



STAFF REPORT

MEETING DATE: May 22, 2024

PRESENTER: Josefina Alvarez, Finance Director

SUBJECT: Budget Workshop Fiscal Year 2024/2025 (JA)

RECOMMENDATION: Council to review and consider proposed draft of City of Kerman Fiscal Year 2024/2025 Operating and Capital Budgets and provide comments.

EXECUTIVE SUMMARY:

The budget workshop for Fiscal Year (FY) 2024/2025 is to provide Council the opportunity to review and comment on the proposed Operation and Capital Budgets for FY 2024/2025 prior to adoption of the final budget on June 12, 2024.

General Fund

The General Fund is primarily used to fund Police, Community Services, Community Development and Administrative services budgets. Revenues are projected to increase 0.13% or \$13,660 when compared to estimated year end FY 2023/2024 and operating expenditures are projected to increase 33.95% or \$3,586,147 creating a General Fund operational deficit of \$3,485,323. This deficit generated for FY 2024/2025 is because Hart Ranch Park has an estimated 3,670,933 allocated in which Measure M reserves will be used as park would need to be completed this FY.

The revenue increase is attributed to different factors such as the increase in property tax, VLF building permits and SRO reimbursement and new revenues such as the Transient Occupancy Tax. Below is a summary of Sales Tax and Property Tax revenues, our two main sources of revenue.

Category	Increase/Decrease	Amount	Total Revenue FY 2024/2025
General Sales Tax	Decrease	-\$10,500	\$2,341,100
Measure M Sales Tax	Decrease	-\$91,000	\$2,958,000
Sales Tax-Public Safety	Increase	\$3,493	\$24,332
Total		-\$98,007	\$5,323,432

Category	Increase/Decrease	Amount	Total Revenue
General Property Tax	Increase	\$118,230	\$1,197,639
Real Estate Property Transfer Tax	Increase	\$10,935	\$62,423
Property Tax In-Lieu of VLF Backfill	Increase	\$58,911	\$1,911,315
Homeowners Prop Tax Relief	Decrease	-\$831	\$6,000
Total		\$187,245	\$3,177,377

Below is a recap of the projected revenues for Fiscal Year 2024/2025 along with prior fiscal years.

Description	Audited 2021/2022	Audited 2022/2023	Adopted 2023/2024	Estimated Year End	Budget 2024/2025
Sales Tax	\$5,061,243	\$5,832,968	\$5,417,100	\$5,427,015	5,322,100
Property Tax	2,607,065	2,909,241	2,990,131	2,990,131	3,177,377
Admin & Overhead Fees	310,771	310,771	310,771	310,771	310,771
Building Fees	134,265	145,226	119,971	323,060	237,560
Franchise Taxes	219,555	239,843	206,691	206,691	222,030
Rents	181,857	248,875	158,508	162,162	164,177
Licenses and Permits	100,350	106,647	108,085	109,735	114,231
Fines and Penalties	390,016	377,804	383,854	393,232	446,624
Interest & Misc Revenue	199,065	403,413	147,330	272,249	218,240
Youth & Rec Program Fees	56,132	40,802	58,090	58,090	55,170
Reimbursements	13,952	22,344	11,278	12,453	16,219
Other Fees for Services	692,917	402,883	375,400	375,693	370,445
Total Revenues	\$9,967,189	\$11,040,815	\$10,287,208	\$10,641,282	\$10,654,943

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

Description	Audited 2021/2022	Audited 2022/2023	Adopted 2023/2024	Estimated Year End	Budget 2024/2025
City Council	\$48,189	\$32,401	\$37,550	\$41,550	\$ 40,991
City Legal Services	175,534	220,170	250,000	250,000	195,000
General Administration	724,729	478,084	480,207	508,571	614,759
Administrative Services	99,895	125,121	149,389	150,030	147,444
Debt Service-Gateway Villa	95,339	95,339	95,339	95,339	95,339
City Clerk	47,398	84,751	161,548	163,329	156,489
Measure M	1,373,066	725,162	2,072,831	2,158,913	4,784,844
Planning	192,499	254,997	268,991	275,453	391,624
Code Compliance	-	-	218,160	225,562	194,473
Transfer Measure M-Code	-	-	(218,160)	(218,160)	(194,473)
Engineering	171,181	160,835	165,000	214,000	260,000
Building	283,200	231,135	327,131	329,725	422,717
Recreation Administration	233,059	190,745	363,732	379,346	443,807
Building Maintenance	380,091	519,310	690,726	693,460	771,039

Description	Audited 2021/2022	Audited 2022/2023	Adopted 2023/2024	Estimated Year End	Budget 2024/2025
Senior Center Services	184,764	168,361	158,156	158,612	169,074
Aquatics Program	34,545	46,325	79,827	80,155	82,564
Planned Recreation	41,062	56,848	-	-	-
Youth & Teen Services	68,201	57,440	-	-	-
Community Teen Center	152,469	151,336	175,967	178,696	183,007
Police Operations (ACT/SRO)	3,915,661	3,788,746	4,685,693	4,747,209	5,336,239
Transfer from Measure M-PD	(226,502)	(251,131)	(247,568)	(247,568)	(388,422)
Animal Control	72,970	98,860	130,469	130,829	163,908
Parks Landscape Maint	171,599	203,531	229,056	239,067	269,843
Total Expenditures	\$8,238,947	\$7,438,365	\$10,274,043	\$10,554,118	\$14,140,265

The expenditures increase is primarily due to the construction of Hart Ranch Park. The increase is also due to personnel and operational costs. Personnel cost include an estimated COLA increase for both the KMEA and KPOA members as both organizations have not come to an agreement. There are also four new additions that are planned for Fiscal Year 2024/2025 and ongoing recruitments for nine 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. A water, wastewater and storm drain rate study was conducted in Fiscal Year 2023/2024 in order to establish a five-year schedule for these rates that would help cover all the costs.

The total combined budgeted revenues of the Enterprise Funds for FY 2024/2025 are \$7,160,627, which represents an increase of 3.66% percent or \$252,564 when compared to estimated year end FY 2023/2024 budget. The increase is attributed to the Prop 218 rates that were approved this current FY. The table below has a summary of FY 2024/2025 and other prior fiscal years.

Description	Audited 2021/2022	Audited 2022/2023	Adopted 2023/2024	Estimated Year End	Budget 2024/2025
Water	\$2,640,969	\$5,644,773	\$2,494,589	\$2,615,913	\$2,703,559
Sewer	1,907,400	2,050,026	1,892,985	1,951,870	1,969,897
Solid Waste	1,791,293	2,142,744	2,166,170	2,253,085	2,401,948
Storm Drain	82,201	86,259	82,430	87,212	85,224
Total Revenue	\$6,421,863	\$9,923,801	\$6,636,175	\$6,908,081	\$7,160,627

The operational expenditures of the Enterprise Funds are \$7,252,997 for FY 2024/2025, compared to \$6,936,325 estimated year end for FY 2023/2024, an increase of \$316,672 or 4.6%. The table below has a summary of Fiscal Year 2024/2025 and other prior fiscal years.

Description	Audited 2021/2022	Audited 2022/2023	Adopted 2023/2024	Estimated Year End	Budget 2024/2025
Water	1,960,140	2,138,364	2,257,157	2,329,294	2,583,583
Sewer	1,654,553	1,929,822	2,019,763	2,072,207	2,254,964
Solid Waste	1,735,398	2,030,649	2,087,748	2,066,302	2,245,668
Storm Drain	112,666	101,076	464,269	468,522	168,781
Total Expenditures	\$5,462,757	\$6,199,910	\$6,828,938	\$6,936,325	\$7,252,997

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 equipment.

The Fiscal Year 2024/2025 Internal Service Funds budget includes funding of \$1,626,066 for personnel, contract services, operating supplies and the replacement of scheduled vehicles and computer equipment as needed. It also includes \$1,208,848 in total revenues.

The table below illustrates Fiscal Year 2024/2025 and other prior fiscal years.

Description	Audited 2021/2022	Audited 2022/2023	Adopted 2023/2024	Estimated Year End	Budget 2024/2025
Revenues					
O & M	\$629,916	\$582,482	\$616,343	\$616,343	\$689,226
Replacements	265,040	168,650	383,517	383,517	399,426
Misc/Grants	60,450	117,840	101,887	1,887	120,059
Interest Earnings	46	166	200	200	137
Total Revenues	\$955,453	\$869,137	\$1,101,946	\$1,001,946	\$1,208,848
Expenditures					
O & M	777,125	766,301	828,056	817,143	992,404
Replacements	387,134	488,974	776,022	559,964	633,662
Total Expenditures	\$1,164,259	\$1,255,275	\$1,604,077	\$1,377,107	\$1,626,066
Net to/From Revenues	-\$208,806	-\$386,138	-\$502,131	-\$375,161	-\$417,217

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 2024/2025;

Water

1. Well No. 18
2. Well No. 14 Emergency Generator
3. Lions Park Recharge Project
4. Water Storage Tanks Maintenance
5. Water Meter Installation Project
6. Well No 12 TCP/Uranium Mitigation
7. Well No's 14, 15 and 10 Rehabilitations
8. Basin C Groundwater Recharge Project
9. Well No 33 Test Well

Sewer

1. WWTP Office Expansion
2. WWTP Animal Shelter Demo/Shop Expansion
3. Goldenrod Lift Station Rehabilitation
4. T-8 Gorman Rupp Pump w/VFD
5. WWTP Impr Planning Grant

Storm Drain

1. Regrade B Street Basin
2. Basin J Expansion

Streets

1. Street Sealing Project(19/20), (21/22) (22/23)
2. Street Sealing Project (24/25)
3. FY 24/25 Street Rehabilitation Project - Various Streets
4. Annual Streets Lights Installation (1st Phase)
5. RSTP - Vineland Ave Widening (North) (025)
6. CMAQ - California Ave Sidewalk 9th to Vineland
7. Siskiyou Ave Rehab 180/Kearney
8. Goldenrod Ave Rehab Kearney/RR
9. HSIP Kearney Blvd Ped Crossing Improvements
10. Siskiyou Rehab - Kearney to California
11. Kearney Rehab - 16th to Goldenrod
12. Goldenrod Rehab - Stanislaus to Kearney
13. Kenneth Street Improvements
14. San Joaquin and Park Raised Crosswalk
15. Kerman ST ADA Transition Plan

FISCAL IMPACT: None

ATTACHMENTS: None