



CITY COUNCIL WORKSHOP

550 E. 6th Street, Beaumont, CA

Thursday, October 08, 2020

Workshop Meeting: 5:30 PM

Materials related to an item on this agenda submitted to the City Council after distribution of the agenda packets are available for public inspection in the City Clerk's office at 550 E. 6th Street during normal business hours

AGENDA

MEETING PARTICIPATION NOTICE

This meeting will be conducted utilizing teleconference communications and will be recorded for live streaming as well as open to public attendance subject to social distancing and applicable health orders. All City of Beaumont public meetings will be available via live streaming and made available on the City's official YouTube webpage. Please use the following link during the meeting for live stream access.

BeaumontCa.gov/Livestream

Public comments will be accepted using the following options.

1. Written comments will be accepted via email and will be read aloud during the corresponding item of the meeting. Public comments shall not exceed three (3) minutes unless otherwise authorized by City Council. Comments can be submitted anytime prior to the meeting as well as during the meeting up until the end of the corresponding item. Please submit your comments to: **NicoleW@BeaumontCA.gov**
2. Phone-in comments will be accepted by joining a conference line prior to the corresponding item of the meeting. Public comments shall not exceed three (3) minutes unless otherwise authorized by City Council. Please use the following phone number to join the call:
(951) 922 - 4845
3. In person comments subject to the adherence of the applicable health orders and social distancing requirements.

In compliance with the American Disabilities Act, if you require special assistance to participate in this meeting, please contact the City Clerk's office using the above email or call **(951) 572 - 3196**. Notification 48 hours prior to a meeting will ensure the best reasonable accommodation arrangements.

CALL TO ORDER

Mayor Santos, Mayor Pro Tem Lara, Council Member Carroll, Council Member Martinez, Council Member White

Action of any requests for Excused Absence:

Pledge of Allegiance:

PUBLIC COMMENT PERIOD (ITEMS NOT ON THE AGENDA)

Any one person may address the City Council on any matter not on this agenda. If you wish to speak, please fill out a "Public Comment Form" provided at the back table and give it to the City Clerk. There is a three (3) minute time limit on public comments. There will be no sharing or passing of time to another person. State Law prohibits the City Council from discussing or taking actions brought up by your comments.

ACTION ITEMS

Approval of all Ordinances and Resolutions to be read by title only.

1. Discuss and Provide Direction to Staff Regarding FY 2022 Budget

Recommended Action:

Review the financial condition of the City and provide direction to staff regarding future budget decisions and allocation of one-time resources.

ADJOURNMENT

The next regular meeting of the Beaumont City Council, Beaumont Financing Authority, the Beaumont Successor Agency (formerly RDA), the Beaumont Utility Authority, the Beaumont Parking Authority and the Beaumont Public Improvement Agency is scheduled for Tuesday, October 20 2020, at 5:00 p.m. or thereafter as noted on the posted Agenda for Closed Session items in the City Council Board Room No. 5, followed by the regular meeting at 6:00 p.m. or thereafter as noted on the posted Agenda at City Hall.

Beaumont City Hall – Online www.BeaumontCa.gov



Staff Report

TO: City Council
FROM: Jeff Mohlenkamp, Finance Director
DATE: October 8, 2020
SUBJECT: Discuss and Provide Direction to Staff Regarding FY 2022 Budget

Background and Analysis:

This workshop is designed to provide the City Council with an update regarding the current financial condition of Beaumont, to discuss some recommended budget adjustments and to begin the discussion of long-term financial planning, including future allocation of one-time resources.

This report provides the following sections:

1. Historical Background – highlights General Fund results from recent past years;
2. Estimated General Fund and Wastewater results for FY 2020;
3. Discussion of the Covid-19 pandemic, its results on financials to date and unknowns regarding future impacts;
4. Adjustments to the General Fund long term financial forecast;
5. Estimate of FY 2021 General Fund results and proposed budget adjustments;
6. Estimate of FY 2021 Wastewater Fund results and proposed budget adjustments;
7. Early discussion of FY 2022 budget and beyond; and
8. Discussion of allocating General Fund and CFD Fund unrestricted balances.

Historical Background

At the conclusion of FY 2016, the City had a General Fund deficit in excess of \$4 million. By the end of FY 2018 the General Fund had a reserve balance of \$10.5 million. This was a \$14.5 million turn-around in the City finances over a two-year period of which approximately \$8.1 million of was one-time revenues. The remaining \$6.4 million is the result of operating surpluses through cost saving measures deployed by the City and increases in revenues supporting operations.

At the conclusion of FY 2019 the General Fund had an unassigned balance of \$15.3 million.

Unassigned General Fund Balance (ending balances, including transfers)

- FY 2016* - (\$ 4,070,636)
- FY 2017* - \$ 5,247,540 – included \$8.1 million in one-time items to the General Fund
- FY 2018* - \$10,531,271 – no one-time adjustments
- FY 2019* - \$15,284,159 – no one-time adjustments

Projected General Fund Results from FY 2020

The General Fund is projected to have an operating surplus of approximately \$8.5 million from FY 2020. Revenues are projected to be \$39.6 million and expenses \$31.1 million. Of this surplus, fully \$6.3 million is considered one-time in nature. This provides for a true operating surplus of \$2.2 million as follows:

Estimated GF Revenues -	\$39.6 million
Estimated GF Expenses -	<u>\$31.1 million</u>
GF Surplus-	<u>\$ 8.5 million</u>
Less: One-Time Solid Waste Retention Fee -	\$ 5.0 million
Less: One-Time Sales Tax Increase -	\$ 1.2 million
Less: Residual Solid Waste Revenues -	<u>\$.1 million</u>
Total One-Time Revenues	\$ 6.3 million
Surplus From Operations -	<u>\$ 2.2 million</u>
after eliminating one-time items	

After normalizing the impacts of the changes to solid waste FY 2020, revenues were slightly below those for FY 2019. The primary factors were increases in tax revenues that were more than offset by reductions in permitting/inspection revenues. Meanwhile, expenses increased by approximately 4.7%. The primary driver of this was increases in personnel costs.

This resulted in a comparable drop in ongoing operational surplus from over \$4 million in FY 2019 to \$2.3 million in FY 2020.

Projected Wastewater Fund Results for FY 2020

The Wastewater Fund is estimated to have a surplus from operations of \$590,000. This surplus is the result of revenues exceeding those budgeted by approximately \$400,000 and savings in both personnel and operating costs.

Revenues -	\$10.5 million
Personnel Costs -	\$ 1.6 million
Operating Costs -	\$ 3.0 million
Equipment and Capital Maintenance -	\$.8 million
Debt Service -	\$ 3.7 million
Committed to Capital Projects -	<u>\$.8 million</u>
Total Costs/ Commitments	<u>\$ 9.9 million</u>
Estimated Surplus -	<u>\$.6 million</u>

It should be noted that the current budget does not provide a structured approach to infrastructure replacement costs. Further, development impact fees were used to cover \$1 million of the fund’s debt service obligation in FY 2020. This has been reduced to less than \$300,000 in FY 2021.

COVID-19 Pandemic Impacts and Unknowns Going Forward

The COVID-19 pandemic has been impacting the City and its finances since March. The impacts of State and Federal restrictions and resulting business interruptions was projected to directly impact sales tax revenues, transient occupancy tax (TOT) collections and to potentially stall development activity. To date the impacts to City finances have been less than expected. Commercial development activity implemented prior to the pandemic has continued; however, single family residential activity is on pace to be about half of what it was in 2019, 250 projected new home permits in 2020 as compared to 513 for 2019. Further, after eliminating one-time receipts, sales tax revenues are in line with the FY 2020 budget and approximately \$165,000 less than those for FY 2019. City staff assumes that Beaumont’s relative stability in sales tax revenues experienced thus far may be attributed to the fact that the local retail market is serving the basic needs of the community. Beaumont is not very reliant on tourism or operations that rely on larger social gatherings. While service type businesses took some major hits and gas stations also fared poorly, most of our retailers suffered losses

that were less than expected. Further, some large retail/ wholesale businesses increased sales during the COVID-19 pandemic.

The City's finances are very reliant on property tax and CFD service charges. As a result, while short term impacts to consumer confidence and household income levels can weaken overall results. The primary concern for the City would be a longer term decrease in household income or other factors that weaken the housing market or disrupt the capital needed to fund development activity.

One of the reasons that COVID-19 has had limited impacts on City finances is the Federal stimulus packages. The enhancement to unemployment benefits, direct payments to taxpayers and other stimulus elements have artificially introduced a significant level of cash and liquidity to the market. While it is impossible to fully assess the impacts on consumer spending, it is likely significant.

Unknowns Going Forward

The COVID-19 pandemic is not over and it is unclear how this will unfold over the next 3 to 6 months. There is some evidence of another wave of COVID-19 infections which could very well lead to additional economic impacts and worsening financial performances. Some of the concerns to City finances are as follows:

- Uncertainty of continued Federal stimulus – it is not clear how much additional Federal stimulus will be provided to households and businesses,
- Long term impacts of massive Federal spending and resulting deficits – likelihood of inflation increases,
- Long term impacts of the Federal Reserve Bank keeping interest levels at historic low levels, and
- Likelihood of a structural recession within the next 3 to 4 years – this could have deeper impacts to the real estate market.

While COVID-19 impacts to Beaumont's economy have not been as significant as projected thus far, there is reason for continued caution as the unknowns are significant. This is particularly true given the fact that the Country has been highly reliant on Federal stimulus that cannot continue long-term. Further, economic policy to keep interest rates low and high liquidity in the market cannot continue long term. As a result, a more normal type of recession that is led by capital deficiencies, inflation and interest rate increases remains likely during the next several years.

Long Term Financial Forecast

While the City has enjoyed three years of operating surpluses in the \$2 to \$4 million range, the most recent pattern suggests that expenditure growth will outpace revenue growth leading to operating deficits within the next three to four years. This is especially true if the City seeks to maintain service levels to this growing community.

Even if the City were to hold the line on new positions and risk falling behind on service levels, the trendline and forecast suggests narrowing surpluses and possible deficits within 5 years.

The revised forecast assumes a moderate level recession that impacts the City in FY 2023 with lingering impacts through FY 2025. The impacts are initially felt in sales tax in the first year and to property related revenues in the second year. This model is consistent with the City's historical trends observed since 2000.

Staff also prepared a model that does not include a recession for comparison purposes. It is important to note that even a model that contemplates no recession still demonstrates narrowing surpluses. Those surpluses are consumed when adding any new positions or costs to keep pace with demand for services.

Core Assumptions Used to Build the Forecast Models

Each of the models prepared provides for moderate growth in revenues. The recession model provides for a higher growth profile before and after the contemplated recession, whereas the non-recession model assumes consistent growth.

Revenue Type	Recession Model (Average growth)	Non-Recession Model (Average growth)
Sales Tax	2.8%	4.8%
Property Tax/ VLF	3.3%	5.7%
Other Taxes/ Bus License	3.0%	3.0%
Permits and Fees (development related)	4.0%	4.8%
CFD Transfer	3.7%	4.0%
Charges for Services	3.0%	3.0%
Overall Average	3.1%	4.3%

The two forecasts provide for the same assumptions in estimating personnel costs, operating expenses and vehicle/equipment needs.

Expense Type	Average Growth
Personnel Expenses	
Salaries	4.0%
Pensions	7.5%
Health Insurance	5.4%
Other personnel	4.0%
Operating	
Contractual Services	5.0%
Utilities	3.5%
Insurance	4.0%
Repairs and Maintenance	2.5%
Other operating costs	2.5%
Vehicles and Equipment	3.0%
Overall Average	4.8%

As demonstrated above the forecast, with base level expenditures that does not include new positions or costs to maintain services provides for narrowing surpluses or deficits (Recession Model) as expenditure growth is likely to outpace revenue growth.

The costs to maintain services that includes adding positions and costs to maintain infrastructure provides for likely budget deficits in future years under both models.

The following table summarizes the results of the two forecast models, if positions and operating costs are added to maintain service levels:

FY	LTFF- Recession Model	LTFF – NO Recession (Moderate Growth)
2022	\$ 1,813,879	\$ 1,734,659
2023	(\$ 255,087)	\$ 212,056
2024	(\$ 3,586,818)	(\$ 376,596)
2025	(\$ 4,924,764)	(\$ 933,007)
2026	(\$ 5,230,058)	(\$ 1,560,808)
2027	(\$ 6,066,558))	(\$ 2,200,900)
2028	(\$ 6,957,913))	(\$ 2,918,089)

2029	(\$ 7,907,018)	(\$ 3,651,548)
2030	(\$ 8,906,717)	(\$ 4,457,725)
Cumulative - Surplus/(Deficit)	(\$42,021,084)	(\$14,152,047)

Attachment A provides the long-term financial forecast that includes a recession. Attachment B provides the model with no recession. Attachment C provides the assumptions for both models.

FY 2021 General Fund Initial Estimate

As the City was completing its budget for FY 2021, the COVID-19 pandemic was in its earliest stages. The level of uncertainty resulted in the City Council adopting a very conservative budget. The budget included significant reductions to revenue estimates and expenses.

At this time, City staff projects that FY 2021 revenues will exceed budget estimates by \$2.2 million. General Fund revenue trends are continuously monitored and adjustments will be made as is deemed prudent. The revised revenue estimates are based upon the following assumptions:

- **Sales Tax** - \$1,700,000 (the budget is \$4 million – projected to receive revenues of \$5.7 million),
- **Property Tax** - \$300,000 (the FY 2021 budget of \$6.1 million was already achieved in FY 2020, moderate growth provides for an increase of \$300,000,
- **Other taxes** - \$100,000 (utility users tax and franchise fees were estimated very low and the City is highly likely to exceed these targets as growth in the City continues at higher levels), and
- **Business license** - \$100,000 (revenues came in higher than expected in FY 2020 as new businesses more than offset any business closures, Staff do not see this trend changing in the near term as additional businesses have opened or are scheduled to open during FY 2021.)

Totals - \$2,200,000

Worsening economic conditions related to the COVID-19 pandemic would likely negatively impact these projections.

City staff is preparing budget adjustments for City Council consideration that would allocate approximately \$600,000 of this projected surplus. This includes the following key elements:

- Unfreezing 1 of 4 frozen Police Officer positions – December 2020,
- Authorize an overfill of two Police Officer positions due to additional vacancies – December 2020,
- Unfreeze a Streets Maintenance Worker position – December 2020,
- Unfreezing some Recreation Specialist positions beginning in March 2021,
- Add a Payroll Technician position to support inhouse payroll management – December 2020, and
- Targeted operational cost addbacks from cuts made in the budget – to support inspections and plan checks due to continued development activity.

Since these are ongoing costs, the full year costs for FY 2022 would be approximately \$1.0 million, which will increase incrementally in FY 2023 and beyond.

A summary of the proposed budget adjustments is included as Attachment D.

FY 2021 Wastewater Fund Initial Estimates

Revenues in FY 2020 have exceeded projections and expenses, provided operational savings implemented for the fiscal year. City staff is projecting that FY 2021 will realize retained revenues from \$300,000 to \$400,000.

Wastewater treatment plant management have identified critical needs in running the new sewer system to ensure operational integrity and to meet new regulatory requirements. City staff is proposing to add three positions to support operational needs as follows:

- Compliance Manager – this position would be responsible for monitoring and reporting on all of the required elements that are to be established by the Regional Water Quality Board through its issuance of Beaumont’s new discharge permit;
- 2 Collections Maintenance Workers – these positions will provide maintenance services on the brine line and plant collection infrastructure to reduce wear and tear on the system. Two employees currently have responsibility to maintain 199 miles of sewer lines and soon to be 12 lift stations. Additional staffing will be

required to ensure proper functioning and reduce the risk of backup or overflow;
and

- Contract Costs – the wastewater plant is highly automated and will require external expertise to monitor and adjust the system. This will include extensive support over the next 6 to 9 months while configurations are being set and adjustments are critical.

The estimated cost for these added positions in FY 2021 assuming a start date of December 1, 2020, is approximately \$312,000. The full year estimate is \$ 460,000. See Attachment E for additional details.

FY 2022 Budget and Beyond

As evidenced from the long-term financial forecast, even the more optimistic models demonstrate financial challenges for the City in future years. This is especially true when considering the following key areas:

- The growth in population and commercial activity will demand additional police officers and related support services in future years;
- The City continues to add street miles and parks that will require maintenance and additional contracting and/or staffing resources in future years;
- Measure A funds to the City are set to decline pursuant to the settlement agreement with WRCOG, reducing funds to maintain our streets and roadways;
- The City is scheduled to begin construction on a new fire station in FY 2021 and will need to staff the station by early FY 2023;
- City facilities are aging and continue to require more maintenance than the current budget allows. A failure to maintain would likely result in higher long-term costs; and
- Information technology is of growing importance for the City and will require more investment to protect the information we manage and to provide continuity of services. This was made even more clear during the COVID-19 pandemic as the City has been highly reliant on technology to continue service levels to the community. Additionally, technological enhancements will likely be key to keeping pace with service demands in a more cost-effective manner.

While these needs and the absence of ongoing revenues to meet them is daunting, Beaumont is well positioned to address these issues in a structured and coordinated manner. To do so will require a clear look at what services the City needs to perform and to prioritize expenditures to make best use of resources.

It is likely that needs will outpace resources. In this event, the City will need to consider other sources of revenues.

Allocation of One-Time Funds

With the estimated results from FY 2020, the City has approximately \$18.5 million in unrestricted General Funds and \$7.5 million in unallocated CFD funds. If the City maintains a fund balance reserve threshold of 25% to 35% reserve in unrestricted General Funds, this would leave \$11 million in unrestricted reserves and allow the allocation of \$7.5 million to one-time projects. For the CFD unallocated funds, City staff is proposing the allocation of \$6.5 million, leaving \$1 million in unallocated CFD admin reserves.

Due to the long-term financial picture discussed above, City staff is proposing that a portion of these funds be placed into reserves designed for specific purposes. The remainder is recommended to be allocated to specific identified needs and to capital projects. Attachment F provides concepts of proposed allocations for City Council discussion.

Fiscal Impact:

There is no fiscal impact as this time.

Recommended Action:

Review the financial condition of the City and provide direction to staff regarding future budget decisions and allocation of one-time resources.

Attachments:

- A. General Fund Long Term Financial Forecast 2021-30 – Recession Model
- B. General Fund Long Term Financial Forecast 2021-30 – No Recession Model
- C. Long Term Forecast Assumptions
- D. Proposed General Fund Adjustments for FY 2021
- E. Proposed Wastewater Fund Adjustment for FY 2021
- F. Proposed Allocation of One-Time General Fund and CFD Unassigned Funds

City of Beaumont
 General Fund Long Term Financial Forecast - RECESSION MODEL
 FY 2021 through FY 2030
 Updated October 8, 2020

				Forecasted Years									
FY 2020 Actual (Unaudited) - see notes at bottom				FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue													
<i>Taxes</i>													
RECESSION IMPACTED YEARS													
Sales Tax	\$ 5,029,443	\$ 5,558,667	\$ 5,393,630	\$ 5,700,000	\$ 6,099,000	\$ 5,611,080	\$ 5,442,748	\$ 5,878,167	\$ 6,113,294	\$ 6,357,826	\$ 6,612,139	\$ 6,876,624	\$ 7,151,689
Property Tax	\$ 5,199,098	\$ 5,656,662	\$ 6,109,623	\$ 6,537,297	\$ 6,929,534	\$ 7,345,306	\$ 6,610,776	\$ 6,610,776	\$ 7,139,638	\$ 7,496,620	\$ 7,871,451	\$ 8,265,023	\$ 8,678,274
Motor Vehicle - In Lieu	\$ 4,125,661	\$ 4,517,090	\$ 4,997,852	\$ 5,347,702	\$ 5,668,564	\$ 6,008,678	\$ 5,407,810	\$ 5,407,810	\$ 5,840,435	\$ 6,132,456	\$ 6,439,079	\$ 6,761,033	\$ 7,099,085
Solid Waste - Franchise Fee	\$ -	\$ -	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,142,000	\$ 2,184,840	\$ 2,228,537	\$ 2,273,108	\$ 2,318,570	\$ 2,364,941
Solid Waste Operating Revenues	\$ 7,267,452	\$ 8,086,893											
Other Franchise Fees	\$ 876,551	\$ 912,924	\$ 974,504	\$ 1,003,739	\$ 1,033,851	\$ 1,064,867	\$ 1,064,867	\$ 1,096,813	\$ 1,129,717	\$ 1,163,609	\$ 1,198,517	\$ 1,234,473	\$ 1,271,507
Business License	\$ 242,634	\$ 287,908	\$ 337,993	\$ 348,133	\$ 358,577	\$ 369,334	\$ 369,334	\$ 380,414	\$ 391,827	\$ 403,581	\$ 415,689	\$ 428,159	\$ 441,004
Utility Users Tax	\$ 1,524,158	\$ 1,584,224	\$ 1,670,810	\$ 1,720,934	\$ 1,772,562	\$ 1,825,739	\$ 1,825,739	\$ 1,880,511	\$ 1,936,927	\$ 1,995,035	\$ 2,054,886	\$ 2,116,532	\$ 2,180,028
Other Taxes	\$ 363,868	\$ 358,458	\$ 316,811	\$ 326,315	\$ 336,105	\$ 346,188	\$ 346,188	\$ 356,574	\$ 367,271	\$ 378,289	\$ 389,638	\$ 401,327	\$ 413,366
<i>Permits</i>													
Building Permits	\$ 2,321,187	\$ 4,067,985	\$ 2,134,650	\$ 2,220,036	\$ 2,375,439	\$ 2,589,228	\$ 2,589,228	\$ 2,589,228	\$ 2,770,474	\$ 2,853,588	\$ 2,939,196	\$ 3,027,372	\$ 3,118,193
Inspections	\$ 1,504,952	\$ 653,401	\$ 262,854	\$ 273,368	\$ 292,504	\$ 318,829	\$ 318,829	\$ 318,829	\$ 341,147	\$ 351,382	\$ 361,923	\$ 372,781	\$ 383,964
Other Permits	\$ 718,380	\$ 764,639	\$ 486,809	\$ 506,281	\$ 541,721	\$ 590,476	\$ 590,476	\$ 590,476	\$ 631,809	\$ 650,764	\$ 670,286	\$ 690,395	\$ 711,107
<i>Charges for Services</i>													
Others	\$ 1,224,365	\$ 1,161,400	\$ 1,387,488	\$ 1,387,488	\$ 1,429,113	\$ 1,471,986	\$ 1,516,146	\$ 1,561,630	\$ 1,608,479	\$ 1,656,733	\$ 1,706,435	\$ 1,757,628	\$ 1,810,357
Other revenues	\$ 523,493	\$ 1,047,188	\$ 839,156	\$ 948,246	\$ 976,694	\$ 1,005,994	\$ 1,036,174	\$ 1,067,260	\$ 1,099,277	\$ 1,132,256	\$ 1,166,223	\$ 1,201,210	\$ 1,237,246
CFD Transfer	\$ 3,650,001	\$ 4,427,745	\$ 5,276,410	\$ 5,540,231	\$ 5,761,840	\$ 5,992,313	\$ 6,112,160	\$ 6,234,403	\$ 6,483,779	\$ 6,743,130	\$ 7,012,855	\$ 7,293,369	\$ 7,585,104
Gas Tax Transfer	\$ 680,119	\$ 900,000	\$ 948,000	\$ 976,440	\$ 1,005,733	\$ 1,035,905	\$ 1,066,982	\$ 1,098,992	\$ 1,131,962	\$ 1,165,920	\$ 1,200,898	\$ 1,236,925	\$ 1,274,033
Admin Overhead	\$ 700,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 783,000	\$ 817,452	\$ 853,420	\$ 890,970	\$ 930,173	\$ 971,101	\$ 1,013,829	\$ 1,058,438	\$ 1,105,009
Other Transfers	\$ 42,385	\$ 125,000	\$ 92,000	\$ 126,250	\$ 127,513	\$ 128,788	\$ 130,076	\$ 131,376	\$ 132,690	\$ 134,017	\$ 135,357	\$ 136,711	\$ 138,078
Total Revenues	\$ 35,993,747	\$ 40,860,184	\$ 34,078,590	\$ 35,812,460	\$ 37,591,749	\$ 38,622,164	\$ 37,380,952	\$ 38,236,229	\$ 40,233,738	\$ 41,814,843	\$ 43,461,509	\$ 45,176,570	\$ 46,962,986
Expenses													
<i>Personnel Costs</i>													
Salaries	\$ 9,952,591	\$ 11,395,747	\$ 12,017,670	\$ 12,498,377	\$ 12,998,312	\$ 13,518,244	\$ 14,058,974	\$ 14,621,333	\$ 15,206,186	\$ 15,814,434	\$ 16,447,011	\$ 17,104,892	\$ 17,789,087
Pension Costs	\$ 2,244,152	\$ 2,434,460	\$ 2,855,969	\$ 3,070,167	\$ 3,300,429	\$ 3,547,961	\$ 3,814,058	\$ 4,100,113	\$ 4,407,621	\$ 4,738,193	\$ 5,093,557	\$ 5,475,574	\$ 5,886,242
Health Insurance	\$ 1,384,032	\$ 1,585,813	\$ 1,678,104	\$ 1,768,722	\$ 1,864,233	\$ 1,964,901	\$ 2,071,006	\$ 2,182,840	\$ 2,300,713	\$ 2,424,952	\$ 2,555,899	\$ 2,693,918	\$ 2,839,390
Workers Comp	\$ 392,934	\$ 903,184	\$ 945,682	\$ 983,509	\$ 1,022,850	\$ 1,063,764	\$ 1,106,314	\$ 1,150,567	\$ 1,196,589	\$ 1,244,453	\$ 1,294,231	\$ 1,346,000	\$ 1,399,840
Other costs	\$ 542,930	\$ 918,807	\$ 1,057,172	\$ 1,099,459	\$ 1,143,437	\$ 1,189,175	\$ 1,236,742	\$ 1,286,211	\$ 1,337,660	\$ 1,391,166	\$ 1,446,813	\$ 1,504,685	\$ 1,564,873
Subtotal	\$ 14,516,639	\$ 17,238,011	\$ 18,554,597	\$ 19,420,233	\$ 20,329,261	\$ 21,284,045	\$ 22,287,094	\$ 23,341,064	\$ 24,448,770	\$ 25,613,198	\$ 26,837,512	\$ 28,125,070	\$ 29,479,432
<i>Operating Costs</i>													
Contractual Services	\$ 5,283,395	\$ 6,127,743	\$ 6,763,303	\$ 7,101,468	\$ 7,456,542	\$ 7,829,369	\$ 8,220,837	\$ 8,631,879	\$ 9,063,473	\$ 9,516,647	\$ 9,992,479	\$ 10,492,103	\$ 11,016,708
Utilities	\$ 1,413,378	\$ 1,736,500	\$ 1,792,783	\$ 1,855,530	\$ 1,920,474	\$ 1,987,691	\$ 2,057,260	\$ 2,129,264	\$ 2,203,788	\$ 2,280,921	\$ 2,360,753	\$ 2,443,379	\$ 2,528,897
Repairs and Maintenance Solid Waste	\$ 481,883	\$ 417,061	\$ 512,077	\$ 524,879	\$ 538,001	\$ 551,451	\$ 565,237	\$ 579,368	\$ 593,852	\$ 608,699	\$ 623,916	\$ 639,514	\$ 655,502
Operating Costs	\$ 4,899,899	\$ 5,504,512											
Supplies	\$ 343,924	\$ 366,161	\$ 359,095	\$ 368,072	\$ 377,274	\$ 386,706	\$ 398,307	\$ 408,265	\$ 418,472	\$ 428,933	\$ 439,657	\$ 450,648	\$ 461,914
Program Costs	\$ 511,580	\$ 465,383	\$ 370,514	\$ 425,000	\$ 435,625	\$ 446,516	\$ 457,679	\$ 469,120	\$ 480,848	\$ 492,870	\$ 505,191	\$ 517,821	\$ 530,767
Vehicle													
Maint/Fuel	\$ 443,474	\$ 378,447	\$ 454,633	\$ 465,999	\$ 477,649	\$ 489,590	\$ 501,830	\$ 514,376	\$ 527,235	\$ 540,416	\$ 553,926	\$ 567,774	\$ 581,969
Insurance	\$ 745,750	\$ 894,848	\$ 1,111,127	\$ 1,155,572	\$ 1,201,795	\$ 1,249,867	\$ 1,299,861	\$ 1,351,856	\$ 1,405,930	\$ 1,462,167	\$ 1,520,654	\$ 1,581,480	\$ 1,644,739
Other	\$ 1,920,568	\$ 2,096,739	\$ 1,484,918	\$ 1,760,000	\$ 1,804,000	\$ 1,849,100	\$ 1,895,328	\$ 1,942,711	\$ 1,991,278	\$ 2,041,060	\$ 2,092,087	\$ 2,144,389	\$ 2,197,999
Subtotal	\$ 16,043,851	\$ 17,987,394	\$ 12,848,450	\$ 13,656,521	\$ 14,211,359	\$ 14,790,289	\$ 15,396,338	\$ 16,026,838	\$ 16,684,877	\$ 17,371,712	\$ 18,088,663	\$ 18,837,109	\$ 19,618,495
Equipment	\$ 602,312	\$ 209,275	\$ 327,862	\$ 371,000	\$ 382,130	\$ 393,594	\$ 405,402	\$ 417,564	\$ 430,091	\$ 442,993	\$ 456,283	\$ 469,972	\$ 484,071
Furniture and Equip	\$ 96,792	\$ 447,741	\$ 66,738	\$ 204,000	\$ 210,120	\$ 216,424	\$ 222,916	\$ 229,604	\$ 236,492	\$ 243,587	\$ 250,894	\$ 258,421	\$ 266,174
Total Expenses	\$ 31,259,594	\$ 35,882,421	\$ 31,797,647	\$ 33,651,754	\$ 35,132,870	\$ 36,684,351	\$ 38,311,751	\$ 40,015,070	\$ 41,800,230	\$ 43,671,490	\$ 45,633,352	\$ 47,690,571	\$ 49,848,172
Surplus/ (Deficit)	\$ 4,734,153	\$ 4,977,763	\$ 2,280,943	\$ 2,160,706	\$ 2,458,879	\$ 1,937,813	\$ (930,799)	\$ (1,778,841)	\$ (1,566,492)	\$ (1,856,648)	\$ (2,171,844)	\$ (2,514,001)	\$ (2,885,186)
Maintain Service Levels and Maintain What we Own													
Additional Positions to maintain Service Levels (3 annually) (1.0 PD position, 1.0 street or park maintenance, 1.0 other)				\$ 365,000	\$ 755,550	\$ 1,170,119	\$ 1,609,548	\$ 2,074,708	\$ 2,566,497	\$ 3,085,850	\$ 3,633,730	\$ 4,200,785	\$ 4,804,260
Fire Station staffing (new station) -1/3 staffing - staff moved from existing station				\$ 600,000	\$ 630,000	\$ 661,500	\$ 694,575	\$ 729,304	\$ 765,769	\$ 804,057	\$ 844,057	\$ 884,260	\$ 924,463
IT Equipment and Software (security/ disaster recovery/stability of network)	\$ 105,000	\$ 107,100	\$ 109,242	\$ 111,427	\$ 113,655	\$ 115,928	\$ 118,247	\$ 120,612	\$ 123,024	\$ 125,477	\$ 127,977	\$ 130,524	\$ 133,117
Street Maintenance Program (offsets loss of Measure A funding)	\$ -	\$ 550,000	\$ 561,000	\$ 572,220	\$ 583,664	\$ 595,338	\$ 607,244	\$ 619,389	\$ 631,777	\$ 644,407	\$ 657,174	\$ 670,189	\$ 683,544
Building/Facility Maintenance Program (preventative maintenance improvements)	\$ 175,000	\$ 180,250	\$ 185,658	\$ 191,227	\$ 196,964	\$ 202,873	\$ 208,959	\$ 215,228	\$ 221,685	\$ 228,332	\$ 235,171	\$ 242,204	\$ 249,541
Total New Costs	\$ 645,000	\$ 2,192,900	\$ 2,656,019	\$ 3,145,922	\$ 3,663,566	\$ 4,209,940	\$ 4,786,069	\$ 5,393,016	\$ 6,021,531	\$ 6,714,087	\$ 7,445,044	\$ 8,214,006	\$ 9,022,127
Total Uses (including new costs)	\$ 35,777,870	\$ 38,877,251	\$ 40,967,769	\$ 43,160,993	\$ 45,463,796	\$ 47,881,431	\$ 50,419,422	\$ 53,083,587	\$ 55,869,704	\$ 58,814,987	\$ 61,916,656	\$ 65,110,576	\$ 68,460,621
Surplus/ (Deficit)	\$ 1,813,879	\$ (255,087)	\$ (3,586,818)	\$ (4,924,764)	\$ (5,230,058)	\$ (6,066,588)	\$ (6,957,913)	\$ (7,907,018)	\$ (8,906,717)	\$ (9,971,143)	\$ (11,111,607)	\$ (12,334,006)	\$ (13,568,634)

Notes:
 \$5 million one time solid waste retention eliminated in FY 2020
 FY 2020 Sales tax includes \$1.2 million in one-time receipts eliminated from this model
 FY 2020 includes \$131K in solid waste residual collections that need to be eliminated for the model - from charges for services

City of Beaumont
 General Fund Long Term Financial Forecast - Moderate Growth NO Recession Model
 FY 2021 through FY 2030
 Updated October 8, 2020

	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual (Unaudited) - see notes at bottom	Forecasted Years									
				FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue													
<i>Taxes</i>													
Sales Tax	\$ 5,029,443	\$ 5,558,667	\$ 5,393,630	\$ 5,700,000	\$ 6,099,000	\$ 6,403,950	\$ 6,660,108	\$ 6,926,512	\$ 7,203,573	\$ 7,491,716	\$ 7,791,384	\$ 8,103,040	\$ 8,427,161
Property Tax	\$ 5,199,098	\$ 5,656,662	\$ 6,109,623	\$ 6,537,297	\$ 6,929,534	\$ 7,276,011	\$ 7,639,812	\$ 8,021,802	\$ 8,422,892	\$ 8,844,037	\$ 9,286,239	\$ 9,750,551	\$ 10,238,078
Motor Vehicle - In Lieu Solid Waste - Franchise Fee	\$ 4,125,661	\$ 4,517,090	\$ 4,997,852	\$ 5,347,702	\$ 5,668,564	\$ 5,951,992	\$ 6,249,592	\$ 6,562,071	\$ 6,890,175	\$ 7,234,683	\$ 7,596,418	\$ 7,976,238	\$ 8,375,050
	\$ -	\$ -	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,142,000	\$ 2,184,840	\$ 2,228,537	\$ 2,273,108	\$ 2,318,570	\$ 2,364,941
Solid Waste Operating Revenues	\$ 7,267,452	\$ 8,086,893											
Other Franchise Fees	\$ 876,551	\$ 912,924	\$ 974,504	\$ 1,003,739	\$ 1,033,851	\$ 1,064,867	\$ 1,096,813	\$ 1,129,717	\$ 1,163,609	\$ 1,198,517	\$ 1,234,473	\$ 1,271,507	\$ 1,309,652
Business License	\$ 242,634	\$ 287,908	\$ 337,993	\$ 348,133	\$ 358,577	\$ 369,334	\$ 380,414	\$ 391,827	\$ 403,581	\$ 415,689	\$ 428,159	\$ 441,004	\$ 454,234
Utility Users Tax	\$ 1,524,158	\$ 1,584,224	\$ 1,670,810	\$ 1,720,934	\$ 1,772,562	\$ 1,825,739	\$ 1,880,511	\$ 1,936,927	\$ 1,995,035	\$ 2,054,886	\$ 2,116,532	\$ 2,180,028	\$ 2,245,429
Other Taxes	\$ 363,868	\$ 358,458	\$ 316,811	\$ 326,315	\$ 336,105	\$ 346,188	\$ 356,574	\$ 367,271	\$ 378,289	\$ 389,638	\$ 401,327	\$ 413,366	\$ 425,767
<i>Permits</i>													
Building Permits	\$ 2,321,187	\$ 4,067,985	\$ 2,134,650	\$ 2,220,036	\$ 2,353,238	\$ 2,494,432	\$ 2,594,210	\$ 2,697,978	\$ 2,805,897	\$ 2,918,133	\$ 3,034,858	\$ 3,156,253	\$ 3,282,503
Inspections	\$ 1,504,952	\$ 653,401	\$ 262,854	\$ 273,368	\$ 289,770	\$ 307,156	\$ 319,443	\$ 332,220	\$ 345,509	\$ 359,330	\$ 373,703	\$ 388,651	\$ 404,197
Other Permits	\$ 718,380	\$ 764,639	\$ 486,809	\$ 506,281	\$ 521,470	\$ 537,114	\$ 553,227	\$ 569,824	\$ 586,919	\$ 604,526	\$ 622,662	\$ 641,342	\$ 660,582
<i>Charges for Services</i>													
Others	\$ 1,224,365	\$ 1,161,400	\$ 1,387,488	\$ 1,387,488	\$ 1,429,113	\$ 1,471,986	\$ 1,516,146	\$ 1,561,630	\$ 1,608,479	\$ 1,656,733	\$ 1,706,435	\$ 1,757,628	\$ 1,810,357
<i>Other revenues</i>													
	\$ 523,493	\$ 1,047,188	\$ 839,156	\$ 948,246	\$ 971,952	\$ 996,251	\$ 1,021,158	\$ 1,046,686	\$ 1,072,854	\$ 1,099,675	\$ 1,127,167	\$ 1,155,346	\$ 1,184,230
CFD Transfer	\$ 3,650,001	\$ 4,427,745	\$ 5,276,410	\$ 5,540,231	\$ 5,761,840	\$ 5,992,313	\$ 6,232,006	\$ 6,481,286	\$ 6,740,538	\$ 7,010,159	\$ 7,290,565	\$ 7,582,188	\$ 7,885,476
Gas Tax Transfer	\$ 680,119	\$ 900,000	\$ 948,000	\$ 976,440	\$ 976,440	\$ 1,005,733	\$ 1,005,733	\$ 1,035,905	\$ 1,035,905	\$ 1,066,982	\$ 1,066,982	\$ 1,098,992	\$ 1,098,992
Admin Overhead	\$ 700,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 783,000	\$ 817,452	\$ 853,420	\$ 890,970	\$ 930,173	\$ 971,101	\$ 1,013,829	\$ 1,058,438	\$ 1,105,009
Other Transfers	\$ 42,385	\$ 125,000	\$ 92,000	\$ 126,250	\$ 127,513	\$ 128,788	\$ 130,076	\$ 131,376	\$ 132,690	\$ 134,017	\$ 135,357	\$ 136,711	\$ 138,078
Total Revenues	\$ 35,993,747	\$ 40,860,184	\$ 34,078,590	\$ 35,812,460	\$ 37,512,529	\$ 39,089,307	\$ 40,589,240	\$ 42,226,004	\$ 43,900,957	\$ 45,678,358	\$ 47,499,199	\$ 49,429,852	\$ 51,409,737
Expenses													
<i>Personnel Costs</i>													
Salaries	\$ 9,952,591	\$ 11,395,747	\$ 12,017,670	\$ 12,498,377	\$ 12,998,312	\$ 13,518,244	\$ 14,058,974	\$ 14,621,333	\$ 15,206,186	\$ 15,814,434	\$ 16,447,011	\$ 17,104,892	\$ 17,789,087
Pension Costs	\$ 2,244,152	\$ 2,434,460	\$ 2,855,969	\$ 3,070,167	\$ 3,300,429	\$ 3,547,961	\$ 3,814,058	\$ 4,100,113	\$ 4,407,621	\$ 4,738,193	\$ 5,093,557	\$ 5,475,574	\$ 5,886,242
Health Insurance	\$ 1,384,032	\$ 1,585,813	\$ 1,678,104	\$ 1,768,722	\$ 1,864,233	\$ 1,964,901	\$ 2,071,006	\$ 2,182,840	\$ 2,300,713	\$ 2,424,952	\$ 2,555,899	\$ 2,693,918	\$ 2,839,390
Workers Comp	\$ 392,934	\$ 903,184	\$ 945,682	\$ 983,509	\$ 1,022,850	\$ 1,063,764	\$ 1,106,314	\$ 1,150,567	\$ 1,196,589	\$ 1,244,453	\$ 1,294,231	\$ 1,346,000	\$ 1,399,840
Other costs	\$ 542,930	\$ 918,807	\$ 1,057,172	\$ 1,099,459	\$ 1,143,437	\$ 1,189,175	\$ 1,236,742	\$ 1,286,211	\$ 1,337,660	\$ 1,391,166	\$ 1,446,813	\$ 1,504,685	\$ 1,564,873
Subtotal	\$ 14,516,639	\$ 17,238,011	\$ 18,554,597	\$ 19,420,233	\$ 20,329,641	\$ 21,284,045	\$ 22,287,994	\$ 23,341,064	\$ 24,448,770	\$ 25,613,198	\$ 26,837,512	\$ 28,125,070	\$ 29,479,432
<i>Operating Costs</i>													
Contractual Services	\$ 5,283,395	\$ 6,127,743	\$ 6,763,303	\$ 7,101,468	\$ 7,456,542	\$ 7,829,369	\$ 8,220,837	\$ 8,631,879	\$ 9,063,473	\$ 9,516,647	\$ 9,992,479	\$ 10,492,103	\$ 11,016,708
Utilities	\$ 1,413,378	\$ 1,736,500	\$ 1,792,783	\$ 1,855,530	\$ 1,920,474	\$ 1,987,691	\$ 2,057,260	\$ 2,129,264	\$ 2,203,788	\$ 2,280,921	\$ 2,360,753	\$ 2,443,379	\$ 2,528,897
Repairs and Maintenance Solid Waste Operating Costs	\$ 481,883	\$ 417,061	\$ 512,077	\$ 524,879	\$ 538,001	\$ 551,451	\$ 565,237	\$ 579,368	\$ 593,852	\$ 608,699	\$ 623,916	\$ 639,514	\$ 655,502
Supplies	\$ 4,899,899	\$ 5,504,512											
Supplies	\$ 343,924	\$ 366,161	\$ 359,095	\$ 368,072	\$ 377,274	\$ 386,706	\$ 396,374	\$ 406,283	\$ 416,440	\$ 426,851	\$ 437,522	\$ 448,460	\$ 459,672
Program Costs	\$ 511,580	\$ 465,383	\$ 370,514	\$ 425,000	\$ 435,625	\$ 446,516	\$ 457,679	\$ 469,120	\$ 480,848	\$ 492,870	\$ 505,191	\$ 517,821	\$ 530,767
Vehicle Maint/Fuel	\$ 443,474	\$ 378,447	\$ 454,633	\$ 465,999	\$ 477,649	\$ 489,590	\$ 501,830	\$ 514,376	\$ 527,235	\$ 540,416	\$ 553,926	\$ 567,774	\$ 581,969
Insurance	\$ 745,750	\$ 894,848	\$ 1,111,127	\$ 1,155,572	\$ 1,201,795	\$ 1,249,867	\$ 1,299,861	\$ 1,351,856	\$ 1,405,930	\$ 1,462,167	\$ 1,520,654	\$ 1,581,480	\$ 1,644,739
Other	\$ 1,920,568	\$ 2,096,739	\$ 1,484,918	\$ 1,760,000	\$ 1,804,000	\$ 1,849,100	\$ 1,895,328	\$ 1,942,711	\$ 1,991,278	\$ 2,041,060	\$ 2,092,087	\$ 2,144,389	\$ 2,197,999
Subtotal	\$ 16,043,851	\$ 17,987,394	\$ 12,848,450	\$ 13,656,521	\$ 14,211,359	\$ 14,790,289	\$ 15,394,405	\$ 16,024,856	\$ 16,682,845	\$ 17,369,630	\$ 18,086,529	\$ 18,834,921	\$ 19,616,253
<i>Equipment</i>													
Vehicles	\$ 602,312	\$ 209,275	\$ 327,862	\$ 371,000	\$ 382,130	\$ 393,594	\$ 405,402	\$ 417,564	\$ 430,091	\$ 442,993	\$ 456,283	\$ 469,972	\$ 484,071
Furniture and Equip	\$ 96,792	\$ 447,741	\$ 66,738	\$ 204,000	\$ 210,120	\$ 216,424	\$ 222,916	\$ 229,604	\$ 236,492	\$ 243,587	\$ 250,894	\$ 258,421	\$ 266,174
Total Expenses	\$ 31,259,594	\$ 35,882,421	\$ 31,797,647	\$ 33,651,754	\$ 35,132,870	\$ 36,684,351	\$ 38,309,817	\$ 40,013,088	\$ 41,798,198	\$ 43,669,408	\$ 45,631,218	\$ 47,688,384	\$ 49,845,930
Surplus/ (Deficit) - No new positions	\$ 4,734,153	\$ 4,977,763	\$ 2,280,943	\$ 2,160,706	\$ 2,379,659	\$ 2,404,956	\$ 2,279,423	\$ 2,212,916	\$ 2,102,759	\$ 2,008,950	\$ 1,867,980	\$ 1,741,469	\$ 1,563,807
Maintain Service Levels and Maintain What we Own													
Additional Positions to maintain Service Levels (3 annually) (1.0 PD position, 1.0 street or park maintenance, 1.0 other)				\$ 365,000	\$ 755,550	\$ 1,170,119	\$ 1,609,548	\$ 2,074,708	\$ 2,566,497	\$ 3,085,850	\$ 3,633,730	\$ 4,200,785	\$ 4,804,260
Fire Station staffing (new station) -1/3 staffing - staff moved from existing station				\$ -	\$ 600,000	\$ 630,000	\$ 661,500	\$ 694,575	\$ 729,304	\$ 765,769	\$ 804,057	\$ 844,260	\$ 885,420
IT Equipment and Software (security/ disaster recovery/stability of network)				\$ 105,000	\$ 107,100	\$ 109,242	\$ 111,427	\$ 113,655	\$ 115,928	\$ 118,247	\$ 120,612	\$ 123,024	\$ 125,484
Street Maintenance Program (offsets loss of Measure A funding)				\$ -	\$ 550,000	\$ 561,000	\$ 572,220	\$ 583,664	\$ 595,338	\$ 607,244	\$ 619,389	\$ 631,777	\$ 644,400
Building/Facility Maintenance Program (preventative maintenance improvements)				\$ 175,000	\$ 180,250	\$ 185,658	\$ 191,227	\$ 196,964	\$ 202,873	\$ 208,959	\$ 215,228	\$ 221,685	\$ 228,232
Total New Costs				\$ 645,000	\$ 2,192,900	\$ 2,656,019	\$ 3,145,922	\$ 3,663,566	\$ 4,209,940	\$ 4,786,069	\$ 5,393,016	\$ 6,021,531	\$ 6,724,400
Total Uses (including new costs)				\$ 35,777,870	\$ 38,877,251	\$ 40,965,836	\$ 43,159,011	\$ 45,461,765	\$ 47,879,348	\$ 50,417,288	\$ 53,081,400	\$ 55,867,461	\$ 58,802,183
Surplus/ (Deficit)				\$ 1,734,659	\$ 212,056	\$ (376,596)	\$ (933,007)	\$ (1,560,808)	\$ (2,200,990)	\$ (2,918,089)	\$ (3,651,548)	\$ (4,457,725)	\$ (5,318,376)

Notes:
 \$5 million one time solid waste retention eliminated in FY 2020
 FY 2020 Sales tax includes \$1.2 million in one-time revenues that need to be eliminated for the model
 FY 2020 includes \$131K in solid waste residual collections that need to be eliminated for the model - from charges for services

General Fund Long Term Financial Forecast Assumptions (2021 through 2030)

Recession Model – revised October 8, 2020

This forecast model assumes moderate growth in revenues and expenditures. The model includes a moderate level recession that occurs in FY 2023 with initial impacts on sales tax, then impacts to property tax in FY 2024. The recession is relieved by FY 2025 with stronger than normal growth both before and after the recession. The remainder of the forecast period will have normalized growth.

Revenues

Sales Tax

Sales tax impacted less than expected by Covid-19. Fiscal year 2020 on a normalized basis finished at \$5.4 million. Growth expected in FY 2021 and FY 2022 due to new retail development coming online. Recession impacts felt in 2023 and 2024. Stronger than normal growth out of the recession is expected. Then normalized growth is expected through the remainder of the forecast period.

- 2021 – is increased from \$4.0 million to \$5.7 million as Covid-19 has had less impact than expected. This is in line with the current HDL forecast.
- 2022 – 7% growth
- 2023 – (8%) reduction (recession)
- 2024 – (3)% reduction (lingering impacts of recession)
- 2025 – 8% growth
- 2026, 2027, 2028, 2029, 2030 – 4% growth

Property Tax and Motor Vehicle in Lieu

Growth is projected to slow in future years – reducing the base level of increase down to 7%. This provides for 4% increase in base level valuation and 3% increase for expected new growth. Recession has impact in FY 2024 and FY 2025 with stronger growth in FY 2026 as the City emerges from recession.

- 2021– 7% growth
- 2022, 2023 – 6% growth
- 2024 – (10%) reduction (recession)
- 2025 –0% growth
- 2026 – 8% growth – stronger growth out of recession
- 2027, 2028, 2029, 2030 – 5% growth (housing model projects slower pace of growth)

Utility Users Tax – increases at 3% annually except for FY 2024 which is flat due to the forecasted recession

- Business License** - 3% increases annually except FY 2024 which is flat during the recession
- Other Taxes and Franchise Fees** - increase at 3.0% for all years except FY 2024 which is flat due to the forecasted recession
- Permits and Fees** - stronger growth in FY 2022 (7%) and FY 2023 (9%) due to planned projects, otherwise 4% growth. FY 2024 and FY 2025 held flat due to recession.
- Charges for Services** - expected to stay flat in FY 2021 due to Covid-19, 3.0% growth for remainder of forecast
- Gas Tax** - growth 3% throughout the forecast period
- CFD Transfer** – increase at 4% throughout the forecast period, except for FY 2024 and FY 2025 which increase at 2% due to the forecasted recession.
- Admin Transfer** – from Wastewater and Transit – set to grow at same pace of expenditures annually beginning in FY 2022

Expenses

Personnel Costs

- Salaries – 4.0% annual increase (2.0% merit and 2.0% cost of living)
- Pensions – 7.5% annual increase (costs set to escalate in future years due to unfunded liability)
- Health Insurance – 5.4% annual increase
- Workers Comp – 4% annual increase
- Other personnel costs – 4% annual increase

Operating Costs

- Contractual Services – 5% annual increase (normal costs increase at 4%, fire services contract increases by 6% annually)
- Utilities – 3.5% annual increase
- Insurance Costs – 4% annual increase
- All other costs – 2.5% annual increase (tied to 10 year CPI increase level)
- Vehicles and Furniture – have varied considerably – set at the most recent 3-year average, then increased by 3% annually
 - Vehicles - \$380,000
 - Furniture - \$204,000

General Fund Long Term Financial Forecast Assumptions (2021 through 2030)

Revised October 8, 2020

NO Recession Model

The revised model does NOT include a recession in the forecast. Instead it provides for steady growth at moderately conservative levels that assumes continued growth in the next two years with growth slowing through the remainder of the forecast.

Revenues

Sales Tax

- 2021 – is increased from \$4.0 million to \$5.7 million as Covid-19 has had less impact than expected. This is in line with the most recent projections by HDL
- 2022 – 7% growth to include new retail coming on line
- 2023 – 5% continued absorption of new growth
- 2024, 2025, 2026, 2027, 2028, 2029, 2030 – 4% growth

Property Tax and Motor Vehicle in Lieu

Growth is expected to be strong through FY 2022 then moderate growth for the remainder of the forecast period as the housing forecast is projecting lower growth.

- 2021 – 7% growth
- 2022- 6% growth
- 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030 – 5% growth

Utility Users Tax – 3% annual increase

Other Taxes and Franchise Fees - 3% annual increase

Business License - 3% annual increase

Permits and Fees - expected to grow at 6% in FY 2022 and FY 2023 due to planned projects otherwise held steady at 4%.

Charges for Services - 3% annual increase, FY 2021 no increase due to Covid

Gas Tax - growth 3.0% throughout the forecast period

CFD Transfer – increase at 4%

Admin Transfer – from Waste Water and Transit – set to grow at same pace of expenditures annually beginning in FY 2022

Other Revenues – 2.5% annual increase

Expenses

Personnel Costs

- Salaries – 4% annual increase (2% merit and 2% cost of living)
- Pensions – 7.5% annual increase
- Health Insurance – 5.4% annual increase
- Workers Comp – 4% annual increase
- Other personnel costs – 4% annual increase

Operating Costs

- Contractual Services – 5% annual increase (department costs increase at 4%, fire services contract increases by 6% annually)
- Utilities – 3.5% annual increase
- Insurance Costs – 4% annual increase
- All other costs – 2.5% annual increase (tied to 10 year CPI)
- Vehicles and Furniture – have varied considerably – set at the most recent 3-year average, then increased by 3% annually
 - Vehicles - \$371,000
 - Furniture - \$204,000

FY 2021- General Fund

Notes

Budget Add Backs for Council Consideration

			Full FY Cost	FY 2021 Cost		
Personnel Costs						
Unfreeze 1 Police Officer Positions			\$ 160,000	\$ 93,333	Filled by December 1st	This unfreezes 1 of the 4 positions that are being held vacant in PD
PD Officer Overfill - 2 positions			\$ 320,000	\$ 186,667	Filled by December 1st	Allows for overfill of two positions to cover vacancies/ workers comp/ etc. - helps ensure full staffing
Unfreeze 1 Streets Maintenance Position			\$ 100,000	\$ 58,333	Filled by December 1st	Unfreezes one maintenance position
Unfreeze Rec Specialist positions (beginning March 2021)			\$ 175,000	\$ 58,333		Provides for the reinstatement of severa; seasonal positions beginning March 2021
New Position						
Added Admin Position (payroll)/ Needed if we move payroll inhouse with the Tyler payroll module			\$ 85,000	\$ 49,583	Filled by December 1st	If we move to the Tyler payroll/HR - this provides for adequate coverage to ensure timely/ proper tax filings, retirement, etc.
		Payroll Total	\$ 840,000	\$ 446,250		
Non Personnel						
Restoration of Contractual Services to Building and Safety			\$ 185,000	\$ 111,000		The Building and Safety department significantly reduced plan check contract costs during the FY 2021 budget process. Development has continued at high levels, necessitating additional contract services. These costs will be offset by added revenues from permitting processes.
Ransomware/ Disaster recover ongoing costs			\$ 15,000	\$ -		An upgrade to our ransomware and disaster recovery is included in recommended one-time allocations. This represents the ongoing cost to maintain those functions.
Tyler Payroll/HR and Fixed Assets			\$ (40,000)			A proposal to bring payroll functions in house is included in the proposed allocation of one-time funds. This represents savings from eliminating existing external contract that is partially offset by new costs to bring the function in house.
		Non Payroll Total	\$ 160,000	\$ 111,000		

Total Restoration and New \$ 1,000,000 \$ 557,250

Total Cost of Restoration/ New Costs

FY 2021 Wastewater Fund Proposed Budget Adjustments

<u>Personnel Costs</u>	<u>Full Year Costs</u>	<u>FY 2021 Cost</u>	<u>Notes/ Justification</u>
New Compliance Manager Position	\$ 136,000	\$ 81,600	This position would handle the tracking and reporting to various authorities to ensure the plant, collection system and the pretreatment requirements maintain compliance with requirements - assumes a start date of December 1, 2020
Two - New Collection Maintenance Worker Positions	\$ 224,000	\$ 130,592	These positions will monitor and maintain the 199 miles of sewer lines and lift stations. This brings the current staffing from 2 to 4 and more in line with similarly situated cities and allow for an oncall system to better meet community needs- assumes start date of December 1, 2020
<u>Operating Costs</u>			
Contract with SKM to provide Plant Computer System Monitoring	\$ 100,000	\$ 100,000	With the new upgrades, the plant as well as collection system is highly automated. As such a specific skill set is required. This contract will be necessary for the first year or more of operations to ensure the system is functioning optimally. The amount for FY 2021 not prorated as a significant level of effort is needed to get the systems dialed in as the plant is fully brought online - assumes contract start date of December 1, 2020
Total Costs	\$ 460,000	\$ 312,192	

Proposed One-Time Funds Allocation

General Fund \$18.5 million in Unrestricted - \$11 million to remain unassigned (35% reserve level)
 CFD Admin Funds \$7.5 million unallocated - \$1 million to remain unassigned as reserve funds

Proposed General Fund Allocation - \$7.5 million

		Explanation	Notes
Pension Trust	\$ 2,300,000	This sets funds aside to address the pension liability and escalating pension costs	Fiscally conservative approach as this trust could be used to cover liability or normal pension costs if needed
Flood Preparation	\$ 200,000	funds to prepare for flood	
School Growth - traffic mitigation	\$ 300,000	funds to address increase size of HS	
Capital Projects	\$ 4,200,000	addresses priority capital projects	
One-Time 2.5% pay to employees	\$ 500,000	This provides pay to employees that does not cause long term impacts	
Total	\$ 7,500,000	leaves \$11 million unallocated	

Proposed allocation of CFD Admin Funds

			Internal Service Funds
Vehical Replacement Fund (internal service fund)	\$ 1,125,000	Equal to 3 years of average level purchases, vehicles purchased out of this fund- fund replenished through budget process by charging departments an annual allocation	<i>Establishing internal service funds provides for continuity of purchase authority and eliminates backlogs in acquiring needed vehicles and equipment.</i>
Equipment Replacement Fund (internal service fund)	\$ 875,000	Cost charged out to respective departments	

IT Equipment Replacement Fund (internal service fund)	\$	800,000	Servers/ switches/disaster recovery/hardware/ etc.
CIP Fund	\$	3,500,000	Fund Citywide Maintenance Projects
IT Security	\$	150,000	improves data security
IT Enhancements	\$	100,000	payroll module/ fixed assets/ content mgmt
		<hr/>	
Total	\$	<u>6,550,000</u>	leaves \$1 million unallocated as further reserves

This is fiscally prudent as these funds are available to meet needs during times when purchasing vehicles and equipment would otherwise be very difficult.

This concept provides for establishing a capital maintenance fund. This would be used for larger maintenance projects.
ransomware/ disaster recovery
completes automation of processes in AP/ personnel/payroll



Beaumont City Council FY 2021-22 Budget Workshop

SPECIAL WORKSHOP | OCTOBER 8, 2020



Workshop Objectives

- **Review FY2020 Financial Results**
 - General Fund
 - Wastewater Fund

- **Discuss Impacts of COVID-19**
 - Impacts to Date
 - Uncertainties

- **Discuss Adjustments to the Multi-Year Forecast**
 - Long-Term Forecast Assumptions (FY2021 thru FY2030)
 - Revised Estimates for FY021 + Suggested Budget Amendments
 - Early Discussion of FY2022 and Beyond

- **Allocation of Unassigned General Fund Reserves and Available CFD Reserves**



General Fund Results FY2020

- **Estimated Revenues vs. Expenditures**

- Estimated Revenues = \$39.6 Million
- Estimated Expenses = \$31.1 Million
- Surplus = \$ 8.5 Million

- **One-Time Revenues**

- Solid Waste Retention Fee = \$ 5.0 Million
- Sales Tax Revenues = \$ 1.2 Million
- Residual Solid Waste Revenue = \$ 0.1 Million
- One-Time Revenues Total = \$ 6.3 Million

- **Surplus From Operations**

- Operational Cuts for Savings = \$ 2.2 Million
- Frozen Positions and Other Cost-Cutting Measures



General Fund Results FY2020

- **COVID-19 Pandemic Impacts Less Than Forecasted**
 - Actual Sales Tax Revenues \$165,037 Less Than FY2019 (3% Loss)
 - Commercial Activity Started Prior to Pandemic Continues
 - Business License Revenues and Other Taxes Above Projections
- **On an Equalized Basis Revenues Declined from \$32.8 Million in FY2019 to \$32.0 Million in FY2020**
 - Tax Revenues Increased
 - Development Revenues Dropped
 - One-Time Inspections and Permits
 - New SF Permit Issuance Declined Over Past 3 Years



General Fund Results FY2020

- **Expenses Increased 4.7% from FY2019 to FY2020**
 - Despite Cost Cutting Initiatives in Final Quarter of FY2020
 - Personnel Costs Increased by \$1.3 Million (7.6%)
 - Operating Costs Increased by \$336,000 (2.7%)
 - Equipment and Vehicle Purchases Decreased by \$263,000
- **Annualized Surpluses Realized from Operations**
 - Including Transfers and Excluding One-Time Revenues
 - FY2019 = \$4.0 Million
 - FY2020 = \$2.2 Million



WW Fund Results FY2020

- **Revenues In Excess of Budget**
 - Approximately \$400,000

- **Expenses Lower Than Budget**
 - Personnel Costs
 - Operating Costs

- **Contingency Funds Utilized**
 - Unforeseen Capital Maintenance Projects

- **DIF Funds Utilized**
 - Approximately \$1.0 Million of Balance Applied to Debt Service Payment

- **Retained Earnings of Approximately \$590,000**



COVID-19 Fiscal Impacts

- **FY2020 Budget Anticipated Significant Revenue Retraction**
 - Sales Tax Revenues
 - TOT Revenues
 - Business License Revenues
- **Actual Impacts Not As Severe as Projected**
 - TOT Revenues Declined Significantly
 - Sales Taxes Declined Moderately (3%)
 - Some Retail Sectors Suffering Significantly While Others Steady/Growing
 - County Pool Collections Increased Significantly (On-Line Sales)
 - New Business Openings Helped Make Up Revenue Losses
 - Business License Revenues Increased Due to New Business Openings



COVID-19 Uncertainty

- **Reasons for Caution**
 - Trajectory of Pandemic Unknown
 - Second Wave?
 - National/State/County Responses?
 - Federal Stimulus a Critical Factor
 - Unemployment Enhancement Kept Households Afloat
 - Federal Loans and Grants Kept Businesses Going
 - Unclear Whether Future Stimulus is Forthcoming
 - Loss/Reduction of Unemployment Enhancements

- **Significant Unemployment and Business Disruption Continues**
 - Half of “Temporary” Lost Jobs Remain Unfilled Nationally
 - Remains Unclear as to If/When Remaining Jobs Return
 - Potential Rise in Rent/Mortgage Payment Delinquencies or Defaults



Fiscal Forecast General Fund

- **Financial Forecasts Useful**
 - Provide Guidance Regarding Long-Term Financial Condition
 - Establish a Framework for Incremental Decisions
- **Today's Decisions Have Long-Term Impacts on City's Ability to Meet Future Operating Needs**
- **Revenue Forecasts Typically Updated Every One or Two Years**
 - This is the Third Update This Calendar Year
 - Significant Uncertainties Surrounding COVID-19 Pandemic
 - Picture Remains Unclear
 - Third Quarter Sales Tax Revenues are Expected to Provide Clarity
 - Additional Resources will be Required to Meet Ongoing Public Service Demands – Public Safety, Streets, Community Services



Fiscal Forecast **General Fund**

- **Forecasts Used When Considering Financial Decisions That Have Ongoing Impacts**
 - Must Recognize that Actual Results will Likely Vary from Projections
 - Must be Ready to Respond to the Unexpected
 - Less Accuracy is Likely in the Later Periods of the Planning Horizon
 - Variances Will Likely Have Growing Impacts Over Extended Periods of Time Due to Compounding
- **Forecasting is a Useful Tool In Considering Financial Decisions that Have Ongoing Impacts on City Finances**



Fiscal Forecast General Fund

- **Two Separate Models Prepared for City Council Review**
 - Recession Model – this forecast assumes a moderate level recession that impacts the City in FY 2023 and lasts for two years
 - NON recession model – this forecast does not include a recession
 - Provides for moderate level growth throughout the forecast

The models are built using assumptions. The assumptions provide the building blocks for year over year changes in revenues and expenditures and contemplate the need for new positions and modifications to service delivery.

Note: neither model contemplates expense reductions that would naturally occur in the event of sustained deficits. This is to intended to provide insight into the level of potential budget adjustments that may be necessary and/or the need for new revenues.



Fiscal Forecast Assumptions

- Assumptions Based on Historical Information, Consumer Price Information and Assistance from Consultants

Revenue Type	Recession Model (Average growth)	Non-Recession Model (Average growth)
Sales Tax	2.8%	4.8%
Property Tax/ VLF	3.3%	5.7%
Other Taxes/ Bus License	3.0%	3.0%
Permits and Fees (development related)	4.0%	4.8%
CFD Transfer	3.7%	4.0%
Charges for Services	3.0%	3.0%
Overall Average	3.1%	4.3%



Fiscal Forecast Assumptions

Expense Type	Average Growth
Personnel Expenses	
Salaries	4.0%
Pensions	7.5%
Health Insurance	5.4%
Other personnel	4.0%
Operating	
Contractual Services	5.0%
Utilities	3.5%
Insurance	4.0%
Repairs and Maintenance	2.5%
Other operating costs	2.5%
Vehicles and Equipment	3.0%
Overall Average	4.8%



Fiscal Forecast Results (GF)

- **Recession Model Results**
 - Revenues Grow at an Average Pace of 3.1%
 - Expenses Grow at an Average Pace of 4.8%
 - Budget Deficit by FY2023
 - Adds New Positions to Maintain Consistent Levels of Service
 - Anticipates Increases to Current Operational Expenses

- **Provides for an Estimated Deficit of \$42 Million**
 - New Positions Added
 - Increases for Roadway Maintenance, Buildings and IT Enhancements (Security and Capabilities)
 - Eliminating Positions and Increased Expenditures Reduces the Deficit to Approximately \$9 Million



Fiscal Forecast Results (GF)

- **Non-Recession Model Results**
 - Revenues Grow at an Average Pace of 4.3%
 - Expenses Grow at an Average Pace of 4.8%
 - Budget Deficit by FY2024
 - Adds New Positions to Maintain Consistent Levels of Service
 - Anticipates Increases to Current Operational Expenses

- **Provides for an Estimated Deficit of \$14 Million**
 - New Positions Added
 - Increases for Roadway Maintenance, Buildings and IT Enhancements (Security and Capabilities)
 - Eliminating Positions and Increased Expenditures Provides for a Surplus of \$18 Million



Early Estimates GF FY2021

- **Budget Prepared in Early Stages of COVID-19 Pandemic**
 - Uncertainty at Highest Levels
 - Picture More Clear Today
 - High Degree of Uncertainty Remains
- **Careful Approach Used to Estimate Revenues**
 - Implemented Near-Term Cost Containment Measures
 - Frozen Positions in Police and Streets Operations
 - Furloughed Employees in Recreation Services
 - Reductions to Operating Expenses
- **Re-Assessment of COVID-19 Impacts**
 - Certain Revenues Expected to Come in Significantly Higher than Projected
 - FY2021 General Fund Revenues Projected to Exceed Budget Estimates by Approximately \$2.2 Million



Early Estimates GF FY2021

- **Revised Revenue Projections = Another \$2.2 Million**
 - Sales Tax Revenues = Additional \$1,700,000
 - Property Tax Revenues = Additional \$300,00
 - Other Tax Revenues = Additional \$100,000
 - Business License Revenues = Additional \$100,000



Budget Adjustment **GF FY2021**

- **Cost Estimated to be \$600,000 (Increases to \$1.0 Million in FY2022)**
 - Unfreeze 1 of 4 Police Officer Positions – Dec. 2020
 - Authorize Overhire of 2 Police Officer Positions – Dec. 2020
 - Unfreeze 1 Streets Maintenance Position – Dec. 2020
 - Unfreeze 4 Recreation Specialist Positions – Jan. 2021
 - New Payroll Technician Position – Support In-House Payroll Management – Dec. 2020
 - Targeted Operational Add Backs from Budgetary Cuts
 - Building Inspections
 - Plan Checks



Early Estimates WWF FY2021

- **FY2021 Projected to Realize Retained Earnings of \$300,000 to \$400,000**
 - In-House Wastewater Operations are New to the City of Beaumont and Unknown Operational Costs Remain Outstanding
 - New MBR/RO Plant Startup Adds an Additional Degree of Uncertainty
 - Actual Operations Costs will be Solidified Once Field and Plant Operations Stabilize
 - Wastewater Master Plan is Nearing Completion
 - Will Identify Areas of Criticality
 - Will Provide Estimates to Fix/Upgrade System
 - Will Include Recommendations for a Multi-Year CIP



Early Estimates WWF FY2021

- **Management Has Assessed Needs for WW Operations – Estimated to be \$312,000 (Increases to \$460,000 in FY2022)**
 - Compliance Manager – responsible for monitoring and reporting on all required elements (New Discharge Permit)
 - 2 Collections Maintenance Workers – responsible for inspection and operation of 23 miles of brine line (reduce chances of system failure)
 - Contract Costs – WWTP is highly technical and will require external expertise for system monitoring and adjustment



The Future FY2022 and Beyond

- **Beaumont Has Experienced 4 Years of Positive Revenue Growth and Resulting Operating Surpluses**
- **FY2021 and FY2022 are Projected to See Additional Operating Surpluses Barring an Economic Downturn**
- **Financial Reserves Need to be Deployed to Address Operational and Infrastructure Needs**
- **Beaumont Well Positioned to Make Long-Term Financial Decisions**



The Future FY2022 and Beyond

- **City Services Will Be Stretched in the Future**
 - Population and Commercial Growth will Demand Additional Public Safety and Support Staff
 - Measure A Funds will Decline – WRCOG Settlement Agreement and 2039 Expiration
 - Fire Station Construction Scheduled for FY2021 and Operational by FY2023
 - City Facilities are Aging with Significant Deferred Maintenance
 - Information Technology is of Growing Importance and Will Require Significant Investment



Allocation of One-Time Funds

- **General Fund and CFD Reserve Balances Have Been Established Over the Past Several Years**
 - At the Conclusion of FY2020 – GF Reserve Balance Estimated to be \$18.5 Million
 - Unallocated CFD Funds are Estimated to be \$7.5 Million
 - Reserve Funds Should Be Allocated to Costs that are NOT Ongoing in Nature



Allocation of One-Time Funds

- **City Staff Proposes Allocating a Portion of These Reserve Funds**
 - General Fund Reserves
 - Allocate \$7.5 Million
 - Retain a Reserve Level of 35%
 - CFD Reserves
 - Allocate \$6.5 Million
 - Retain a Reserve Balance of \$1 Million



General Fund One-Time Funds

Proposed General Fund Allocation - \$7.5 million		
		Explanation
Pension Trust	\$ 2,300,000	This sets funds aside to address the pension liability and escalating pension costs
Flood Preparation	\$ 200,000	funds to prepare for flood
School Growth - traffic mitigation	\$ 300,000	funds to address increase size of HS
Capital Projects	\$ 4,200,000	addresses priority capital projects
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Total	\$ 7,500,000	leaves \$11 million unallocated



CFD Fund One-Time Funds

Item	Cost	Explanation
Vehical Replacement Fund (internal service fund)	\$ 1,125,000	Equal to 3 years of average level purchases, vehicles purchased out of this fund- fund replenished through budget process by charging departments an annual allocation
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IT Equipment Replacement Fund (internal service fund)	\$ 800,000	Servers/ switches/disaster recovery/hardware/ etc.
CIP Fund	\$ 3,500,000	Fund Citywide Maintenance Projects
IT Security	\$ 150,000	improves data security
IT Enhancements	\$ 100,000	payroll module/ fixed assets/ content management
Total	\$ 6,550,000	leaves \$1 million unallocated as further reserves



Next Steps Timing

- **FY2021 Budget Amendments**
 - City Council Consideration November 3, 2020
 - Continue to Monitor Budget and Amend As Needed

- **FY2020 Audit**
 - Near Completion Early December 2020
 - Confirm Available One-Time Resources
 - City Council Consideration of One-Time Fund Allocations in December 2020

- **FY2022 Budget Preparation**
 - Kick Off Budget Process January 2021