



## STAFF REPORT

**MEETING DATE:** May 28, 2025

**PRESENTER:** Josefina Alvarez, Finance Director

**SUBJECT:** Budget Workshop Fiscal Year 2025/2026 (JA)

**RECOMMENDATION:** Council to review and consider proposed draft of City of Kerman Fiscal Year 2025/2026 Operating and Capital Budgets and provide comments.

### EXECUTIVE SUMMARY:

The budget workshop for Fiscal Year (FY) 2025/2026 is to provide Council the opportunity to review and comment on the proposed Operation and Capital Budgets for FY 2025/2026 prior to adoption of the final budget on June 11, 2025.

### General Fund

The General Fund is primarily used to fund Police, Community Services, Community Development and Administrative Services budgets. Revenues are projected to increase 5.1% or \$570,961 when compared to estimated year end FY 2024/2025 and operating expenditures are projected to increase 16.1% or \$2,330,496, creating a General Fund operational deficit of \$4,901,214. This deficit generated for FY 2025/2026 is primarily due to the Hart Ranch Park project carrying over from FY 2024/2025 which has an estimated \$4,325,420. These funds are allocated to Measure M and reserves will be used to cover this deficit. There is also \$500,000 allocated for the new Police Station and \$327,660 for the Resiliency Center under the major projects in Measure M. Hart Ranch Park is expected to be completed Summer of 2026 or soon thereafter. Both the new Police Station as well as the Resiliency Center will start the architectural phase of these new developments in Fiscal Year 2025/2026.

The revenue increase is attributed to different factors such as the increase in sales tax, property tax, VLF and interest earnings from favorable interests in both LAIF and other investment agencies. Below is a summary of Sales Tax and Property Tax revenues, our two main sources of revenue.

Category	Increase/Decrease	Amount	Total Revenue FY 2025/2026
General Sales Tax	Increase	\$253,900	\$2,595,000
Measure M Sales Tax	Increase	7,000	2,965,000
Sales Tax-Public Safety	Decrease	-1,332	23,000
Total		\$259,568	\$5,583,000

Category	Increase/Decrease	Amount	Total Revenue
General Property Tax	Increase	\$129,730	\$1,327,369
Real Estate Property Transfer Tax	Decrease	-32,423	30,000
Property Tax In-Lieu of VLF Backfill	Increase	199,777	2,111,092
Homeowners Prop Tax Relief	Decrease	-2,000	4,000
Total		\$295,085	\$3,472,461

Below is a recap of the projected revenues for Fiscal Year 2025/2026 along with prior fiscal years.

Description	Audited 2022/2023	Audited 2023/2024	Adopted 2024/2025	Estimated Year End	Budget 2025/2026
Sales Tax	\$5,832,968	\$5,512,051	\$5,323,432	\$5,323,432	\$5,583,000
Property Tax	2,909,241	3,149,265	3,177,377	3,177,377	3,472,461
Admin & Overhead Fees	310,771	310,771	310,771	310,771	310,771
Building Fees	145,226	762,994	607,500	1,185,000	987,500
Franchise Taxes	239,843	247,775	222,030	222,030	236,549
Rents	248,875	180,224	164,177	193,852	189,962
Licenses and Permits	106,647	132,622	114,231	115,350	136,464
Fines and Penalties	377,804	88,515	73,278	79,878	82,116
Interest & Misc Revenue	403,413	614,398	203,754	228,954	368,300
Youth & Rec Program Fees	40,802	43,175	55,170	55,170	59,000
Reimbursements	22,344	345,524	402,718	402,718	438,592
Other Fees for Services	402,883	4,466	505	505	1,282
Total Revenues	\$11,040,815	\$11,391,779	\$10,654,943	\$11,295,036	\$11,865,997

Below is a summary of the General Fund expenditures by department.

Description	Audited 2022/2023	Audited 2023/2024	Adopted 2024/2025	Estimated Year End	Budget 2025/2026
City Council	\$32,401	\$34,802	\$40,991	\$64,388	\$63,753
City Legal Services	220,170	117,613	195,000	195,000	200,000
General Administration	478,084	795,424	614,759	616,794	653,880
Administrative Services	125,121	153,127	147,444	147,582	156,327
Debt Service-Gateway Villa	95,339	95,339	95,339	95,339	0
City Clerk	84,751	128,193	156,489	168,248	176,479
Measure M	725,162	1,455,209	4,784,844	4,809,511	6,247,575
Planning	254,997	270,142	391,624	428,124	499,789
Code Compliance	0	165,543	194,473	195,223	212,559
Transfer Measure M-Code	0	(165,665)	(194,473)	(194,473)	(212,559)
Engineering	160,835	309,796	260,000	310,000	350,000
Building	231,135	284,727	422,717	423,717	441,357
Recreation Administration	190,745	407,955	443,807	444,490	556,852
Building Maintenance	519,310	629,749	771,039	778,051	828,670

Description	Audited 2021/2022	Audited 2022/2023	Adopted 2023/2024	Estimated Year End	Budget 2025/2026
Senior Center Services	168,361	147,619	169,074	169,704	216,249
Aquatics Program	46,325	48,893	82,564	83,694	86,750
Planned Recreation	56,848	0	0	0	0
Youth & Teen Services	57,440	0	0	0	0
Community Teen Center	151,336	164,603	183,007	187,011	222,679
Police Operations (ACT/SRO)	3,788,746	4,292,889	5,336,239	5,455,056	6,004,855
Transfer from Measure M-PD	(251,131)	(247,568)	(388,422)	(388,422)	(390,099)
Animal Control	98,860	161,730	165,143	175,343	161,296
Parks Landscape Maint	203,531	236,221	269,843	272,335	290,802
<b>Total Expenditures</b>	<b>\$7,438,365</b>	<b>\$9,486,339</b>	<b>\$14,141,500</b>	<b>\$14,436,715</b>	<b>\$16,767,210</b>

The expenditures increase is primarily due to the construction of Hart Ranch Park. The increase is also due to City personnel and operational costs. Personnel costs include a 4% COLA increase for both the KMEA and KPOA members per their current labor agreement as well as the department head salary adjustments per the compensation study. There are also three additions that are planned for Fiscal Year 2025/2026 and ongoing recruitments for two vacant positions.

### Enterprise Funds

The Enterprise Funds provide utility services such as water, sewer, solid waste, storm drain and street sweeping to the residents of Kerman. Revenues help cover the operating costs, debt obligations, repairs and replacement of infrastructure. This coming January, the City will be implementing new rates based on the five-year schedule that was adopted through the water, wastewater and storm drain rate study, which was conducted in Fiscal Year 2023/2024.

The total combined budgeted revenues of the Enterprise Funds for FY 2025/2026 are \$8,276,069, which represents an increase of 0.78% percent or \$63,871 when compared to estimated year end FY 2024/2025 budget. The revenues for these funds have been calculated by an estimate over the past three fiscal years. The table below has a summary of FY 2025/2026 and other prior fiscal years.

Description	Audited 2022/2023	Audited 2023/2024	Adopted 2024/2025	Estimated Year End	Budget 2025/2026
Water	\$5,645,707	\$3,125,754	\$2,714,184	\$3,193,914	\$3,262,751
Sewer	2,050,026	2,231,785	1,969,897	2,386,251	2,369,774
Solid Waste	2,142,744	2,420,424	2,401,948	2,515,954	2,536,535
Storm Drain	86,259	97,694	85,224	116,080	107,009
<b>Total Revenue</b>	<b>\$9,924,735</b>	<b>\$7,875,657</b>	<b>\$7,171,252</b>	<b>\$8,212,198</b>	<b>\$8,276,069</b>

The operational expenditures of the Enterprise Funds are \$8,602,920 for FY 2025/2026, compared to \$7,634,353 estimated year end for FY 2024/2025, an increase of \$968,566 or 12.7%. The table on the following page has a summary of Fiscal Year 2025/2026 and other prior fiscal years.

Description	Audited 2022/2023	Audited 2023/2024	Adopted 2024/2025	Estimated Year End	Budget 2025/2026
Water	\$2,138,364	\$2,360,765	\$2,583,583	\$2,921,309	\$3,363,689
Sewer	1,929,822	1,945,153	2,254,964	2,294,109	2,620,682
Solid Waste	2,042,373	2,126,577	2,245,668	2,250,155	2,407,308
Storm Drain	101,076	122,117	168,781	168,781	211,241
<b>Total Expenditures</b>	<b>\$6,211,635</b>	<b>\$6,554,613</b>	<b>\$7,252,997</b>	<b>\$7,634,353</b>	<b>\$8,602,920</b>

### Internal Service Fund

Internal Service Funds provide goods and services to other funds, departments or agencies of the City. The charges to each City Operating Department are the source of income to cover the maintenance and operation costs for vehicles serviced by the Funds. These include gasoline, tire replacements, periodic maintenance/repair and other operating costs for equipment such as computer supplies. It is also used to accumulate funds over time for the replacement of equipment.

The Fiscal Year 2025/2026 Internal Service Funds budget includes funding of \$1,358,766 for personnel, contract services, operating supplies and the replacement of scheduled vehicles and computer equipment as needed. It also includes \$1,326,300 in total revenues.

The table below illustrates Fiscal Year 2025/2026 and other prior fiscal years.

Description	Audited 2022/2023	Audited 2023/2024	Adopted 2024/2025	Estimated Year End	Budget 2025/2026
<b>Revenues</b>					
O & M	\$582,482	\$616,343	\$689,226	\$689,226	\$829,601
Replacements	168,650	544,123	399,426	399,426	424,454
Misc/Grants	117,840	3,019	120,059	120,059	71,973
Interest Earnings	166	516	137	137	273
<b>Total Revenues</b>	<b>\$869,137</b>	<b>\$1,164,001</b>	<b>\$1,208,848</b>	<b>\$1,208,848</b>	<b>\$1,326,300</b>
<b>Expenditures</b>					
O & M	766,301	856,082	992,404	1,007,606	1,144,066
Replacements	488,974	718,458	818,406	816,849	214,700
<b>Total Expenditures</b>	<b>\$1,255,275</b>	<b>\$1,574,541</b>	<b>\$1,810,810</b>	<b>\$1,824,455</b>	<b>\$1,358,766</b>
<b>Net to/From Revenues</b>	<b>\$-386,138</b>	<b>\$-410,540</b>	<b>\$-601,962</b>	<b>\$-615,607</b>	<b>\$-32,465</b>

### Special Revenue Funds and CIP

Special Revenue Funds are funded by grants, contributions, assessments and other sources that require the funds to be used for specific purposes or have special reporting requirements. A small portion of the revenue in these funds is used in the operational budgets, while most of the funds are transferred for use in the Capital Project budgets. The specific operational Special Revenue Funds budgets are included in the section of the department that manages the respective budget.

The following projects are scheduled for Fiscal Year 2025/2026

#### Water

1. Well 9A Emergency Repairs
2. Well No. 18
3. Well No. 33
4. Well No. 14 Emergency Generator
5. Water Tank Painting
6. Water Storage Tanks Maintenance
7. Water Meter Installation Project
8. Well No 15 Rehabilitations
9. Hexavalent Chromium Feasibility Study
10. Basin C Groundwater Recharge Project

#### Sewer

1. WWTP Office Expansion
2. WWTP Animal Shelter Demo/Shop Expansion
3. Goldenrod Lift Station Rehabilitation
4. WWTP Impr Planning Grant

#### Storm Drain

1. Basin J Expansion

#### Streets

1. Concrete Repair Project
2. Street Sealing Project (24/25)
3. FY 24/25 Street Rehabilitation Project - Various Streets
4. FY 25/26 Street Rehabilitation Project - Various Streets
5. Street Sealing Project (25/26)
6. Annual Streets Lights Installation (1st Phase)
7. RSTP - Vineland Ave Widening (North) (025)
8. CMAQ - California Ave Sidewalk 9th to Vineland
9. Siskiyou Ave Rehab 180/Kearney
10. Goldenrod Ave Rehab Kearney/RR
11. HSIP Kearney Blvd Ped Crossing Improvements
12. Siskiyou Rehab - Kearney to California
13. Kearney Rehab - 16th to Goldenrod
14. Goldenrod Rehab - Stanislaus to Kearney
15. HSIP Cycle 12 Pedestrian Crossing Improvements
16. Kerman ST ADA Transition Plan

**FISCAL IMPACT:** None

**ATTACHMENTS:** None