



STAFF REPORT

MEETING DATE: May 24, 2023

PRESENTER: Josefina Alvarez, Finance Director

SUBJECT: Budget Workshop Fiscal Year 2023-2024 (JA)

RECOMMENDATION: Council to review and consider proposed City of Kerman Fiscal Year 2023-2024 Operating and Capital Budgets and provide comments.

EXECUTIVE SUMMARY:

The budget workshop for Fiscal Year 2023-2024 is to provide Council the opportunity to review and comment on the proposed Operation and Capital Budgets for Fiscal Year 2023-2024 prior to adoption of the final budget on June 14, 2023.

General Fund:

The General Fund is primarily used to fund Police, Community Services, Community Development and Administrative services budgets. Revenues are projected to increase 3.75% or \$371,980 when compared to estimated year end Fiscal Year 2022-2023 and operating expenditures are projected to increase 14.10% or \$1,269,835 creating a slight General Fund operational surplus of \$13,165.

The revenue increase is attributed to different factors such as the increase in general sales tax, property tax and our new proposed fee study will generate increases in revenues such as building permits and other miscellaneous permits and services. Below is a summary of Sales Tax and Property Tax revenues, our two main sources of revenue.

Category	Increase/Decrease	Amount	Total Revenue FY 2023-2024
General Sales Tax	Increase	\$195,900	\$2,351,600
Measure M Sales Tax	Decrease	\$132,000	\$3,049,000
Sales Tax-Public Safety	Increase	\$1,447	\$20,839
Total		\$65,347	\$5,421,439

Category	Increase/Decrease	Amount	Total Revenue
General Property Tax	Increase	\$162,257	\$1,079,409
Real Estate Property Transfer Tax	Increase	\$394	\$51,488
Property Tax In-Lieu of VLF Backfill	Increase	\$337,436	\$1,852,404

Homeowners Prop Tax Relief	Increase	\$276	\$6,831
Total		\$500,363	\$2,990,132

Below is a recap of the projected revenues for Fiscal Year 2023-2024 along with prior fiscal years.

Description	Audited 2020-2021	Audited 2021-2022	Adopted 2022-2023	Estimated Year- End	Budget 2023-2024
Sales Tax	4,969,193	5,084,459	5,356,091	5,356,091	5,437,939
Property Tax	2,493,113	2,607,065	2,472,680	2,489,768	2,990,131
Admin & Overhead Fees	310,771	310,771	310,771	310,771	310,771
Building Fees	344,990	826,738	495,490	507,922	494,911
Franchise Taxes	204,296	219,555	196,220	196,220	206,691
Rents	81,704	181,857	143,045	212,872	158,508
Licenses and Permits	102,535	100,350	88,844	94,595	108,085
Fines and Penalties	65,619	92,119	66,329	66,329	67,145
Interest and Misc Income	503,186	160,852	104,624	299,859	116,351
Youth & Rec Program					
Fees	14,142	56,132	66,840	66,840	58,090
Reimbursements	321,092	326,847	313,513	313,513	338,128
Other Fees for Services	1,463	444	447	447	460
Total Recurring Revenues	9,412,104	9,967,189	9,614,895	9,915,228	10,287,208
TR in from PFA Refinance	203,406	-	-	-	-
Non-Recurring Revenues	203,406	-	-	-	-
Total General Fund					
Revenue	\$9,615,511	\$9,967,189	\$9,614,895	\$9,915,228	\$10,287,208

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

Fund	Activity	Description	Personnel	M & O	Operations	Debt Service/ Capital	Total
100	6001	City Council	\$16,894	\$20,656	\$37,550	\$0	\$37,550
100	6003	Legal Services	0	250,000	250,000	0	250,000
100	1002	City Manager	170,460	309,013	479,473	734	480,207
100	5005	Administrative Serv	47,526	96,505	144,031	5,358	149,389
100	5006	Debt Service to DIF	0	0	0	95,339	95,339
100	6004	City Clerk	130,175	31,189	161,365	183	161,548
100	7001	Measure M	6,034	1,174,887	1,180,921	884,319	2,072,831
100	1008	Planning	192,719	75,477	268,196	373	268,991
100	1009	Code Compliance	140,141	65,870	206,011	4,557	218,160
100	1008	TR-Measure M-Code	0	0	0	0	(218,160)
100	1010	Engineering	0	165,000	165,000	0	165,000
100	1042	Building	142,299	181,669	323,967	2,742	327,131
100	2002	Rec & Comm Serv	294,007	69,358	363,366	367	363,732

100	2010	Building Maint	509,687	180,893	690,580	147	690,726
100	2044	Senior Center Serv	104,588	53,494	158,082	73	158,156
100	2047	Aquatics Program	62,946	16,807	79,753	73	79,827
100	2062	Planned Recreation	0	0	0	0	0
100	2065	Youth Serv Bureau	0	0	0	0	0
100	2069	Comm Teen Center	98,824	70,069	168,893	7,073	175,967
100	3011	Police Operations	3,578,752	1,070,717	4,649,469	35,770	4,685,692
100	3011	TR-Measure M-PD	(247,568)	0	(247,568)	0	(247,568)
100	3041	Animal Control	83,708	46,761	130,469	0	130,469
100	4010	Park Lndscp Maint	140,568	84,259	224,826	5,073	229,056
Total General Fund			5,471,761	3,962,624	9,434,385	1,042,182	10,274,043

The expenditures increase is due to personnel and operational costs. Personnel cost include the 2.5% COLA increase for both the KMEA and KPOA members. There are also four new additions that are planned for Fiscal Year 2023-2024 and ongoing recruitments for five 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.

The total combined budgeted revenues of the Enterprise Funds for Fiscal Year 2023-2024 are \$6,636,275, which represents a slight increase of 2.22% percent or \$144,093 when compared to estimated year end Fiscal Year 2022-2023 budget. The increase is attributed to the Prop 218 rates that were approved in 2018. The table below has a summary of Fiscal Year 2023-2024 and other prior fiscal years.

Enterprise Fund Revenues Summary					
Description	Audited 2020-2021	Audited 2021-2022	Adopted 2022-2023	Estimated Year- End	Budget 2023-2024
Water	2,439,066	2,640,969	2,415,427	2,415,427	2,494,689
Sewer	1,831,167	1,907,400	1,938,172	1,940,672	1,892,985
Solid Waste	1,552,759	1,791,293	2,053,421	2,053,421	2,166,170
Storm Drainage	82,431	82,201	82,662	82,662	82,430
Total Revenues	5,905,423	6,421,863	6,489,682	6,492,182	6,636,275

The operational expenditures for the Enterprise Funds are \$6,524,438 in Fiscal Year 2023-2024, compared to \$6,395,377 in estimated year end Fiscal Year 2022-2023, an increase of \$129,061 or 2.0%. The table below has a summary of Fiscal Year 2023-2024 and other prior fiscal years.

Enterprise Fund Operational Expenditures Summary					
Description	Audited 2020-2021	Audited 2021-2022	Adopted 2022-2023	Estimated Year- End	Budget 2023-2024
Water	1,874,949	1,912,311	2,173,877	2,181,910	2,255,132
Sewer	1,418,281	1,654,553	1,866,888	1,959,738	2,017,738

Solid Waste	1,546,879	1,735,398	2,079,953	2,081,104	2,087,748
Storm Drainage	96,505	112,666	171,875	172,625	163,819
Total Operational Expenditures	4,936,614	5,414,928	6,292,593	6,395,377	6,524,438

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 is the source of income to cover the maintenance and operation costs for vehicles serviced by the Funds, such as 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 the equipment.

The Fiscal Year 2023-2024 Internal Service Funds budget includes funding of \$1,604,077 for personnel, contract services, operating supplies and the replacement of scheduled vehicles and computer equipment as needed. It also includes \$1,101,946 in total revenues.

The table below illustrates Fiscal Year 2023-2024 and other prior fiscal years.

Internal Service Funds Revenue and Expenditure Summary					
Description	Audited 2020-2021	Audited 2021-2022	Adopted 2022-2023	Estimated Year- End	Budget 2023-2024
Revenues					
Charges to Departments (O & M)	\$586,484	\$629,916	\$582,482	\$582,482	\$616,343
Charges to Departments (Replace)	238,127	265,040	296,682	296,682	383,517
Miscellaneous/Grant	22,807	60,450	82,405	82,405	101,887
Interest Earnings	353	46	200	200	200
Total Revenues	847,770	955,453	961,769	961,769	1,101,946
Expenditures					
Operations & Maintenance	676,920	777,125	678,695	708,836	828,056
Replacement	167,719	387,134	468,722	699,345	776,022
Total Expenditures	844,639	1,164,259	1,147,417	1,408,182	1,604,077
Net To (From) Reserves	\$3,131	(\$208,806)	(\$185,648)	(\$446,412)	(\$502,131)

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 Projects 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 2023-2024

Water

1. Well No. 18
2. Well No. 14 Emergency Generator
3. Lions Park Recharge Project

Streets

1. Street Sealing Project (Combined FY 21/22 & 22/23 funds)
2. Street Rehabilitation Project (Combined FY 21/22 & 22/23 funds)
3. Kearney Boulevard Rehabilitation – Park to Del Norte
4. Clean CA Downtown Revitalization Project

Parks

1. Northwest Park
2. Hart Ranch Park (may not be fully completed)

FISCAL IMPACT:

None