-00	Uniforms	500.00	950.00	450.00	Uniforms

Account	Description	Budget Amt	New Amt	Increase/ Decrease	Notes
870-8000-600-03-85	Siskiyou Ave Rehab 180/Kearney	0.00	9,127.00	9,127.00	Siskiyou Ave Rehab 180/Kearney
870-8000-600-03-86	Goldenrod Ave Rehab Kearney/RR	0.00	6,259.00	6,259.00	Goldenrod Ave Rehab Kearney/RR
880-4088-410-30-00	Overtime	4,500.00	8,052.95	3,552.95	Overtime
880-4088-510-05-00	Tree Trimming	15,000.00	10,000.00	(5,000.00)	Tree Trimming
880-4088-521-50-00	Street Field Operations	4,000.00	7,125.00	3,125.00	Street Field Operations
882-4088-410-10-00	Salary	103,414.86	107,202.04	3,787.18	Salary
890-0000-334-00-01	COVID19-ARPA	1,827,890.00	1,844,270.29	(16,380.29)	Grant for Foggers and Temperature Scanners
890-8000-334-03-85	Siskiyou Ave Rehab 180/Kearney	0.00	68,168.00	(68,168.00)	
890-8000-334-03-86	Goldenrod Ave Rehab Kearney/RR	0.00	49,036.00	(49,036.00)	
890-8000-600-00-01	COVID19-ARPA	0.00	16,380.29	16,380.29	COVID19-ARPA
890-8000-600-03-85	Siskiyou Ave Rehab 180/Kearney	0.00	68,168.00	68,168.00	Siskiyou Ave Rehab 180/Kearney
890-8000-600-03-86	Goldenrod Ave Rehab Kearney/RR	0.00	49,036.00	49,036.00	Goldenrod Ave Rehab Kearney/RR
930-8000-600-03-00	Reimbursement - WalMart	35,000.00	66,914.22	31,914.22	Reimbursement - WalMart

**Total Adjustments for Revenues and Expenses**

**(4,513,856.34)**

# City of Kerman

## FY 2022 -2023 Mid-Year Budget Report



Josefina Alvarez,  
Finance Director  
John Jansons,  
City Manager  
March 22, 2023

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## Mid- Year Status Overview

The Fiscal Year 2022-2023 budget was adopted by the City Council on June 22, 2022. The annual adopted budget is a financial plan based on the best information available at the time it is prepared.

The Mid-Year Budget Review provides information to the City Council of the City’s financial picture through December 31, 2022, with any necessary adjustments to complete Fiscal Year 2022-2023.

This Mid-Year Budget Review focuses on revenues and expenditures of the General Fund (GF) and the City’s Enterprise Funds. Staff reviews each revenue received as well as each expense incurred from the beginning of the fiscal year on July 1, 2022, to December 31, 2022, and compares the amounts to the adopted budget. Generally, at the middle of the fiscal year, a ratio of approximately 50% between the adopted budget and actual amounts should exist in the analysis; however, this might vary based on the timing of certain revenues and expenses. The Fiscal Year 2022-2023 at this point, (December 31, 2022) is looking positive. The revenues collected for the GF are for the most part on track as anticipated, and expenses incurred less than projected; and for the City’s Enterprise Funds, both the revenue collected and expenses incurred are right on track.

The GF adopted budget for the Fiscal Year 2022-2023 was approved with a deficit of \$3,741,109, when considering Measure M operational & capital project expenses. On November 9, 2022, staff brought some budget adjustments which reduced the deficit to \$1,888,857.68, if the ARPA money was included and the SLESF money (included in last quarters budget adjustment) is excluded since it is a grant. The Enterprise Funds surplus was also reduced from \$199,742 to \$5,597.90.

Because of the unexpected increase in property taxes, the increase in fees for services from various permits, a reimbursement from RMA and the unforeseen increase in cost to provide services to our residents and investors, staff recommends some adjustments to the revenues and expenses to the approved budget.

## Revenue Status Review

### ❖ General Fund

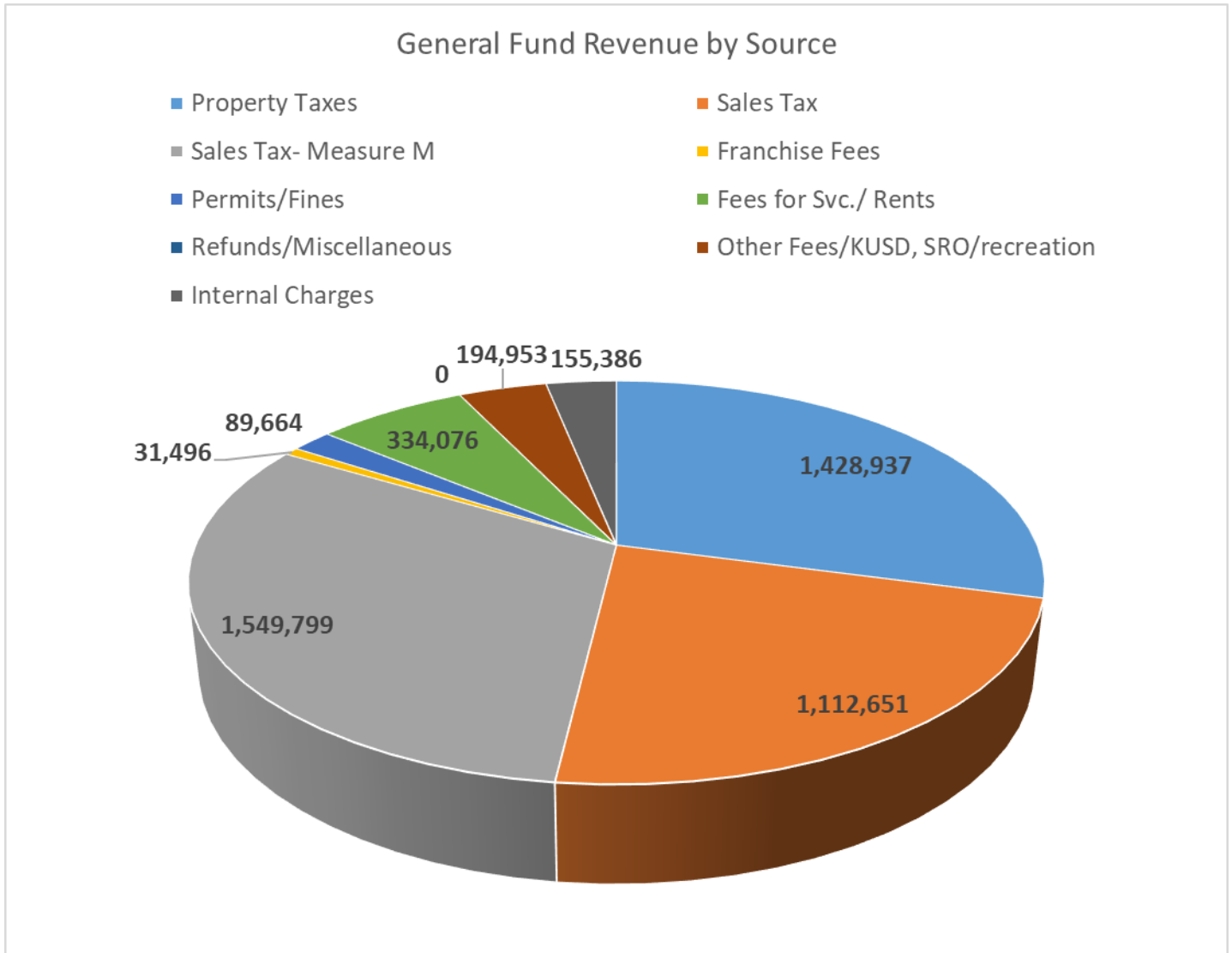
The General Fund accounts for tax, and other general-purpose revenues (e.g., sales taxes, property taxes, franchise fees, permits, fees, rents and fines), these are used to provide essential general governmental services (e.g., legislation, administration, city clerk, police, parks and recreation, public works and planning). Generally, the two primary sources for the GF are property taxes and sales taxes. So far for Fiscal Year 2022-2023, **Table 1** below reflects the percentage of revenue collected per source as of December 31, 2022, with property and sales tax at 83.55%, and other fees such as fees for services/rents at 6.82%.

**Table 1**

GENERAL FUND REVENUE BY SOURCE			
Property Taxes	29.18%	Permits/Fines	1.83%
Sales Tax	22.72%	Fees for Svc./ Rents	6.82%
Sales Tax - Measure M	31.65%	Refunds/Miscellaneous	0.00%
Franchise Fees	0.64%	Other Fees/KUSD. SRO/Recre:	3.98%
Internal Charges	3.17%		



**Figure 1**



### ❖ Enterprise Funds

Enterprise Funds include Water, Sewer, Solid Waste (refuse), Storm Drain, and Landscape and Lighting District. These funds are accounted for separately, and revenue is generated from services provided to the public on a user fee basis.

In this report, the Internal Service Funds (ISF), such as Vehicle and Technology, are included under Enterprise Funds. The ISF accounts for any activity that provides goods or services to other funds, departments or agencies on a cost-reimbursement basis.

**Table 2** on page 3 summarizes the results of revenues collected through the first six months of the fiscal year ending on December 31, 2022, for the General Fund and the Enterprise Funds.

Table 2

CITY OF KERMAN							
2022-23 MIDYEAR REVENUE OVERVIEW STATUS REPORT							
December 31, 2022							
Fund No.	Fund Name	A 2022-20223 Adopted Budget	B Actual Through 12/31/22	D % Collected 12/31/2022	E Projected Amount 1/1-6/30/23	F 2022-23 Proposed Changes	G 2022-23 Final Budget
100	<b>GENERAL FUND</b>						
	Property Taxes	2,472,680	1,428,937	58	1,060,831	17,088	2,489,768
	Sales Tax	2,175,091	1,112,651	51	1,062,440		2,175,091
	Sales & Use Tax - Measure M.	3,181,000	1,549,799	49	1,631,201		3,181,000
	Franchise Fees	196,220	31,496	16	164,725		196,220
	Permits	88,844	68,330	77	23,470	2,957	91,800
	Fines	60,310	21,334	35	38,976		60,310
	Fees for Services	501,909	236,608	47	277,733	12,432	514,341
	Other Fees	150,858	119,210	79	228,918	197,269	348,128
	Recreation Fees	66,840	12,751	19	54,089		66,840
	Rents	143,045	97,468	68	69,977	24,400	167,445
	Refunds/Miscellaneous	8,389	-	0	8,389		8,389
	Internal Charges	310,771	155,386	50	155,385		310,771
	KUSD-SRO Reimbursement	189,843	-	0	189,843		189,843
	ACT Reimbursement	115,282	62,992	55	52,289		115,282
	<b>Total General Fund</b>	<b>9,661,082</b>	<b>4,896,961</b>	<b>51%</b>	<b>5,018,267</b>	<b>254,146</b>	<b>9,915,228</b>
	<b>ENTERPRISE FUNDS</b>						
410	Water Operating	2,415,427	1,498,323	62	917,104		2,415,427
420	Sewer Operating	1,938,172	992,986	51	945,186		1,938,172
430	Solid waste	2,053,421	1,041,309	51	1,012,112		2,053,421
470	Storm Drain	82,662	42,370	51	40,291		82,662
500	Vehicle-ISF	854,637	302,006	35	552,631		854,637
510	Technology- ISF	107,132	53,599	50	53,533		107,132
750	Landscape & Light District	250,832	178,325	71	72,507		250,832
	<b>Total Enterprise Fund</b>	<b>7,702,284</b>	<b>4,108,919</b>	<b>53%</b>	<b>3,593,366</b>	<b>0</b>	<b>7,702,284</b>
	<b>GRAND TOTALS</b>	<b>17,363,366</b>	<b>9,005,880</b>	<b>51.87%</b>	<b>8,611,632</b>	<b>254,146</b>	<b>17,617,512</b>

**Table 2** reflects the General Fund revenue of \$4,896,961 as of December 31, 2022, of the annual budget amount of \$9,661,082. In the first half of the fiscal year, some revenues received came higher than the budget projection. This outcome is due to specific events such as the development of properties in the City, the increase in population, the rentals of City properties and the retroactive reimbursement from RMA. The adjustments that are proposed are minimal and those that are being changed are conservative. Overall, the revenue collected at mid-point is 51%, compared to the budget amount projected, and we are expecting to receive the other 49% by the end of the fiscal year with the additions of the proposed changes explained under the adjustments below.

The adjustments are:

- ✓ Increase property tax revenue due to the higher assessed valuation of properties and an increase in population.
- ✓ Increase in business license penalties that the City implemented in 2021 due to a higher number of delinquencies.
- ✓ Increase in animal licenses and permits due to the two planned dog clinics programmed for March and April.
- ✓ Increase in Planning and Zoning fees due to the continued development of both residential and commercial properties.
- ✓ Increase in Rents Cell Tower Leases due to the completion and implementation of the AT&T cell Tower located at Kerckhoff Park.
- ✓ Increase in Rents-Community Teen Center due to higher demand for rental of City facilities.
- ✓ Increase in miscellaneous revenue due to the retroactive payment received from RMA and reimbursement from our worker's compensation insurance for the temporary total disability claims.
- ✓ Increase PG&E CNG reimbursements due to the reimbursements received from Fresno COG for the use of the CNG station at the Public Works yard.

For the Enterprise Funds, the revenue collected for the first half of the year, December 31, 2022 is \$4,108,919 of the annual budget amount of \$7,702,284. At mid-point, the majority of Enterprise Funds exceeded or were at the expected 50% projection. Overall, revenue collected during the first half of the fiscal year is 53% if compared to the adopted budget amount; and it is expected to receive the 47% by the end of the fiscal year. With the City resuming penalties and shut offs in the near future, no adjustments are expected through the end of this fiscal year due to the uncertainty of how long the delinquent accounts will need to pay back their past due balances.

## Expenditure Status Review

### ❖ General Fund

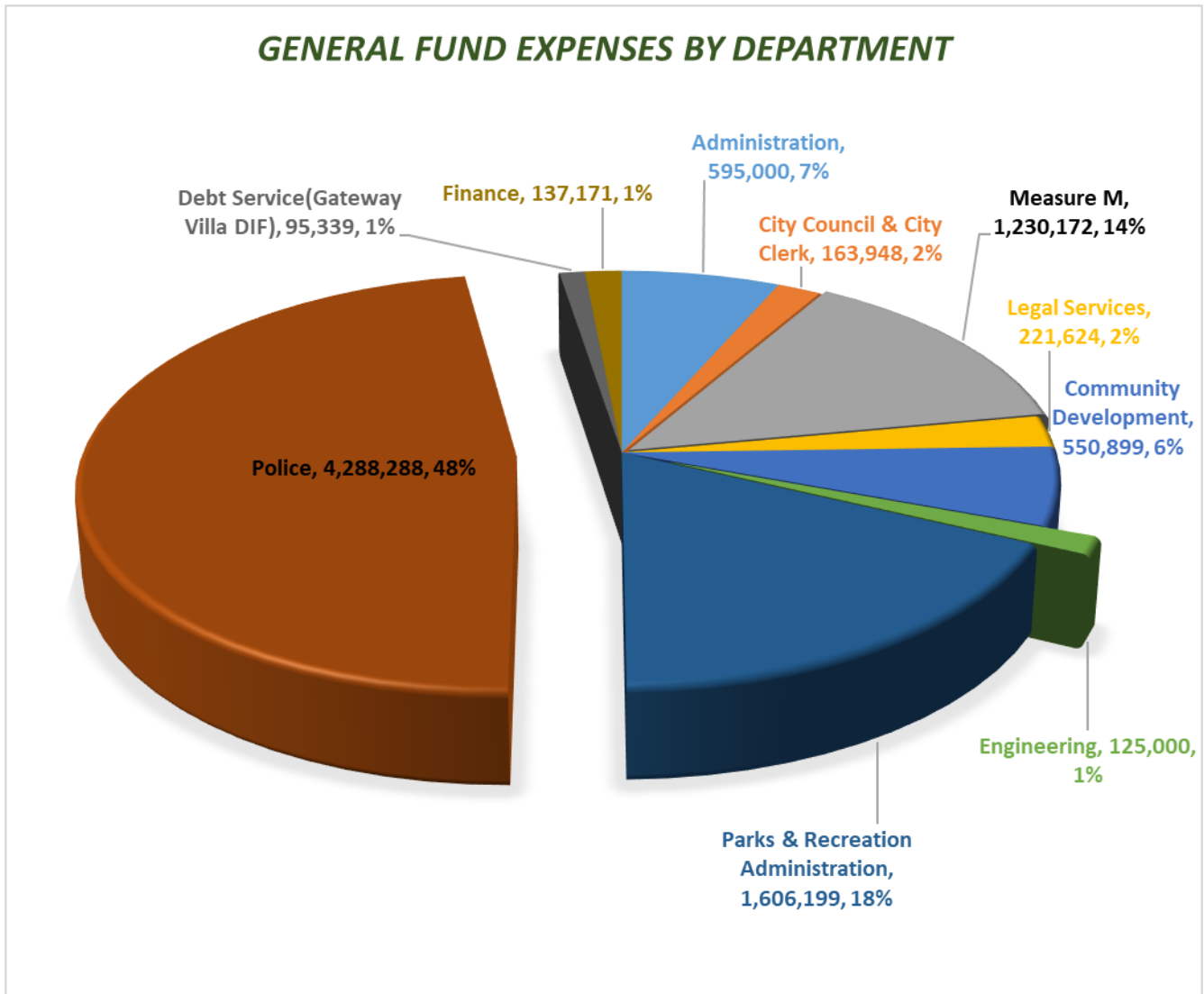
The General Fund operating expenditures adopted budget for Fiscal Year 2022-2023 are \$13,377,830, and the estimated ending for Fiscal Year 2022-2023 after the adjustments recommended by staff are \$9,013,639. **Figure 2**, on page 5, shows the percentage allocation of the general fund by department.

The City of Kerman's primary investments from the General Fund (GF) are:

- Public Safety (Police Department ) with a 47.58% allocation for public safety;
- Parks and Recreation programs with a 17.82% allocation to continue investing in our youth and seniors residents.
- In addition, Measure M Projects of City facilities with 13.65% allocation.

This 79.05% appropriation of funds from the GF reflects why many families elect the City of Kerman to raise their children in Fresno County.

Figure 2



### ❖ Enterprise Funds

The Enterprise Funds' operating expenditure adopted budget for Fiscal Year 2022-2023 is \$7,870,565. These expenses are incurred by each fund to provide the goods and services to the City of Kerman residents and departments within the City. These services are water, sewer, refuse collection, fleet services and technology.

**Table 3** on page 6 summarizes the results of expenses incurred through the first six months of the fiscal year ending on December 31, 2022, for the General Fund and the Enterprise Funds.

**Table 3**

CITY OF KERMAN								
2022-2023 MIDYEAR EXPENSES OVERVIEW STATUS REPORT								
December 31, 2022								
Fund No.	Fund Name	Dept. No.	A 2022-2023 Adopted Budget	B Actual Through 12/31/22	D % Used 12/31/22	E Projected Amount 1/1-6/30/23	F 2022-23 Proposed Changes	G 2022-23 Final Budget
100	<b>GENERAL FUND</b>							
	Administration	1002	591,120	299,838	51	295,161	3,880	595,000
	City Council	6001	34,150	11,655	34	22,495	0	34,150
	Measure M	7001	6,077,405	460,519	8	769,653	(4,847,233)	1,230,172
	City Clerk	6004	132,545	42,917	32	86,881	(2,747)	129,798
	Legal Services	6003	130,000	156,459	120	65,165	91,624	221,624
	Community Development	1008, 1042	547,904	249,945	46	300,954	2,995	550,899
	Engineering	1010	101,500	73,276	72	51,724	23,500	125,000
	Recreation Administration	2002	213,313	22,190	10	177,969	(13,154)	200,159
	Senior Center	2044	151,378	86,649	57	84,035	19,305	170,684
	Aquatics	2047	80,310	26,311	33	53,999	0	80,310
	Planned Recreation	2062	66,245	23,376	35	54,752	11,882	78,127
	Youth & Teen Services	2065	89,645	27,211	30	67,122	4,688	94,333
	Community Teen Center	2069	170,211	90,373	53	100,994	2,156	191,368
	Building Maintenance	2010	555,384	245,017	44	327,607	17,240	572,624
	Police		3,622,436	1,587,026	44	2,213,684	178,274	3,800,709
	Police (SRO & ACT)	3011	317,222	151,265	48	165,957	0	317,222
	Animal Control	3041	86,863	45,974	53	124,382	83,493	170,356
	Bldg/Park Operations	4010	203,520	107,940	53	110,655	15,075	218,595
	Finance	5005	111,341	83,486	75	53,685	25,830	137,171
	Debt Service(Gateway Villa DIF)	5006	95,339	95,339	100	0	0	95,339
	<b>Total General Fund</b>		<b>13,377,830</b>	<b>3,886,766</b>	<b>29%</b>	<b>5,126,874</b>	<b>(4,364,190)</b>	<b>9,013,639</b>
	<b>ENTERPRISE FUNDS</b>							
410	Water Operating	4041,5005,5006	2,174,632	1,180,907	54	1,001,003	7,278	2,181,910
420	Sewer Operating	4042,5005,5006	1,867,357	1,184,916	63	776,305	93,865	1,961,222
430	Solid waste	5005	2,108,003	1,014,306	48	1,094,798	1,100	2,109,104
470	Storm Drain	4047	171,577	51,438	30	120,889	750	172,327
500	Vehicle-ISF	4050	1,116,529	402,137	36	897,584	183,192	1,299,721
510	Technology- ISF	4051	107,201	54,572	51	52,629	0	107,201
750	Landscape & Light District	4075	325,265	171,993	53	173,773	20,500	345,765
	<b>Total Enterprise Fund</b>		<b>7,870,565</b>	<b>4,060,270</b>	<b>52%</b>	<b>4,116,980</b>	<b>306,685</b>	<b>8,177,250</b>
	<b>GRAND TOTALS</b>		<b>21,248,394</b>	<b>7,947,035</b>	<b>37%</b>	<b>9,243,854</b>	<b>(4,057,505)</b>	<b>17,190,889</b>

**Table 3** reflects the General Fund expenditures of \$3,886,766 as of December 31, 2022, of the annual budget amount of \$13,377,830. The first half of the fiscal year shows some departmental expenditures greater than expected budget projections and some lower. One example is the increased expenses in Legal Services which are already 120% spent, but the City has resolved several issues that had not been resolved in previous years. The development in the City is reflected under the Engineering Department with 72% of expenses incurred already in the first half of the fiscal year. In the same way, some departments used less than the projected expenses such as Measure M. Hart Ranch Park has finally started after years of planning. It was exciting to see the start of this project when all the trees were removed this month (March 2023). We do not expect to incur the total budgeted amount for Hart Ranch Park by the end of the fiscal year, but we are expecting to incur most of the other remaining expenses for each department. The proposed adjustments below are recommended by staff.

The adjustments are:

- ✓ Decrease Measure M expenses due to the limited resources available to procure the capital projects allocated for Fiscal Year 2022-2023, such as the Hart Ranch Park project.
- ✓ Increase in salaries for Community Development due to more experienced personnel hired.
- ✓ Increase in Engineering and Community Development Department expenses due to services required by the development occurring in the City.
- ✓ Decrease in salaries for Community Services due to the Recreation Coordinator salaries being charged to the NRPA Farmers Market.
- ✓ Increase in contract services for Building Maintenance due to ongoing maintenance and repair of City facilities..
- ✓ Increase in Senior Center Services salaries due to the percentage allocation change for the Recreation Coordinator.
- ✓ Increase in Planned Recreation, Senior Center and Community Center Departments due to the increase in cost of electricity.
- ✓ Increase in overtime for Police Department due to the shortage of staff.
- ✓ Increase in SUI Expense for the Police due to claims filed to EDD.
- ✓ Increase in Police Department capital expense for Tasers acquired this fiscal year approved by Council.
- ✓ Increase in salaries for Animal Control due to more experienced personnel hired.
- ✓ Increase in Finance Department Professional Services due to Fee Study carried over to this fiscal year.
- ✓ Increase in legal services due to personnel matters and other long time matters that were finally resolved this fiscal year.
- ✓ Increase in Measure M projects for the completion of the Animal Shelter.

The Enterprise Funds in **Table 3** on page 6 show a total expenditure of \$4,060,270 as of December 31, 2022, of the annual adopted budget amount of \$7,870,565. At mid-point of the fiscal year, most of the Enterprise Funds expenditures are close to 50% of the budget; except for the Sewer Fund at 63%, due to the sludge hauling that was all cleared up this fiscal year and had not been done the prior fiscal year and repairs and maintenance necessary to maintaining our WWTP facility operating appropriately. The Storm Drain fund is at 30% because major projects have not been started for this fiscal year.

Overall, the expenses incurred in the first half of the fiscal year are 52% if compared to the adopted budget amount. It is expected to incur the additional 48% by the end of the fiscal year with the addition of following adjustments.

The adjustments are:

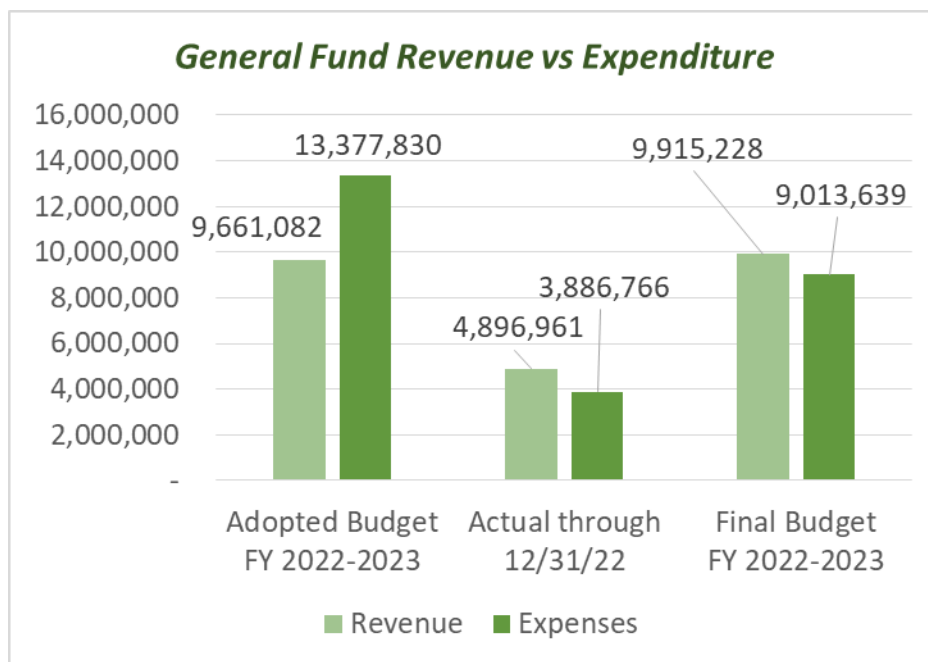
- ✓ Decrease water and sewer salaries due to change in department personnel.
- ✓ Increase in water capital projects due to emergency repair of Well 9A.
- ✓ Increase in sewer contract services due to sludge hauling not done prior fiscal year and additional loads of sludge hauled off to completely clear all sludge at WWTP.
- ✓ Increase in sewer special supplies major repairs due to equipment failure and ongoing maintenance repair needed to the run the facility appropriately.
- ✓ Increase Vehicle Fund due to major repairs to vehicles and the increase in electricity cost.

- ✓ Increase in Vehicle Fund due to two patrol vehicles ordered last fiscal year and received this fiscal year.
- ✓ Increase in Landscaping and Lighting Fund due to more experienced personnel hired.

## General Fund Revenue and Expenditure Summary

The revenues and expenditures below in **Figure 3** reflect General Fund revenues of \$4,896,961 or 51% of the annual budget at the midpoint of the fiscal year and General Fund expenditures of \$3,886,766 or 29% of the annual budget at the exact midpoint of the fiscal year. Therefore, at this point, the General Fund is showing a \$1,010,195 surplus on revenues over expenses. With the adjustments recommended by staff, the estimated year-end for the Fiscal Year 2022-2023 for revenues is \$9,915,228 and estimated expenditures are \$9,013,639, the general fund reserve balance is expected to increase by approximately \$901,589.

**Figure 3**



## General Fund Reserves

The Fiscal Year 2022-2023 budget adopted by the City Council on June 22, 2022, projected a deficit of \$3,741,109 (expenditures exceeded revenues) in the General Fund. The mid-year budget review indicates the General Fund deficit will be eliminated and there will be a surplus of \$901,589.

The City of Kerman’s audited General Fund ended Fiscal Year 2021-2022 with an \$10.1 million cash reserve balance. The City Council adopted a General Fund Reserve Policy to manage significant financial events more efficiently, cover unexpected expenses and adequately plan for repair and replacement of major capital assets in the future (e.g. Police Station, Multigenerational Center).

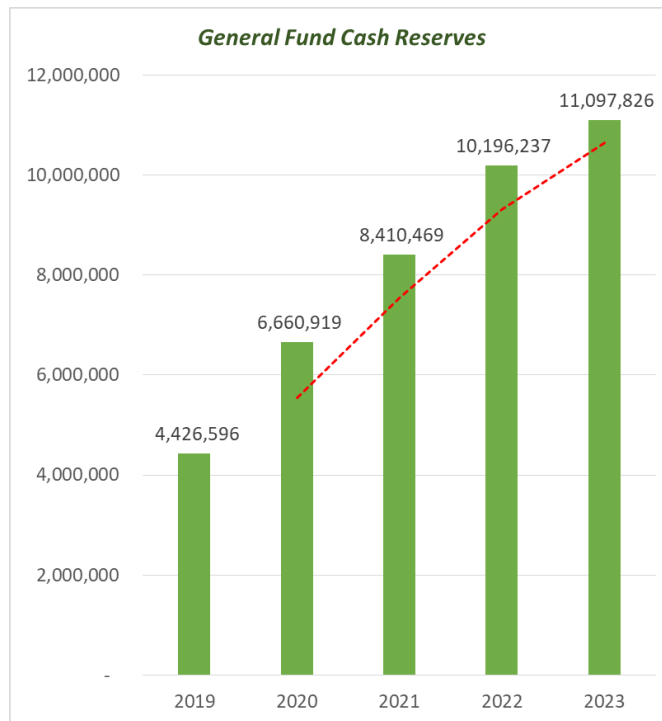


The reserves are designated as follows:

Unfunded Liability	100,000
Emergency reserve	2,005,174
Revenue stability reserve	1,203,105
Major asset repair and replacement reserve	1,203,105
Unassigned	<u>5,684,854</u>
<b>General Fund Cash Reserves</b>	<b><u>\$ 10,196,237</u></b>

**Figure 4** below shows the historical General Fund reserve cash balances with the projected surplus at the end of the Fiscal Year 2022-2023.

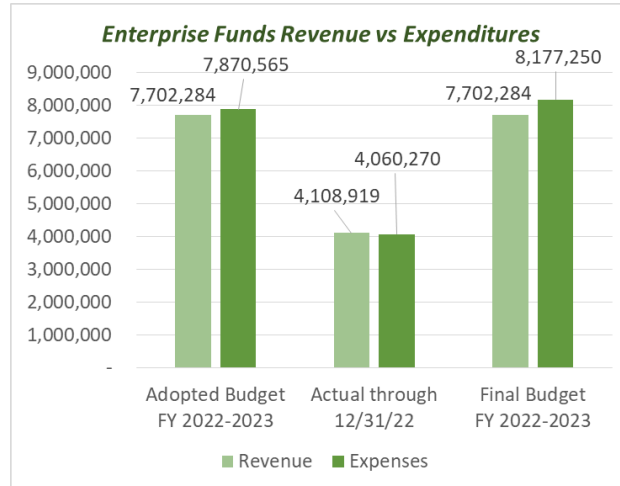
**Figure 4**



### Enterprise Funds Revenue and Expenditure Summary

The revenues and expenditures presented in **Figure 5** on page 10 reflect the Enterprise Funds revenues of \$4,108,919 or 53% of the adopted budget at the midpoint of fiscal year and Enterprise Funds expenditures of \$4,060,270 or 52%. Therefore, at this point, the Enterprise Funds are showing a surplus of \$48,649.

**Figure 5**



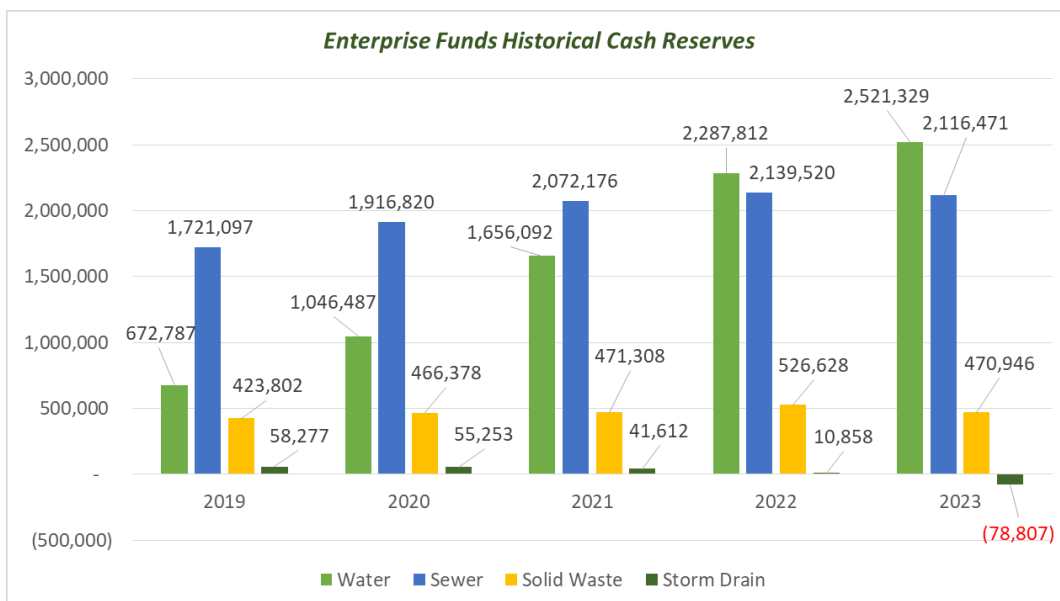
### Enterprise Funds Cash Reserves

The Enterprise Funds ended Fiscal Year 2021-2022 with cash reserves in the Water, Sewer, Solid Waste, and Storm Drain funds of approximately \$4.9 million.

**Figure 6** below shows the cash balances (working capital) over the period from the fiscal year ending June 30, 2019, through June 30, 2023 (estimated) by each Fund.

Most of the Enterprise Funds seem to present a healthy reserve balance; however, all Enterprise Funds reserves, except for the Water Fund, are expected to decrease. The Water Fund will increase \$233,517 or 10.21%, the Sewer Fund will decrease \$23,049 or approximately 1.08%, the Solid Waste Fund will decrease \$55,682 or approximately 10.57% and the Storm Drain Fund will decrease \$89,665 or 825.82% this Fiscal Year 2022-2023.

**Figure 6**



In Fiscal Year 2018-2019, a Water and Sewer Rate Study was recommended and approved by the City Council. This study provided a rate increase for five consecutive years to fund increasing operation costs, reverse existing deficit, such as the water fund, and to accumulate reserves to 50% of operating expenses plus debt payments. Fiscal Year 2022-2023 is the fourth of the five years of increases approved under Prop 218. These increases are leveling back the reserves and providing the savings to invest in future required infrastructure projects in the water and sewer systems.

Staff will continue monitoring closely all expenses incurred by the Enterprise Funds to ensure the liquidity necessary to operate and comply with debt service obligations.

## Looking into the future

In this post COVID 19 pandemic, the City of Kerman has shown positive economic factors, such as the increased development in the City by developers building single-family homes to provide housing to the increased population experienced in the City.

Another essential factor to highlight is the support by the City of Kerman residents with the approval of the Sales and Use Tax Measure M, which provides a significant increase of revenue for the City to invest in the buildings most desired by its residents.

City Council also approved the fee study which will become effective July 1, 2023. The changes in our revenues should help fund future projects and help in maintaining the excellent service that is provided to our residents.

### ❖ **Economy**

According usfacts.org, the Federal Reserve raised interest rates seven times in 2022 and again in February 1, 2023 to curb inflation. The target rate increased from near zero to 4.5-4.75%. The ratio of unemployed people to job openings was steady or at near record lows throughout 2022, with unemployment rate lowering from 4.0% to 3.5%.

### ❖ **Housing**

The construction of new single-family homes continues in the City of Kerman. Crown Construction has begun his new tract on California and Siskiyou/Park Avenue with 88 homes. There is also interest from developers to annex other land to the City of Kerman for future residential and commercial development. These projects open the door for people from other cities to choose Kerman to purchase a new home and experience the high quality of life and modest cost of living that differentiates the City of Kerman from other cities in the San Joaquin Valley.

### ❖ **Retail Growth**

The City of Kerman continues working to attract new business. Valero recently opened their doors to the public with a convenience store. Kerman Country Café opened their doors earlier this year and has been a successful spot to enjoy a delicious meal in our community. Denny's has already broke ground and is vigorously working on opening up their new location in Kerman. Circle K, Fast N Esy, Surf Thru and Dutch Bros have all started the process in opening up a location in Kerman.

The abovementioned factors provide confidence in Kerman's future and its continued growth. However, it is necessary to continue practicing due diligence and prudence and apply any adjustments necessary through the operations in the fiscal year.

City staff has committed to continuously monitor revenues and expenditures throughout the fiscal year.