

City of Beaumont California



**Annual Budget
FY2016 - 2017**

City of Beaumont City Council



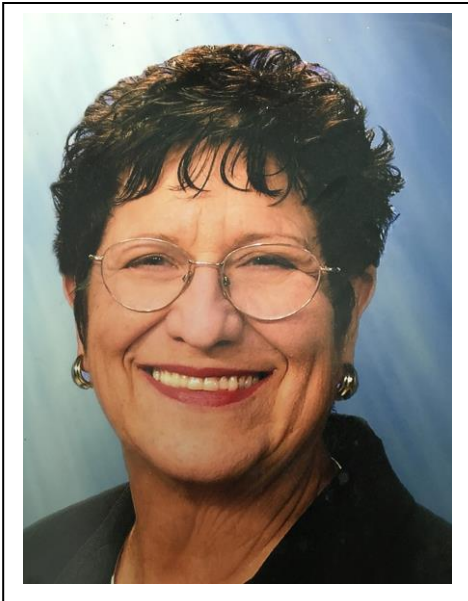
**Mayor Pro Tem
Lloyd White**



**Mayor
Mike Lara**



**Council Member
Brenda Knight**



**Council Member
Della Condon**



**Council Member
Mark Orozco**

City of Beaumont Elected Officials



City Clerk
Julio Martinez



City Treasurer
Nancy Carroll





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INTERIM CITY MANAGER FY2017 BUDGET MESSAGE

June 6, 2016

Honorable Mayor, City Council and Residents
550 East Sixth Street
Beaumont, California 92223



Re: Interim City Manager FY2017 Budget Message

Dear Residents and Members Governing Body:

In accordance with sound municipal fiscal business practices, I hereby transmit the proposed budget for the City of Beaumont for the period from July 1, 2016, to June 30, 2017. This document contains a City Manager's message and ten sections. They are:

Section 1. Proposed Strategic Planning, Implementation and Evaluation Decision-Making Process. This section outlines the broad context and strategic framework in which the budget is prepared, implemented and evaluated. The Beaumont budget is not prepared in a vacuum. It is a document designed to achieve the long-term goals of the community based upon community values, community vision and sound long-term strategies adopted by the City Council. The annual budget provides the financial means to build a community based on a shared community vision.

Section 2. City of Beaumont Organization. This section provides information concerning the municipal organization created by the City Council and the City Manager to deliver municipal services, achieve community goals and implement the policies, goals and spending plan outlined in the FY2017 budget. The Organization Section has an organization chart that shows the organization structure and the service delivery functions assigned to each City department. It also contains a proposed Code of Ethics for the City Council and City boards, commissions and committees and staff. It also contains a proposed Employee Operating Statement that articulates the values and philosophy governing the operation of the City and the conduct of City employees.

Section 3. Description of the Accounting and Financial Reporting System. This section contains a description of each of the City's major accounting funds by Governmental Fund Type and Proprietary Fund Type. These accounting funds are used to account and report the revenues, expenditures, assets and liabilities of the City of Beaumont.

Section 4. Accounting, Financial Management, Investment, Fixed Assets, and Capital Improvement Policies. This section reviews the major City Council and City Manager policies that guide accounting, financial management, investment, fixed assets, and capital improvements policies that guide the preparation and implementation of the budget and other financial transactions of the City.

Section 5. Federal and State Economic and Legal Environment This section discusses the Federal and State economic forecasts and legal environment that the City must operate in and the external factors that impact the City budget and affect the operations of the City and the delivery of municipal services. This section reviews ballot measures, laws, regulations and court cases affecting the City of Beaumont.

Section 6. General Fund Revenues and Department Budgets. This section contains the FY2017 line-item revenue budget for the General Fund and the line-item expenditure budget for each City Department along with their mission statements, department descriptions, and goals, objectives, performance measures. Revenue sources received by Departments outside the General Fund are identified and their budgets included with the Department budgets.

Section 7. Enterprise Funds, Special Revenue Funds, and Capital Projects Funds Budgets. The budget document includes the accounting fund mission, fund description and the goals, objectives and performance standards of the City's Enterprise Funds, Special Revenue Funds, and Capital Projects Funds.

Section 8. Projected Changes in Fund Balance Summary. This budget section illustrates the projected beginning and ending fund balance for Governmental Funds and projected beginning and ending cash balance for all Enterprise Funds.

Section 9. Statistical Information Section. This section presents information regarding the City's historical revenues, expenditures, infrastructure, demographics, bonded debt, building permits, fixed assets and other related financial information.

Section 10. Glossary of Acronyms and Terms. This section lists the definitions of commonly used government accounting acronyms and terms.

The FY2017 Beaumont budget is a financial plan, operations guide, policy document and a communications device. It conforms to the highest national budget standards published by the Government Finance Officers Association (GFOA) of the United States and Canada. Its pages contain goals for City departments and explanations of the City's past, present and future financial transactions and activities.

Budget Environment

This budget is prepared in the context of one of the most difficult and challenging economic, fiscal and political environments since the Great Depression. The local economy is still suffering from high unemployment, slow growth and the residual effects of the recession. The fiscal stress on local governments is compounded by the State government's decision to mandate unfunded City obligations, reduce state assistance and eliminate local revenue sources, as epitomized by California's termination of Redevelopment Agencies on February 1, 2012.

Compounding a difficult federal and state economic and fiscal environment, Beaumont has been the victim of former public officials that breached the public trust. Seven have been arrested and charged by the District Attorney. The City's financial position and management practices under these individuals

have been called into question and full extent of the fiscal damage done by these officials is still being assessed and addressed.

Since law enforcement's raid on the City last year, the City Council and staff have been busy responding to the myriad of findings from outside agencies, financial turn-around professionals retained by the City Council and public records requests. The City Council adopted new robust Financial Management Policies, improved internal controls, initiated a review, reconciliation and full accounting of the Community Facilities District (CFD) funds and development impact fee program. **More important, the City Council took action immediately to improve fiscal responsibility by making the decision to shrink the FY2014-2015 budget by approximately \$4 million.** This required painful layoffs, employee reclassifications, service cuts and reductions in employee compensation and contracts. However, this did not address the inherited financial, budgetary, cash and service insolvency from the past.

The City knows that there is an accumulated deficit in the General Fund balance, but no one knows how exactly much it is; nor will anyone know until the FY2014-2015 independent financial audit is completed, the Community Facilities District (CFD) reconciliation is completed, the development impact fee reconciliation is completed and additional forensic analysis is done on the City's financial records. The City Council has retained outside financial professional experts to complete this work in FY2017, and the City will make its findings available to the public as they become available.

The City Council commissioned a Work Out Plan to Sustainability in December 2015 that will develop and evaluate options to restore the City's financial sustainability, solve the accumulated General Fund deficit and work its way out of insolvency. This report, which relies on this budget to develop the long-range financial modeling, is also nearing completion.

Everyone likes to look for some good news when bombarded with the plethora of bad news. So in that spirit, I am pleased to say that staff expects to end the FY2015-2016 with a General Fund operating surplus of \$1.4 million. The staff and City Council should be commended for their hard work and commitment to financial sustainability.

Strategic Planning, Implementation and Evaluation

The staff, City Manager and City Council are committed to a clean, attractive, and safe community; the delivery of excellent municipal services; the provision of high quality facilities and infrastructure; the development of a prosperous local economy; and to a responsive, high-performance, open and transparent City government.

High performance organizations and successful businesses achieve their success by constantly planning, implementing and evaluating their operations. The City of Beaumont is a complex, multi-million dollar municipal corporation that incorporates modern corporate planning, execution and evaluation principles into its operations to provide high levels of municipal services to the people effectively, efficiently and transparently.

The FY2017 budget is prepared within the broad context of the proposed Beaumont Strategic Planning, Implementation and Evaluation Decision-Making Process. This decision-making process outlined in Section 1 of this budget document provides a framework for the City's strategic planning, executing and evaluating City operations, organizational structure, budgets, programs, service levels and capital projects. The City Council recognizes the importance of using modern principals of corporate governance and the important role that proper planning, execution and evaluation plays in setting the future course of our community.

The Work Out Plan to Sustainability that will be approved by the City Council in FY2017, will be Beaumont's strategic plan for the coming fiscal year.

The FY2017 budget is more than numbers—it is goal oriented and driven by the achievement specific City Council policies and objectives. Its pages contain 179 goals, objectives and performance standards for City departments.

General Fund Revenues and Expenditures

General Fund FY2017 revenues are projected to exceed expenditures by \$368,274. This positive cash flow for FY2017 will allow the City to reduce the accumulated General Fund Balance deficit and contribute to the Work Out Plan for Sustainability. This accumulated General Fund Balance deficit is unknown at this time, but is estimated to be between \$7 million and \$10 million. However, this accumulated General Fund deficit could be higher.

The General Fund is estimated to have revenues of \$28,696,600. See Figure 1.

General Fund expenditures include \$139,623 (1%) for the City Council, \$2,795,278 (10%) for the Administration Department, \$2,300,000 (8%) for Legal and Risk Management Department, \$1,574,901 (6%) for the Community Development Department, \$5,564,757 (20%) for the Public Works Department, \$2,639,019 (9%) for the Community Services Department, \$10,560,252 (37%) for the Police Department and \$2,754,496 (9%) for the Fire Department. Total General Fund expenditures are projected to be \$28,328,326. See Figure 2 and Figure 3.

Total Revenues and Expenditures Across All Accounting Funds

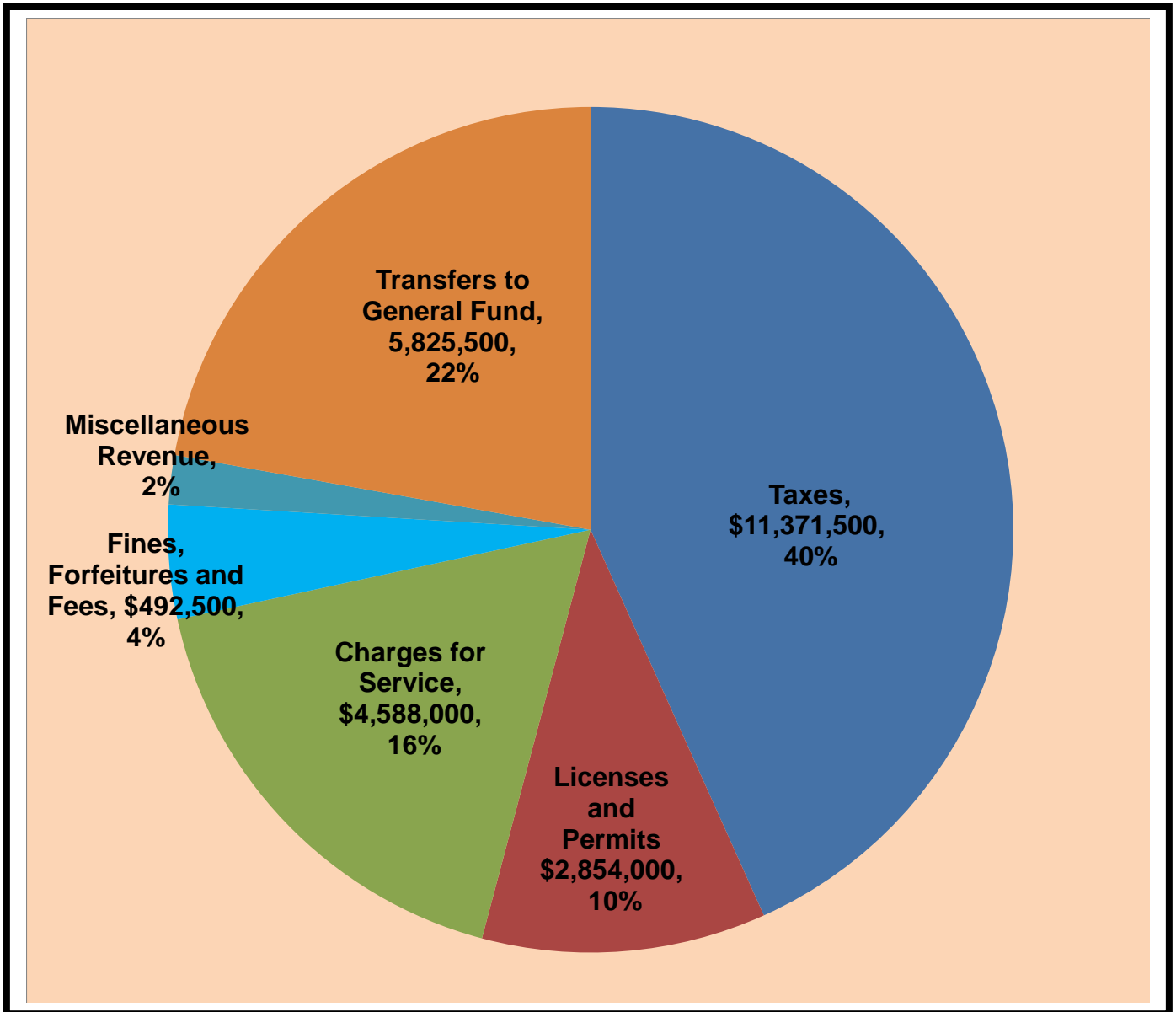
Revenues across all Accounting Funds are projected to be \$71,119,491. Figure 4 and Figure 5 are revenue summaries across all accounting funds broken down by revenue category. Figure 6 is an expenditure summary across all accounting funds broken down by expenditure category. During FY2017 expenditures include \$16,051,309 (26%) for personnel services, \$19,605,634 (32%) for maintenance and operations expenses, \$3,528,141 (6%) for capital expenditures and \$17,104,509 (27%) in debt service expenses in the Community Facilities District (CFD) Fund and \$5,825,500 (9%) in transfers to other funds. There will be no capital expenditures in the Community Facilities District Fund (CFD) or in the Mitigation (Development Impact Fees) Capital Projects Funds until the FY2014-2015 audit is done, a Five-Year Capital Improvements Plan has been adopted by the City Council and the reconciliation by the City's forensic auditors and other financial professionals has been completed. See Figure 6 and Figure 7.

Organizational Structure

There are no additional layoffs or furloughs in the proposed FY2017 budget. However, the duties and responsibilities of employees may change to meet the varying needs of the City and provide higher levels of municipal services. All employees will have to do more with fewer resources and some functions and departments are going to be restructured so they function more efficiently and serve the public more effectively. The budget includes funds to hire a Finance Director to oversee the financial operations of the City to provide accurate, timely and objective financial information; a Public Works Inspector to help oversee infrastructure being constructed by developers and ensure that they are completing all off-site improvements according to approved plans and in accordance with high standards of workmanship; a Wastewater Treatment Plant Supervisor to ensure that the plant operates efficiently and meets all federal and state water treatment laws, standards and regulations; and three bus drivers to implement the City Council's decision to add a Calimesa route and expand service on its commuter link from Beaumont to San Bernardino.

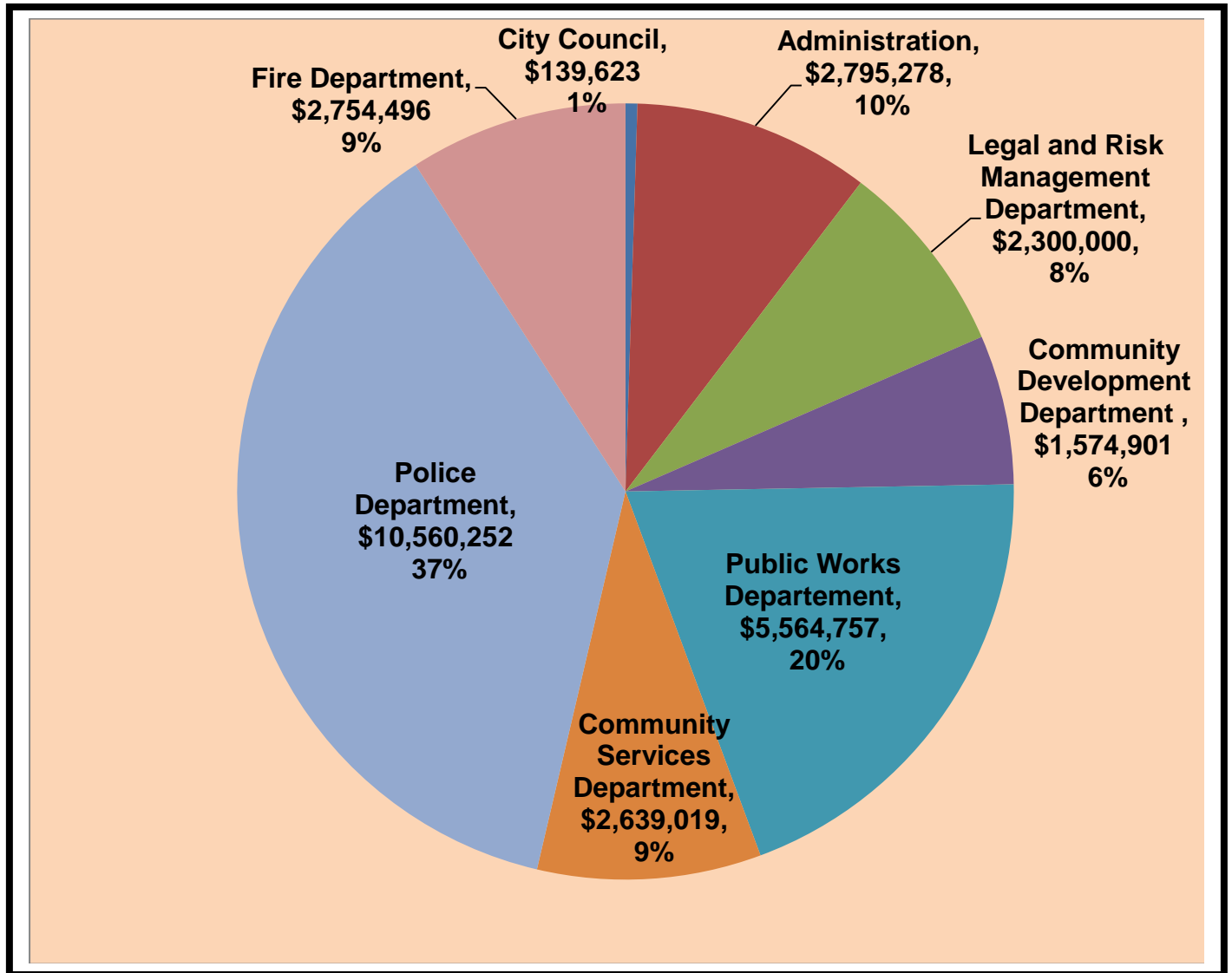
Funding for the three bus drivers will come from Local Transportation Funds (LTF) funds distributed by the Riverside County Transportation Commission (RCTC) in accordance with the guidelines of the Transportation Development Act (TDA). No General Fund monies will be used for this expansion. The

Figure 1
General Fund Revenue Summary
By Revenue Category



City Department	Budget	Percentage
Taxes	11,371,500	40%
Licenses and Permits	2,854,000	10%
Charges for Service	4,588,000	16%
Fines, Forfeitures and Fees	3,565,100	12%
Miscellaneous Revenue	492,500	2%
Transfers to General Fund	5,825,500	20%
	28,696,600	100%

Figure 2
General Fund Expenditure Summary
By Expenditure Category



City Department	Budget	Percentage
City Council Department	139,623	1%
Administration Department	2,795,278	10%
Legal and Risk Management Department	2,300,000	8%
Community Development Department	1,574,901	6%
Public Works Department	5,564,757	20%
Community Services Department	2,639,019	9%
Police Department	10,560,252	37%
Fire Department	2,754,496	9%
Total	28,328,326	100%

Figure 3
General Fund Expenditure Summary
By Expenditure Category

Accounting Fund	Personnel Services	Maintenance and Operations	Capital Expenditures	Debt Service	Total
City Council Department	53,023	86,600	0	0	139,623
Administration Department	1,559,549	1,235,729	0	0	2,795,278
Legal and Risk Management Department	0	2,300,000	0	0	2,300,000
Community Development Department	762,842	797,059	15,000	0	1,574,901
Public Works Department		0			0
Engineering Division	245,903	3,870,970	15,000	0	4,131,873
Street Maintenance Division	196,184	1,236,700	0	0	1,432,884
Community Services Department		0			0
Grounds and Streets Maintenance Division	1,360,870	572,050	0	0	1,932,920
Community Recreation Center Division	360,024	163,250	0	0	523,274
Senior Citizens Division	98,043	9,300	0	0	107,343
Swimming Pool Division	38,682	34,300	2,500	0	75,482
Police Department		0			0
Police Operations Division	7,064,286	1,389,500	130,000	0	8,583,786
Support Services Division	1,254,978	0	0	0	1,254,978
Animal Control Division	417,503	202,965	0	0	620,468
Code Enforcement Division	101,020	0	0	0	101,020
Fire Department	0	2,754,496	0	0	2,754,496
					0
Total	13,512,907	14,652,919	162,500	0	28,328,326

General Fund Expenditures By Category

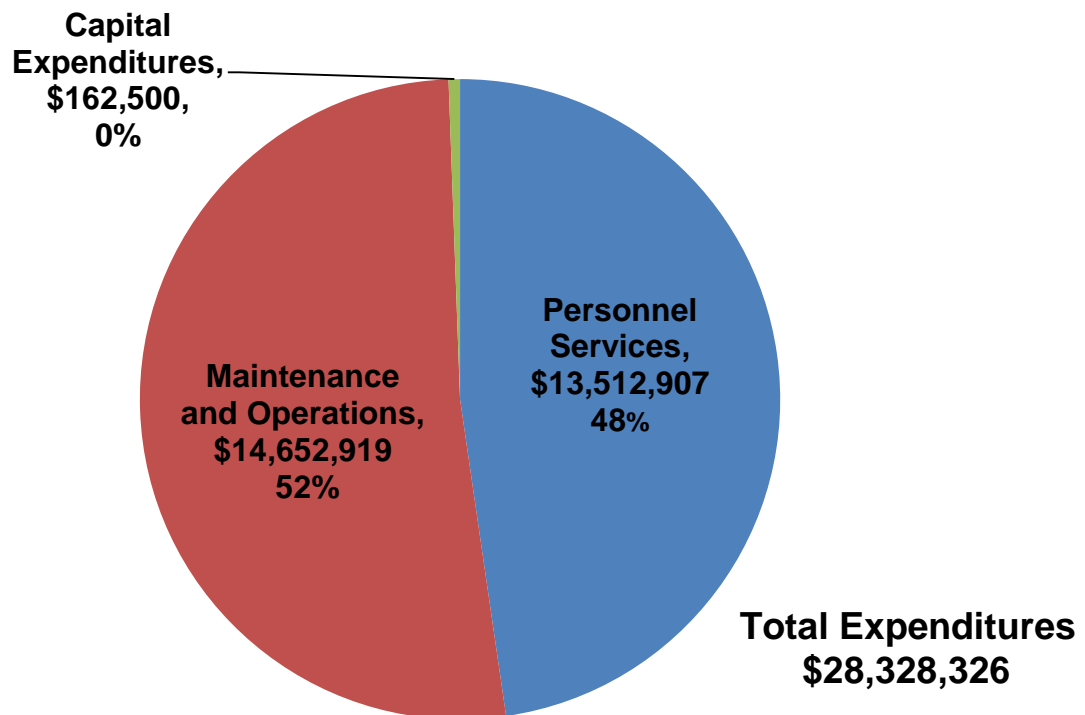
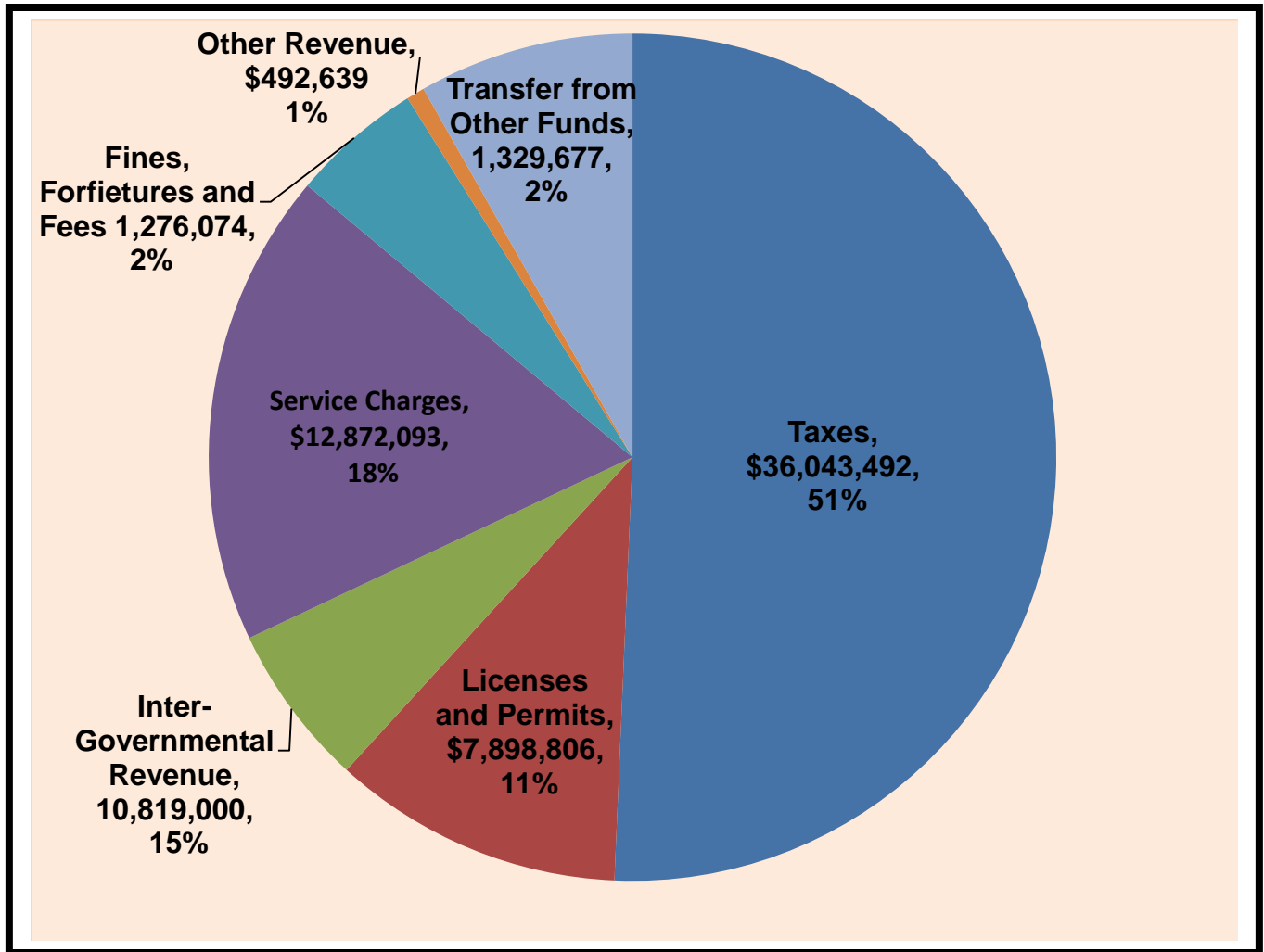


Figure 4
Total Revenue Summary
All Accounting Funds
By Revenue Category

Accounting Fund	Taxes	Licenses And Permits	Inter-Governmental Revenues	Service Charges	Fines And Forfeitures	Other Revenue	Transfers From Other Funds	Total
General Fund	11,371,500	2,854,000	0	4,588,000	3,565,100	492,500	5,825,500	28,696,600
Wastewater Enterprise Fund	0	0	0	8,040,600	0	0	0	8,040,600
Transit Enterprise Fund	0	0	3,042,315	243,493	0	139	0	3,285,947
Community Development Block Grant Fund	0	0	344,546	0	0	0	0	344,546
Highway Users Allocation Gas Tax Special Rev. Fund	0	0	870,000	0	0	0	0	870,000
California COPS Grant Special Revenue Fund	0	0	100,000	0	0	0	0	100,000
AB2766 Motor Vehicle Subvention Special Rev. Fund	0	0	50,000	0	0	0	0	50,000
PEG Channel Special Revenue Fund	0	25,000	0	0	0	0	0	25,000
Community Facilities District Special Rev. Fund	24,671,992	0	0	0	0	0	15,000	24,686,992
Mitigation (Development Impact Fees) Capital Projects Funds	0	5,019,806	0	0	0	0	0	5,019,806
Total Revenue	36,043,492	7,898,806	4,406,861	12,872,093	3,565,100	492,639	5,840,500	71,119,491

Figure 5
Total Revenue Summary
All Accounting Funds
By Revenue Category

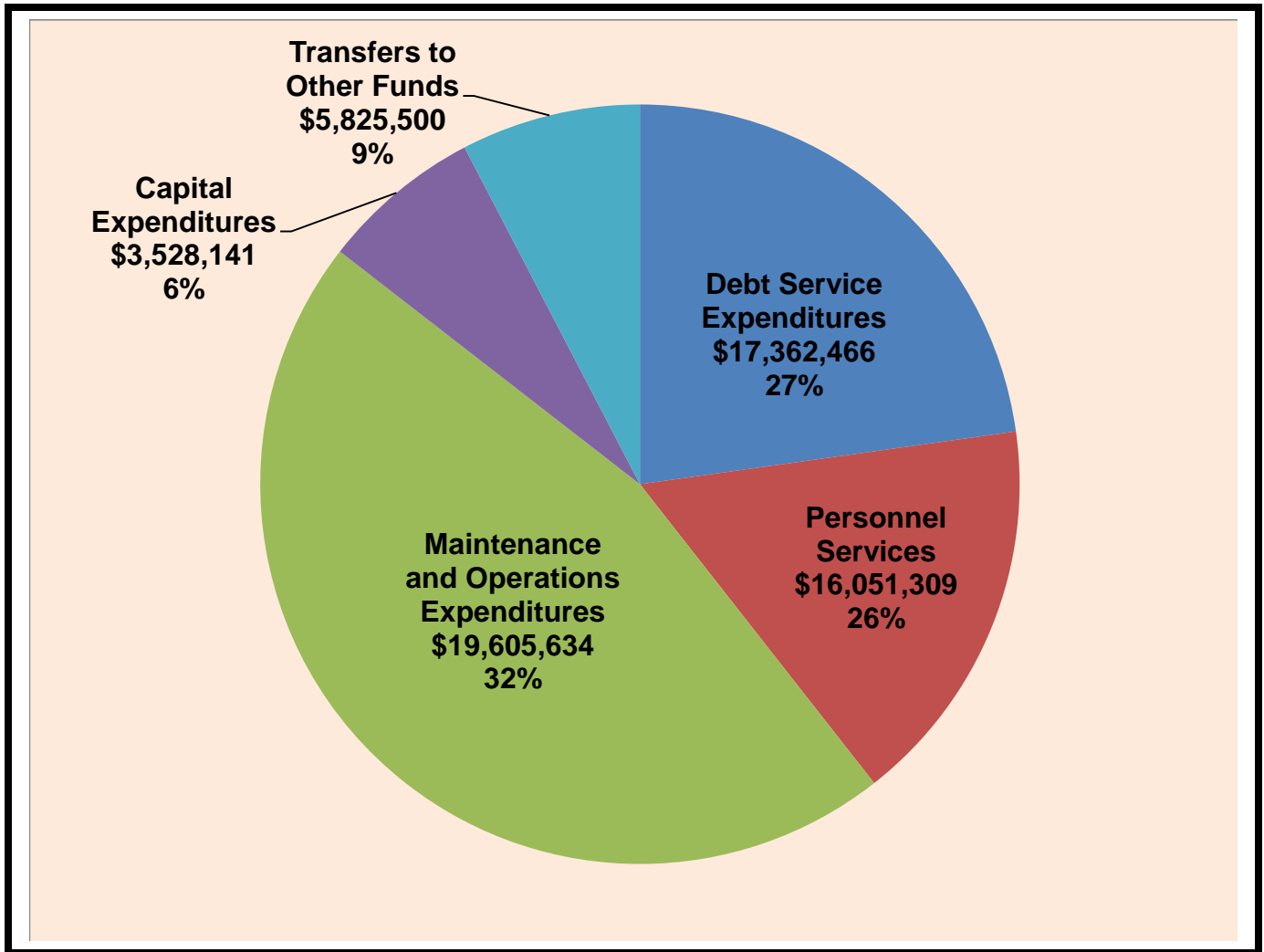


Revenue Source	Budget	Percentage
Taxes	36,043,492	51%
Licenses and Permits	7,898,806	11%
Inter-Governmental Revenue	4,406,861	6%
Service Charges	12,872,093	18%
Fines, Forfeitures and Fees	3,565,100	5%
Other Revenue	492,639	1%
Transfer from Other Funds	5,840,500	8%
Total	71,119,491	100%

Figure 6
Total Expenditure Summary
All Accounting Funds
By Expenditure Category

Accounting Fund	Personnel Services	Maintenance and Operations	Capital Expenditures	Debt Service	Transfers To Other Funds	Total
General Fund	13,512,907	14,652,919	162,000	0	0	28,327,826
Wastewater Enterprise Fund	483,036	3,038,250	15,000	0	600,000	4,136,286
Transit Enterprise Fund	2,055,366	396,573	734,008	0	100,000	3,285,947
Community Development Block Grant Special Revenue Fund	0	20,000	304,546	0	20,000	344,546
Highway Users Tax Allocation (HUTA) (Gas Tax) Special Revenue Fund	0	0	0	0	870,000	870,000
California Citizen Option for Public Safety (COPS) Special Revenue Fund	0	0	0	0	100,000	100,000
AB2766 Motor Vehicle Surcharge Subvention Special Revenue Fund	0	0	40,000	0	10,000	50,000
Public, Educational & Governmental Special Revenue Fund	0	0	0	0	25,000	25,000
Community Facilities District (CFD) Special Revenue Fund	0	1,209,396	2,272,587	17,104,509	4,100,500	24,686,992
Mitigation (Development Impact Fees) Capital Projects Funds	0	288,496	0	0	0	288,496
Total	16,051,309	19,605,634	3,528,141	17,104,509	5,825,500	62,115,093

Figure 7
Total Expenditure Summary
All Accounting Funds
By Expenditure Category



Revenue Source	Budget	Percentage
Personnel Services	16,051,309	26%
Maintenance and Operations	19,605,634	32%
Capital Expenditures	3,528,141	6%
Debt Service	17,104,509	27%
Transfers to Other Funds	5,825,500	9%
Total	62,115,093	100%

Water Enterprise Fund will provide the revenue source for the Wastewater Treatment Plant Supervisor and the cost of the Finance Director will be spread over several accounting funds.

During FY2017 I will be working with our financial professionals, staff and City Council to evaluate the City government organization and make appropriate changes to provide higher levels of municipal services, greater efficiency, better management, and more transparency. My goal is an organization that is flatter, less bureaucratic and more responsive.

The City will also be deploying more technology solutions to accompany organizational changes. The current accounting and financial reporting software is antiquated and completely inadequate. On March 1, 2016, the City Council authorized the purchase of new web-based accounting and financial reporting software. The new system will be installed in FY2017 and will integrate the City's financial and accounting system with programs for planning, engineering, code enforcement and business licensing. The purchase cost is \$55,900 in FY2017. Once the system is installed, support and maintenance fees will be \$36,000 per year.

Personnel Costs

Total personnel costs across all accounting funds during FY2017 will be \$16,051,309. The FY2017 budget contains adjustments to employee compensation agreed to by the City with employee collective bargaining units.

The City of Beaumont has reduced the number of elected officials, regular employees and part-time employees from 161.5 in FY2014 and FY2015 to 143 in FY2017. Beaumont employees have worked with the City Council to address City labor costs. Medical cost reimbursements for out-of-pocket medical costs of up to \$2,700 per employee have ended. Employer health insurance premium costs have been capped at \$1,500 per month for employees belonging to the Service Employees International Union (SEIU) and \$1,390 for all other employees. The City no longer pays for tuition reimbursement or a \$50 per month per employee for the wellness program.

City matching contributions to employee IRS Section 457 retirement programs also ended on January 1, 2016. Prior to that date, the City would match employee contributions up to 5,000 or 5% of the employees' salary, whichever was greater.

The City contributes to the California Public Employees' Retirement System (CalPERS), a public employee defined benefit pension plan. CalPERS provides retirement benefits, disability benefits, annual cost-of-living adjustments, and death benefits to employees and beneficiaries. Benefit provisions and all other requirements are established by State statute and City ordinance.

On February 18, 2014, the California Public Employees' Retirement System (CalPERS) Board voted to retain its current long-term assumed rate-of-return at 7.5% and adopt new actuarial assumptions for the mortality of state and local employers. While the rate-of-return is not expected to influence employer or employee contribution rates, CalPERS estimated that the new mortality assumptions would cost local agencies an additional average of 9% of payroll for safety classifications and jump an additional 5% of payroll for miscellaneous employees by year five of the implementation plan. The phase in of these increases began in FY2016.



However, due to higher than expected investment returns, the California Public Employees' Retirement System (CALPERS) has decreased its miscellaneous employer contribution rates from 16.786% in FY2015 to 15.235% in FY2017. Employer contributions for safety employees' retirement decreased from 32.922% in FY2015 to 30.407% of payroll in FY2017.

Employees are required by State statute to contribute 8% of their salary to their CalPERS retirement if a miscellaneous member, and 9% if a safety member. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll.

The City paid both the employee and employer contributions for many years. However, the Public Employees' Pension Reform Act (PEPRA) passed by the State Legislature in 2012 requires all employees to pay the employee portion of their retirement contributions by January 1, 2018.

This new law is being phased in in Beaumont. Beginning on February 1, 2016, Safety employees began paying 3% of their covered salaries. They will pay 6% starting on January 1, 2017.

Middle managers and unrepresented employees began paying 3% of their covered salaries on February 1, 2016, and will pay 6% starting on January 1, 2017.

Employees that are members of the Service Employees International Union (SEIU) will contribute 3% of their covered salaries on July 1, 2016, 6% of their covered salaries on July 1, 2017 and 8% of their covered salaries on July 1, 2018, to CalPERS.

Capital Projects and Major Capital Equipment Purchases

One of the major areas that has not been addressed for many years is the preservation of the City's capital assets, including major capital equipment purchases, the repair and maintenance of public streets, road, storm drains, sidewalks, parks, buildings and other City-owned facilities. One of the budget goals for this year is to develop and the City adopt a Five-Year Capital Improvement Plan. However, due to the fiscal constraints of the City, the ability to implement a capital improvements plan is limited. The City is budgeting in FY2017 \$304,546 in U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds for street improvements along California, Orange, Beaumont and Cherry Avenues. The only other local sources of funding for capital improvements are the Community Facilities Districts (CFD) and development impact fees. The City should seriously address the repair and maintenance of its existing infrastructure in the Workout Plan for Sustainability.

Community Facilities Districts (CFD)

The City has 59 improvement and sub-improvement areas in Community Facilities District (CFD) 93-1, whose boundaries encompass almost the entire City. Records show that there have been 34 bond issues from 1993 to 2015 for facility improvements. The par value of all bonds issued during this period of time is \$367,240,000. This includes \$109,320,000 in bonds that were issued as refunding bonds and \$257,920,000 in bonds were issued as new money bonds. Several of the areas and subareas have annual 2% escalator clauses in the assessment property owners must pay each year, making this issue fiscally complex, difficult to articulate and controversial in the community.

Revenues from the tax roll levies for FY2017 are projected to be \$24,671,992 based on the amount that can be levied from the CFD formation documents, bond documents and other legal sources. In addition,

the City projects that it will collect \$15,000 in interest payments from the investment of CFD funds. Total revenues are projected to be \$24,686,992 in FY2017.

FY2017 expenses include \$209,296 for delinquency reserves, \$16,597,166 for bond principles and interest payments and \$1,000,000 in contractual services to pay attorneys and other professionals in responding to the Securities and Exchange Commission (SEC) investigation. It is very hard to estimate potential costs for this year to respond to the Securities and Exchange Commission (SEC) investigation. This amount could potentially be spent over multiple years and some of it might be reimbursable from insurance.

Transfers to the General Fund from the Community Facilities District (CFD) Fund during FY2017 will include \$1,117,500 for administrative expenses and \$2,983,000 to cover service costs to residents and maintenance costs for facilities within the boundaries of the Community Facility District (CFD) areas.

The City projects that it might have approximately \$2,272,587 in FY2017 for capital improvements within the boundaries of the Community Facility District (CFD) areas. **However, no funds will be spent on capital facilities until the FY2014-2015 audit has been issued, work by the City's auditors and other financial professionals have been completed on the use of bond funds, a Five-Year Capital Improvements Plan has been approved by the City Council and an assessment has been made to determine the extent of other capital facilities that must be built to comply with the legal requirements of the Community Facility District (CFD).**

Wastewater System

The FY2017 Beaumont budget will address serious wastewater issues facing the community. FY2017 revenues are projected to be \$8,040,600 and expenses are estimated to be \$4,136,286. The difference between operating revenues and expenditures of \$3,904,314 will be placed in reserve to pay the future cost of infrastructure system upgrades, finance salt mitigation improvements mandated by the State, and provide funding for the upgrade and expansion of the Beaumont wastewater treatment plant or infrastructure required to transport City wastewater to the Yucaipa Valley Wastewater District wastewater treatment plant. The City Council approved the consulting services agreement to complete this feasibility study on June 7, 2016.

Other important wastewater initiatives included in the FY2017 budget are a new wastewater system master plan to determine the future infrastructure and capital needs of wastewater improvements, a Proposition 218 wastewater study to determine appropriate wastewater rates to support operating, and capital expenditures of the system. Funds will also be used for sludge removal, paving of the roads and parking area and replacing fencing and broken aeration pipes at the wastewater treatment plant.

I am also recommending the creation of a Reserve for Economic Uncertainties equal to 90 days of annual revenues. This is a modest first step, but reserves are common in Enterprise Funds to provide a hedge for unexpected events.

Long-Term Debt

The City does not have any long-term General Fund debt or Enterprise Fund debt. Beaumont's debt is limited to its Community Facilities District (CFD) and its improvement areas. FY2017 Community Facilities District (CFD) bond principal and interest payments will be \$17,104,509.

Public Safety

The Beaumont Police Department and Fire Department will continue providing public safety services in FY2017. The Police Department's capabilities will be enhanced in FY2017 with the introduction of its K-9 unit and the opening of a police substation in Fairway Canyon at no cost to the City. This new substation will help decrease response times, as well as provide a more viable presence in the neighborhoods on the west side of the City.

Budget Issues, Fiscal Risks and Uncertainties

The finances of the City of Beaumont are fragile. Some of the budget issues, risks, and uncertainties that could affect the fiscal health of the City are the following:

Self-Insurance Retentions. The City is self-insured for the first \$350,000 of any worker's compensation claim and for the first \$250,000 for any liability insurance claim. The City is self-insured for each employment claim up to \$1 million. The City has excess insurance for costs that go beyond these amounts. A professionally managed self-insurance program would have annual actuarial reports that estimate the City's exposure in these areas and the City would be setting aside reserve to fund these liabilities.

It appears that the previous City management has swept away any previous set aside reserves and merged these into the Wastewater Enterprise Fund to pay bonded debt. As a result, the City is only funding actual cash flow needs for an estimated "typical" claims activity level in these two programs. If the City experiences an unexpected increase in claims activity, or experiences an unfavorable court judgment that is not insured through our liability joint powers agency, there are no reserves to draw on and the General Fund would have to pay the unexpected bill.

General Fund Reserves. The Government Finance Officers Association (GFOA) of the United States and Canada recommends that cities maintain a reserve for unexpected hits to the General Fund (e.g. recessionary impacts, uninsured lawsuits, etc.,) roughly equivalent to two months of expenses (16.7%). Since the City of Beaumont is insolvent, there is no reserve. The GFOA guideline would suggest a reserve of \$4.7 million. Thus, it is important to eventually create a reserve before the next recession or else we will have to make draconian cuts that will be problematic for the community.

Securities and Exchange Commission (SEC) and Other Investigations. On April 22, 2016, the SEC served subpoenas for documents on the City, the Beaumont Financing Authority, and the City of Beaumont Community Facilities District 93-1 pursuant to a Formal Order of Investigation. The subpoenas followed the City's ongoing investigation relating to the use of bond proceeds, the expenditure of special revenues, and continuing disclosure compliance. While the City cannot predict when the SEC will conclude its investigation or the outcome, Beaumont will continue to fully cooperate with all public agencies.

Responding to and collaborating with the SEC and other government agencies will take a massive effort. The City also anticipates more work associated with the District Attorney's prosecution of former employees and contractors, and there may be other regulatory agencies that may wish to review past City actions. The City intends to continue to cooperate with all government investigations.

The City is commencing a coordinated approach to seeking reimbursement from insurance

companies, performance bond providers or other third parties related to its losses and professional fees associated with these events. As the City faces a myriad of legal challenges over the next year, we have added another \$500,000 to the City's legal budget, in addition to the budgeting for the legal and professional costs related to the SEC investigation. .

Western Riverside County Council of Governments (WRCOG) TUMF Lawsuit. As you know, the Superior Court's decision has been stayed due to Beaumont's appeal of the court's \$43 million judgment against the City. With interest this judgment could reach \$60 million. Candidly, it is impossible for the City to pay this judgment. Representatives of the City and WRCOG have been meeting to try to resolve this lawsuit.

Other. The City is facing a variety of other claims from developers, property owners and public agencies that could strain the City's fragile economic state. Due to the uncertainty of the City's liability, timing and ultimate repayment sources for such claims, these claims have not been factored into the City's FY2017 budget.

Bankruptcy. The City's financial advisory team is made up of veterans of the Stockton and San Bernardino bankruptcies. Litigating a bankruptcy is extremely expensive. It is only used as a last resort and would be very damaging to the City's credit worthiness in the financial markets. It also has a dramatic impact to the City's image when trying to attract investment in our local economy. The bankruptcy court and the protection it provides is typically used as a last resort to discharge burdensome debt or contracts as part of a plan to restore a governmental agency's cash, budget and service solvency. It provides short-term protection from creditors' lawsuits and the taking of assets.

Since we do not have General Fund debt or burdensome contracts that could be voided in bankruptcy, it is unclear the benefits the City would receive by filing for protection under Chapter 9 of the bankruptcy code. The City will continue to analyze this issue and determine the best course available to it to return to a stable and healthy financial footing. Currently, the City does not believe that the potential benefits will outweigh the massive costs associated with filing for bankruptcy protection. This could change, however, based on the outcome of settlement discussions with WRCOG and any unfavorable resolution of a wide variety of other claims against the City.

Accountable, Ethical, Efficient and Effective City Government

The citizens, businesses and stakeholders are entitled to fair, ethical and accountable City government which has earned the public's confidence for integrity and the efficient and effective delivery of municipal services. Corruption, cronyism, favoritism, nepotism, waste and inefficiency have no place in the City of Beaumont. In keeping with the City of Beaumont's commitment to excellence, Section 2 contains a proposed City Code of Ethics for the City Council, City boards, commissions, committees and staff.

In addition to the Code of Ethics, the values, vision and philosophy held by management and workers affect the attitudes, morale, work environment, and the quality of municipal services. Section 2 also contains a proposed employee operating statement that articulates the values, vision and philosophy governing the operation of the City and the conduct of City employees.

Summary

These are extraordinary times for the City of Beaumont. The City's finances are fragile and the effort to fully assess the damage done to the community is ongoing. Seven former employees have been arrested and the City faces an array of claims, audits and investigations. There are still many

questions and unknowns on the path toward fiscal solvency. The staff and City Council have responded to difficult challenges in an admirable way. **The fiscal year ending on June 30, 2017, is projected to be positive with revenues exceeding expenditures for the second year in a row. These funds will be used to pay down the accumulated General Fund Balance deficit.**

I recommend that the City Council stay the course and continue to make down payments on the Work out Plan to Sustainability. In that Plan the City discusses the long list of City needs and outlines options for addressing them in the future.

Budget is a Road Map to Make the Community Vision a Reality

This annual budget is a conservative road map for the coming year and will require careful management to ensure spending is contained within the limits established by the City Council. The City Council, City Manager and staff are committed to providing the highest level of City services for the least cost.

The preparation of the annual budget is an arduous task. Appreciation is extended to Bob Deis, Melana Taylor, Kari Mendoza and other staff members that contributed to this effort. This budget is submitted for your careful review and to make any changes or alteration as you see appropriate to meet the goals and objectives of the City Council and the desires of the citizens of the community. We all look forward to serving you and the citizens of the City of Beaumont in the coming year.

Respectfully submitted,

Richard N. Warne

Interim City Manager



**Dedication of Womens Christian Temperance Union
Drinking Fountain in Beaumont, California on April 1, 1911**



SECTION 1

PROPOSED STRATEGIC PLANNING, IMPLEMENTATION AND EVALUATION DECISION-MAKING PROCESS




Beaumont Land and Water Company

STRATEGIC PLANNING, IMPLEMENTATION AND EVALUATION DECISION MAKING



PROPOSED STRATEGIC PLANNING, IMPLEMENTATION AND EVALUATION DECISION-MAKING PROCESS

Community Values Statements	Community Vision Statements
<p>Beaumont is a community that:</p> <ol style="list-style-type: none"> 1. Promotes the development of a wholesome and attractive City, resulting in orderly development and preservation of its historic, cultural roots and natural beauty. 2. Recognizes that it is in the midst of one of earth's great natural treasures. Its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship. 3. Provides a clear and clean visual image of the community that reflects the highest standards of design for public and private commercial, residential, institutional and industrial development. 4. Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment and capitalize on the City's central location, provide employment in a diverse economy and provide tax revenues to fund high levels of City services. 5. Promotes the development of building and public infrastructure that is practical, aesthetically pleasing and in harmony with the surrounding environment. 6. Promotes an atmosphere in which people can live in good health, move about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood, fire and natural hazards. 7. Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City. 8. Promotes efficient and effective municipal services and makes adequate provisions for police, fire, emergency medical, roads, water, sewer, natural gas, power, storm water, schools, parks and other public facilities and services. 	<p>Beaumont is a City that values and preserves its scenic beauty while providing a variety of intellectual, educational, cultural, recreational, housing, employment and economic activities to its diverse population and visitors. Beaumont is a regional light manufacturing, warehouse, commercial retail center, proud of its ability to maintain its unique character, while sustaining a vibrant community economy and maintaining a high quality of life.</p> <p>The City Council is committed to a clean, attractive, and safe community; the provision of excellent City services, facilities and infrastructure; the creation of a prosperous local economy; and to provide a responsive, efficient, effective, open and transparent City government.</p> <ol style="list-style-type: none"> 1. Responsible and Engaged Citizens. Our citizens will partner with City government to share responsibility for the health, safety and welfare of the community; have educational opportunities to become part of a talented and creative workforce; be involved in the community and demonstrate a high degree of civic engagement and volunteerism; respect each other and diverse opinions and viewpoints; be civil in interactions with City officials and with each other. 2. Safe, Clean and Attractive City. Our City will have a safe and secure environment for all who live, work and visit; be attractive and clean with public art and cultural amenities; have structurally sound and well-maintained homes, businesses, public buildings and public infrastructure; and will have a special identity of which the community can be proud. 3. Prosperous Local Economy. Our City views economic development as the sustained creation of economic opportunity, individual wealth and the generation of tax revenues through the retention, expansion and development of diverse business opportunities; promotes a local economy vibrant in shopping experiences and employment and business opportunities; offers revitalized residential,

<p>9. Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.</p> <p>10. Provides for cultural, recreational and contemplative opportunities for residents and visitors to Beaumont.</p>	<p>commercial, industrial areas;</p> <p>4. Excellent City Services, Facilities, and Infrastructure. Our City will provide economic and efficient City services; be sensitive to customer satisfaction; have exceptional parks public facilities and cultural amenities; provide safe and convenient access within the City; have flood control facilities, sewer, water, power and natural gas systems built to protect property and public health; provide necessary space for the operation of City business and for community recreation and cultural opportunities through City and other civic buildings; and reflect sensitivity to resource conservation.</p>
	<p>5. Competent, Responsive and Transparent City Government. The City government will be competent, responsive, open, trustworthy, and transparent; maximize citizen participation in community decisions; minimize bureaucracy, emphasize efficiency and be accessible to all citizens; be fiscally responsible and financially stable; promote long-term goals of the City while addressing immediate needs and desires; operate in an ethical, customer-friendly, cost-conscious, collaborative and technologically advanced manner; create a challenging and supportive environment which treats employees fairly, promotes team work, and provides employee career development opportunities.</p> <p>6. Community, County, Regional, State and National Partnerships. Beaumont interacts community partners and works collaboratively with other governmental entities, non-profit organizations and other groups for the mutual benefit of the City, County, region, State and nation.</p>

The FY2016-2017 Beaumont budget is prepared within the broad context of the City's Strategic Planning, Implementation and Evaluation Decision-Making Process. This decision-making process provides the framework for planning, implementing and evaluating City operations, budgets, programs, service levels and capital improvements. This decision-making process is designed to:

1. Bring the City Council, community leaders, business leaders, residents and diverse interest groups together to work toward the same objectives consistent with the community's values and vision.
2. Involve the community in actively planning for the future and build support for programs, policies, revenue-raising measures, cost-cutting strategies and capital projects. This process helps the City and community leaders, business leaders, residents and diverse interest groups communicate and work together effectively.

3. Assist the City Council, staff and City committees to allocate time more efficiently. When priorities are clear, it is easier to allocate time and resources to the most important things.
4. Provide a framework for resource allocation during the annual budget process. If the City knows what programs, issues and action plans have the highest priority, then staff will have a better idea of how to allocate funds when preparing the proposed annual budget. The City Council will have a better idea on where to make adjustments when approving the final annual budget.
5. Provide an evaluation tool for City activities. Carefully crafted community values, community vision, mission statement, Strategic Plan, City Council legislation, Five-Year Capital Improvements Plan and annual budget are a standard against which to measure employee and organizational performance.

Strategic Planning Phase

The strategic planning phase consists of the following components: community values, community vision, City mission statement, and Beaumont Strategic Plan. **In FY2017, the Strategic Plan will be the Work Out Plan approved by the City Council.**

1. Community Values. Community values are the non-negotiable core principals or standards that the community's citizens wish to maintain. They must be acknowledged and constantly defended to ensure that change and development occur in accordance with these principles and standards. The community values held by the residents, community leaders and elected officials determine the City's character, urban design features and ultimately development of the City. Community values guide the community's vision, mission, as well as its goals, objectives, activities, capital projects, budgets and service levels.

2. Community Vision. The Community Vision articulates the type of City that Beaumont will become as it changes and grows over the next several decades. This vision ultimately influences and shapes the goals, objectives, strategies, action plans and priorities of the City's Strategic Plan. It will also influence the development of City ordinances, regulations, policies, procedures and urban design standards. The Community Vision guides the preparation of the City's Five-Year Capital Improvements Plan and annual budget.

3. City Mission Statement. **The mission of the City is to (1) provide a clean, attractive, and safe community; (2) provide excellent City services, facilities and infrastructure; (3) create a prosperous local economy; and (4) provide responsive, effective, efficient, open and transparent City government.**

4. Strategic Plan. The City Council adopts a Strategic Plan to carry out the mission of the City in accordance with the Beaumont Community Values and Community Vision. The Strategic Plan may include, but not be limited, to the following components:



- A. Description of Current Situation.
- B. Needs Assessment.
- C. Development of Strategy Areas.
- D. Determination of Goals.
- E. Determination of Policies.
- F. Development of Action Plans.
- G. Determination priority of Actions Plans.
- H. Development of timeline to implement action plans.

Implementation Phase

The implementation phase of the Strategic Planning, Implementation and Evaluation Decision-making Process consists of the following components: City Council legislation, organization development, Five-Year Capital Improvements Plan and annual budget.

1. City Council Legislation. Ordinances, resolutions, regulations, directives, development standards, urban design features, engineering standards and contracts consistent with the community vision are drafted to achieve the goals and objectives, and implement the strategies and action plans of the City's Strategic Plan. For example, the City adopts a zoning ordinance to carry out the Land Use Element of the General Plan. The adoption of an impact fee ordinance and the development of the City's sewer, storm drainage, fire facilities, and parks facilities master plans are other examples where ordinances are used to implement the City's Strategic Plan.

2. Organization Structure. The City Council and the City Manager create an organizational structure to achieve the goals of the Strategic Plan and implement the policies and actions plans within each of its strategy areas. This might include: (1) creation of citizen committees, or offices or positions within the City government, (2) changing job descriptions or (3) making specific assignments for specific programs or projects.

3. Five-Year Capital Improvements Plan. The City of Beaumont's Five-Year Capital Improvements Plan is a multi-year guide to the construction of community improvements such as roads, bridges, storm drains, curb, gutters, sidewalks, water, sewer facilities, storm drainage facilities and parks and recreation facilities. It is through this process that the long-range plan for the orderly maintenance and improvement of Beaumont's physical assets can be accomplished. This document is intended to serve as a planning tool and is structured to present a meaningful long-range perspective of the community's long-range capital needs and goals.

4. Annual Budget. The annual budget conforms to the Strategic Plan and is the primary mechanism for achieving the Community vision through achieving the goals of the Strategic Plan, implementing its policies and executing its actions plans. The annual budget is a (1) policy document, (2) operations guide, (3) financial plan and (4) communications device. It contains:

- A. Executive Summary.

- B. City Manager's Budget Message.
- C. Presentation of Beaumont's Government Organization.
- D. Description of the Accounting and Financial Reporting System.
- E. Presentation of Beaumont's Accounting, Financial Management, Investment, Fixed Asset, and Capital Improvement Policies.
- F. Presentation of Budget Summaries.
- G. Presentation of Fund Budgets.
- H. Statistical Information.
- I. Glossary of Acronyms and Terms.

Evaluation Phase.

The Evaluation Phase of the Strategic Planning, Implementation and Evaluation Decision-Making process is concerned with efficiency and effectiveness achieved through the City's Strategic Plan.

The department heads, City Manager and City Council evaluate their activities at least once a year. This includes a Strategic Plan Evaluation, goals and objectives evaluation, action plans evaluation, Five-Year Capital Improvements Plan evaluation, budgeting and financial resource evaluation and employee performance evaluations. Some of the following questions could be considered as department heads, City Manager and City Council evaluate the activities of the City's departments.

1. Questions Relating to Goals.

- A. Does the Strategic Plan have goals and strategies that will achieve the community vision?
- B. What are the goals of the City? Is there agreement from all groups on the goals of the Strategic Plan, Five-Year Capital Improvements Plan and the annual budget?
- C. Do the action plans contribute to the achievement of the goals of the Strategic Plan?
- D. Are the action plans of the Strategic Plan correctly prioritized?
- E. Is there steady progress toward the attainment of the goals of the Strategic Plan and achieving the community vision?
- F. What goals need to be modified or new goals established to reflect changes in the community values, community vision or Strategic Plan?
- G. Did City department activities lead to goal achievement and the kind of City reflected in the community values and community vision statements?

2. Questions Relating to the Organization.

- A. How effective is the department in executing the action plans and achieving the goals of the Strategic Plan?
- B. Is the organization structured to meet the goals of the Strategic Plan, Five-Year Capital Improvements Plan and annual budget?
- C. Are responsibilities clearly defined and are mechanisms in place to ensure accountability of managers, supervisors and employees?
- D. Are reporting procedures and organizational relationships clearly defined?
- E. Is the staff using its time effectively in carrying out department activities and delivering municipal services?
- F. How effective is the organization in resolving citizen complaints and finding solutions to complex problems?
- G. What is the nature and frequency of complaints received by elected officials regarding employees, department activities, capital improvement projects or City services?
- H. What individuals or groups have been opposed to or been critical of certain City policies and activities in the past and why? Are their concerns legitimate?
- I. Are performance measures adequately measuring what is really taking place in City departments?
- J. What are the activities and service areas where the organization excels?
- K. In which activities and service areas should the organization improve its performance?

3. Questions relating to budgeting, financing and resource allocation.

- A. How are time, money and personnel being allocated?
- B. What does staff perceive it needs? What problems are they experiencing?
- C. What are the financing sources for each City activity?
- D. What kinds of equipment could be purchased to make municipal services more cost-efficient?
- E. What types of revenue-raising or cost-cutting activities can be or should be implemented?



SECTION 2

CITY OF BEAUMONT ORGANIZATION



Beaumont, California in 1880's

CITY OF BEAUMONT PRINCIPAL OFFICIALS

Beaumont Elected Officials



**City Clerk
Julio Martinez**

**Mike Lara
Lloyd White
Della Condon
Brenda Knight
Mark Orozco
Julio Martinez
Nancy Carroll**

**Mayor
Mayor Pro Tem
Council Member
Council Member
Council Member
City Clerk
City Treasurer**



**City Treasurer
Nancy Carroll**

Beaumont Appointed Officials

**Richard N. Warne
John O. Pinkney
Kari Mendoza
Sean Thuilliez
Robert Sherwood
Amer Jakhar
Rebecca Deming
Elizabeth Gibbs**

**Interim City Manager
City Attorney
Administrative Services Director
Police Chief
Community Services Director
Public Works Director
Community Development Director
Transit Director**



**Council Member
Della Condon**



**Mayor Pro Tem
Lloyd White**



**Mayor
Mike Lara**

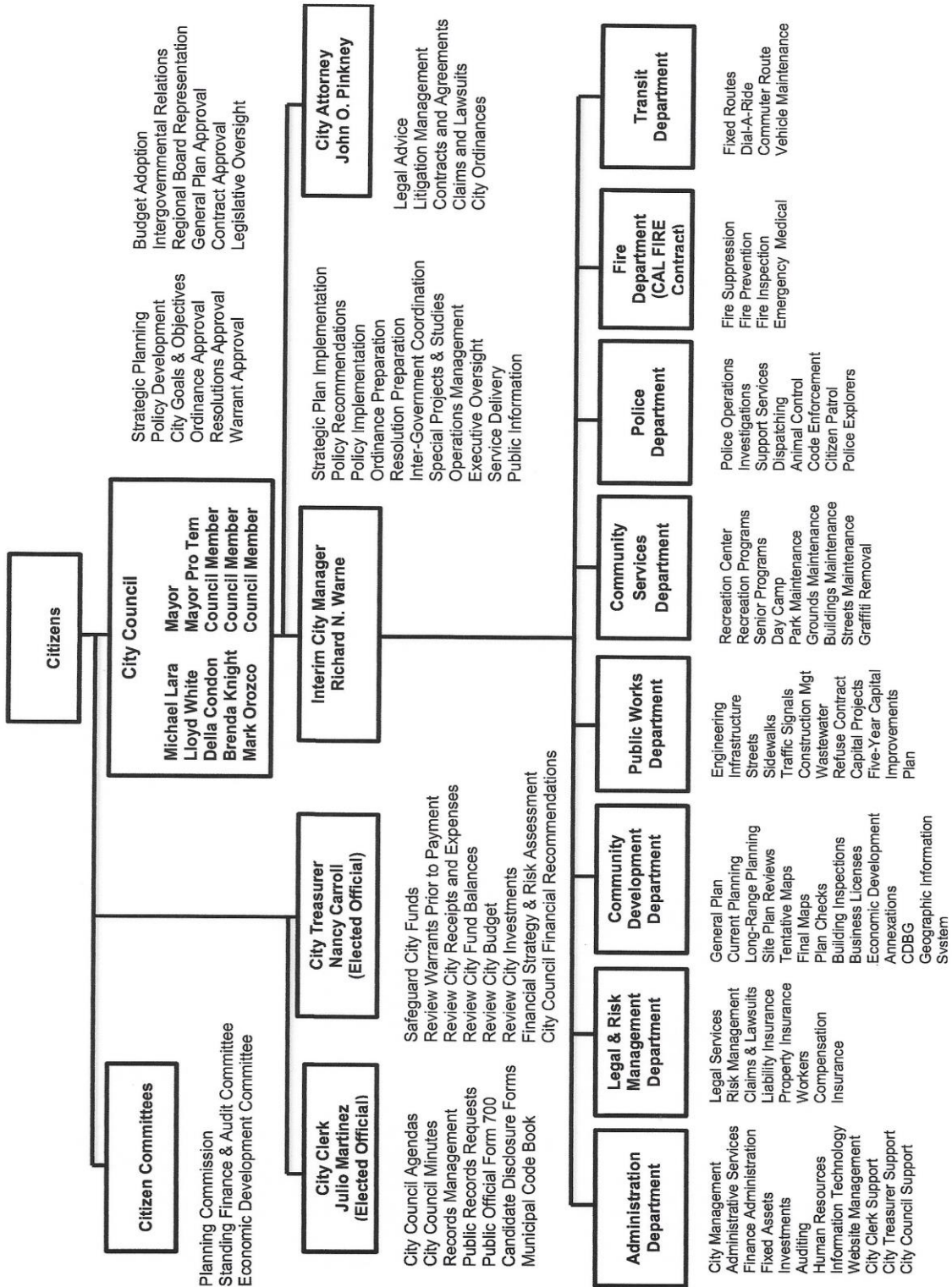


**Council Member
Brenda Knight**



**Council Member
Mark Orozco**

City of Beaumont Organization Chart



City of Beaumont Organization

The City of Beaumont was incorporated in November 18, 1912, under the laws of the State of California. The City is a general law City and draws its authority from the California Constitution and the laws of the State of California enacted by the State Legislature. The City has a Council-Manager form of government. Under this municipal form of government, the citizens elect five members of the City Council for four-year overlapping terms. City Council members choose the Mayor and Mayor Pro Tem from among themselves each year. The Mayor presides at meetings of the City Council, signs documents, executes agreements and acts as the official representative of the City.



Regular meetings of the City Council are held at 6:00 p.m. on the first and third Tuesday of the month in the City Council Chambers. All meetings of the City Council are open to the public, except closed sessions as needed and allowed by State law.

The City Council is responsible for strategic planning, City legislation, policy development and legislative oversight over the City Manager. It provides policy direction for the City Manager and adopts the annual City budget and establishes goals, objectives, and performance measures for the City Manager. The goal of the City Council is to provide an unified well-informed and effective Council working and governing to produce the best City government, management, quality of life and services to Beaumont residents.

The City Council takes the primary lead in intergovernmental relations and sit on regional boards, commissions and committees to advance and protect the interests of the City of Beaumont. They represent the City at community ceremonies, meetings and other functions. The City Council attempts to be responsive to citizen concerns and enact legislation that reflects the needs, wishes and priorities of the residents of Beaumont.

The City Manager is appointed by the five-member City Council by majority vote and serves at the "pleasure" of the governing body. He acts as the City's chief executive officer as well as its budget and financial officer. He is also the executive director of the Successor Agency to the Former Beaumont Community Redevelopment Agency.

The City Manager implements the legislative policies of the City Council, manages the day-to-day operations of the City and is responsible for efficient and effective delivery of municipal services. In his capacity, he works with the City Council on strategic planning, policy development, ordinance preparation and goals and objectives for the organization. He implements the decisions of the City Council and is responsible for all aspects of the City's financial administration and personnel administration. The City Manager oversees the work of all staff members, consultants and City departments.

City services include administration, police, fire, emergency medical, community development, economic development, code enforcement, housing, water treatment and distribution, wastewater collection and treatment, storm water management, solid waste collection, street construction and maintenance, transit, airport, building inspection, animal control, library, cultural arts, senior programs, parks and recreation services to the citizens of Beaumont.

As required by GAAP in the United States, the City's accounting and financial reporting system is responsible for the City and its component units and entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and either the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial

benefits to or impose specific requirements on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City.) In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. The component unit for which the City is considered financially accountable is the Successor Agency to the Former Beaumont Community Redevelopment Agency.

Successor Agency to the Former Beaumont Community Redevelopment Agency. On December 29, 2011, the California Supreme Court ("Court") upheld the enforceability of legislation that provides for the dissolution of California Redevelopment Agencies, but struck down Assembly Bill X1 27 which would have provided a means for Redevelopment Agencies to continue to exist and operate by means of a Voluntary Alternative Program. The result of the Court ruling, the dissolution of California Redevelopment Agencies was effective on January 31, 2012.

Assembly Bill X1 26 signed into law as part of the State's budget package on June 29, 2011, requires each California Redevelopment Agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve assets, prepare for impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment (EOPS) Schedule and draft a Recognized Obligation Payment Schedule (ROPS) prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or state government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Recognized Obligation Payment Schedule (ROPS) will be allocated to the successor agencies.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between Redevelopment Agencies and other public bodies that occurred after January 1, 2011. If a public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designed as the successor agency as defined in Assembly Bill X1 26.

Since the City Council serves as the governing body for the Agency, it is considered a blended component unit. Blended component units, although legally separate entities, are in substance, part of the City's operations and their financial operations are accounted for in the City's financial system.

CITY OF BEAUMONT STAFFING CENSUS

The City of Beaumont has reduced the number of elected officials, regular employees and part-time employees from 161.5 in FY2014 and FY2015 to 143 in FY2017. In addition to the personnel listed below, the City contracts for its legal services, information system services and solid waste collection services and legal services.

Elected Officials

Position	FY2014	FY2015	FY2016	FY2017
Mayor	1	1	1	1
Mayor Pro Tem	1	1	1	1
City Council Members	3	3	3	3
City Treasurer (Elected)	1	1	1	1
City Clerk (Elected)	1	1	1	1
Total	7	7	7	7

Administration Department

Position	FY2014	FY2015	FY2016	FY2017
City Manager	1	1	1	1
Assistant City Manager/Finance Director	1	1	0	0
Administrative Services Director	0	0	1	1
Finance Director	0	0	0	1
Finance Manager	0	0	1	1
Deputy City Clerk	0	0	1	1
Accountant Technicians	0	0	2	2
Customer Service Coordinators	6	6	4	4
Miscellaneous Employees	10	9	0	0
Total	18	17	10	11

Community Development Department

Position	FY2014	FY2015	FY2016	FY2017
Community Development Director	0	0	1	1
Planning Director	1	1	0	0
Associate Planner	1	0	1	1
Building Official	1	1	1	1
Building Inspectors	1	3	3	2
Fire Marshall	1	1	1	0
Total	5	6	7	5

Police Department

Position	FY2014	FY2015	FY2016	FY2017
Police Chief	1	1	1	1
Police Commander	4	2	2	2
Police Sergeant	10	9	8	8
Police Corporal	7	7	5	5
Police Officer	21	23	22	22
Support Services Director	1	1	0	0
Support Services Lead Supervisor	2	1	1	1
Public Safety Dispatcher	10	10	8	8
Public Safety Dispatcher (Part-time on Call)	0	0	0	0.5
Support Services Specialist	4	4	3	3
Police Services Analyst	1	1	0	0
Police Services Analyst	1	1	1	1
Quality of Life Officers	5	5	4	4
Total	67.5	65.5	55.5	55.5

Community Services Department

Position	FY2014	FY2015	FY2016	FY2017
Community Services Director	1	1	1	1
Community Services Manager	1	1	0	0
Customer Service Coordinators	3	3	2	2
Recreation Specialists	8	6.5	3	3
Life Guards	7.5	7.5	7.5	7.5
Building Grounds Maintenance Supervisors	4	4	1	1
Building Grounds Maintenance Workers	15	15	15	15
Total	39.5	38	29.5	29.5

Public Works Department

Position	FY2014	FY2015	FY2016	FY2017
Public Works Director/City Engineer	0	0	1	1
Public Works Inspector	0	0	0	1
Customer Service Coordinator	1	1	1	1
Wastewater Treatment Manager	0	0	0	1
Street Maintenance Supervisor	1	1	0	0
Street Maintenance Workers	4	4	2	2
Total	6	6	4	6

Transit Department

Position	FY2014	FY2015	FY2016	FY2017
Transit Director	0	0	1	1
Transit Operations Manager	1	1	1	1
Management Analyst	0	0	1	1
Bus Drivers	13.5	17	18	21
Customer Service Coordinator	1	1	1	1
Vehicle Maintenance Supervisor	1	1	1	1
Equipment Mechanic	2	2	3	3
Total	18.5	22	26	29

Total Employees

	FY2014	FY2015	FY2016	FY2017
Total Employees	161.5	161.5	139	143

PROPOSED CITY OF BEAUMONT CODE OF ETHICS

The Code of Ethics adopts standards of conduct for the City Council and its boards, committees and commissions.

Preamble

The citizens and businesses of Beaumont are entitled to have a fair, ethical and accountable local government which has earned the public's confidence for integrity. In keeping with the City of Beaumont's commitment to excellence, the effective functioning of democratic government therefore requires that:

1. Public officials, both elected and appointed, comply with both the letter and spirit of the laws and policies affecting the operations of government;
2. Public officials be independent, impartial and fair in their judgment and actions;
3. Public deliberations and processes be conducted openly, unless legally confidential, in an atmosphere of respect and civility.

To this end, the Beaumont City Council has adopted a Code of Ethics for members of the City Council and of the City's boards, commissions and committees to assure public confidence in the integrity of Beaumont City government and its effective and fair operation.

Principles

1. Act in the Public Interest. Recognizing that stewardship of the public interest must be their primary concern, members will work for the common good of the people of Beaumont and not for any private or personal interest, and they will assure fair and equal treatment of all persons, claims and transactions coming before the Beaumont City Council, boards, commissions and committees.

2. Comply with the Law. Members shall comply with the laws of the nation, the State of California and the City of Beaumont in the performance of their public duties. These laws include, but are not limited to: the United States and California constitutions; laws pertaining to conflicts of interest, election campaigns, financial disclosures, employer responsibilities, open processes of government; and City ordinances and policies.

3. Conduct of Members. The professional and personal conduct of members must be above reproach and avoid even the appearance of impropriety. Members shall refrain from abusive conduct, personal charges or verbal attacks upon the character or motives of other members of Council, boards, commissions, committees, the staff or public.

4. Respect for the Process. Members shall perform their duties in accordance with the processes and rules of order established by the City Council, boards, commissions and

committees governing the deliberation of public policy issues, meaningful involvement of the public, and implementation of policy decisions of the City Council and by City staff.

5. Conduct of Public Meetings. Members shall prepare themselves for public issues; listen courteously and attentively to all public discussions before the body; and focus on the business at hand. They shall refrain from interrupting other speakers; making personal comments not germane to the business at hand, or otherwise interfering with the orderly conduct of meetings.

6. Decisions Based on Merit. Members shall base their decisions on the merits and substance of the matter at hand, rather than on unrelated considerations.

7. Communication. Members shall publicly share substantive information that is relevant to a matter under consideration by the City Council or boards and commissions, which they may have received from sources outside of the public decision-making process.

8. Conflict of Interest. In order to assure their independent and impartiality on behalf of the common good, members shall not use their official positions to influence government decisions in which they have a material financial interest or where they have an organizational responsibility or personal relationship, which may give the appearance of a conflict of interest. In accordance with the law, members shall disclose investments, interests in real property, sources of income, and gifts, and they shall abstain from participating in deliberations and decision-making where conflicts may exist.

9. Gifts and Favors. Members shall not take any special advantage of services or opportunities for personal gain, by virtue of their public office that are not available to the public in general. They shall refrain from accepting any gifts, favors or promises of future benefits which might compromise their independence.

10. Confidential Information. Members shall respect the confidentiality of information concerning the property, personnel or affairs of the City. They shall neither disclose confidential information without proper legal authorization, nor use such information to advance their personal, financial or other private interests.

11. Use of Public Resources. Members shall not use public resources not available to the public in general such as City staff time, equipment, supplies or facilities for private gain or personal purposes.

12. Representation of Private Interests. In keeping with their role as stewards of the public interest members of the City Council shall not appear on behalf of the private interests of third parties before the Council or any board, commission or proceedings of the City, nor shall members of boards and commissions appear before their own bodies or before the Council on behalf of the private interests of third parties on matters related to the areas of service of their bodies.

13. Advocacy. Members shall represent the official policies or positions of the City Council, board or commission to the best of their ability when designated as delegates for this purpose. When presenting their individual actions and positions, members shall explicitly state they do not represent their body or the City of Beaumont, nor shall they allow the inference that they do.

14. Policy Role of Members. Members shall respect and adhere to the council-manager form of City government. In this structure, the City Council determines the policies of the City with

the advice, information and analysis provided by the public, boards and commissions, and City staff.

15. Independence of Boards and Commissions. Because of the value of the independent advance of boards and commissions to the public decision-making process, members of the City Council shall refrain from using their position to unduly influence the deliberations or outcomes of board and commission proceeding.

16. Positive Work Place Environment. Members shall support the maintenance of a positive and constructive work place environment for City employees and for citizens and businesses dealing with the City. Members shall recognize their special role in dealings with City employees to in no way create the perception of inappropriate direction to staff.

Implementation

As an expression of the standards of conduct for members expected by the City, the Beaumont Code of Ethics is intended to be self-enforcing. It therefore becomes most effective when members are thoroughly familiar with it and embrace its provisions. For this reason, ethical standards shall be included in regular orientations for candidates for City Council, applicants to boards and commissions, and newly elected and appointed officials. Members entering office shall sign a statement affirming they read and understand the City of Beaumont Code of Ethics. In addition, the Code of Ethics shall be annually reviewed by the City Council, boards and commissions and the City Council shall consider recommendations from boards and commissions and update it as necessary.

Compliance and Enforcement

The Beaumont Code of Ethics expresses standards of ethical conduct expected for members of the Beaumont City Council, boards and commissions. Members themselves have the primary responsibility to assure that the ethical standards are understood and met, and that the public can continue to have full confidence in the integrity of government.

The chairs and boards and commissions and the Mayor have the additional responsibility to intervene when actions of members that appear to be in violation of the Code of Ethics are brought to their attention.

The City Council may impose sanctions on members whose conduct does not comply with the City's ethical standards, such as reprimand, formal censure, or loss of committee assignments. The City Council also may remove members of boards and commissions from office.

A violation of this Code of Ethics shall not be considered a basis for challenging the validity of a Council, board or commission decision.

PROPOSED CITY OF BEAUMONT EMPLOYEE OPERATING STATEMENT

The values, vision and philosophy held by management and workers affects the attitudes, morale, work environment and the quality of municipal services. The Beaumont Employee Operating Statement articulates the values and philosophy governing the operation of the City and the conduct of City employees.

Our Mission

We deliver customer-centered municipal services efficiently and effectively within the policy limits and financial constraints established by the City Council in accordance with the highest ethical and professional standards.

Our Vision

The City of Beaumont will be a recognized leader in the delivery of public services; known for our responsiveness, reliability, customer service, good stewardship of fiscal and human resources, and caring attention given to the community.

Our Values

1. We learn, change and improve.
2. We are responsive to the community and provide excellent customer service.
3. We work as a team.
4. We work with integrity.
5. We are non-political.
6. We work with integrity.

Our Expectations

We expect the highest standards of professional conduct from those employed by the City of Beaumont. Our employees will:

1. Be results-oriented, customer service centered individuals actively engaged in providing quality services, finding ways to improve City operations, and striving to lower the costs of these services.
2. Be competent, candid, honest, transparent and adhere to the highest standards of integrity.
3. Be loyal to City values and dedicated to using them to improve the delivery of municipal services.

4. Be innovative, creative and entrepreneurial in working for solutions to community issues.
5. Be open with elected officials, public and employees and welcome diverse opinions and ideas of others.
6. Respect the opinions of others regardless of whether they agree or disagree with those positions.
7. Expect to be held accountable and are willing to accept responsibility for their actions.
8. Complete staff work in a timely manner, paying particular attention to detail.
9. Take calculated “risks” in trying new approaches, ideas and understand that failure is to be learned from rather than feared.
10. Avoid last-minute surprises in work product.
11. Be recognized for competent performance as well as significant contributions.
12. Greet the public with a smile and a helpful attitude.



Historic Beaumont Post Card



SECTION 3

DESCRIPTION OF THE FUND ACCOUNTING AND FINANCIAL REPORTING SYSTEM

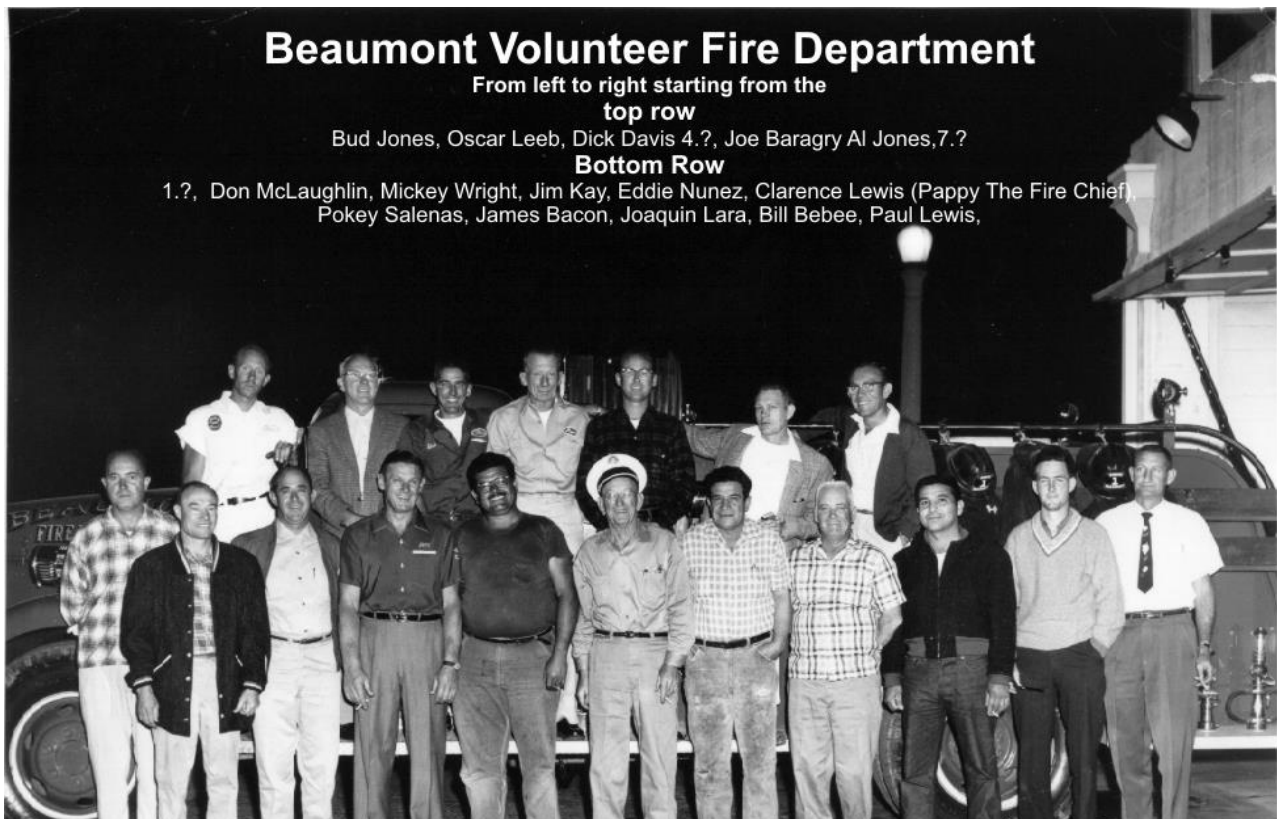
Beaumont Volunteer Fire Department

From left to right starting from the
top row

Bud Jones, Oscar Leeb, Dick Davis 4.?, Joe Baragry Al Jones, 7.?

Bottom Row

1.?, Don McLaughlin, Mickey Wright, Jim Kay, Eddie Nunez, Clarence Lewis (Pappy The Fire Chief),
Pokey Salenas, James Bacon, Joaquin Lara, Bill Bebee, Paul Lewis,



Beaumont Volunteer Fire Department

DESCRIPTION OF THE FUND ACCOUNTING AND FINANCIAL REPORTING SYSTEM

Beaumont's accounting system is organized on the basis of Accounting Funds, each of which is considered a separate government activity with its own accounting entity. The operations of each Accounting Fund are accounted for with a separate set of accounts that comprise its revenues, expenditures, assets, liabilities and fund equity or fund balance. From a private sector perspective, each Accounting Fund can be considered a wholly owned subsidiary of the City or a separate business which must support all of the direct and indirect costs of providing services to the public.

Government resources are allocated and accounted for in these individual Accounting funds based upon (1) the purpose for which they are to be spent, and (2) the means by which spending activities are controlled. This accounting system is used to aid the City Council, City Manager and department heads to demonstrate compliance with finance-related legal and contractual requirements. A minimum number of Accounting Funds are established consistent with legal and operating requirements "since unnecessary Funds result in inflexibility, undue complexity and inefficient financial administration."¹ **All City Accounting Funds are included in the annual budget and all revenues and other financing sources are appropriated by the City Council each year in the annual budget.**

The City of Beaumont currently uses 19 Major Accounting Funds. These Accounting Funds are put into two broad categories called Accounting Fund Types. The two Accounting Fund Types operated by the City of Beaumont are (1) Governmental Fund Types for tax-supported activities and (2) Proprietary Fund Types for business-type activities. These Fund Types are broken down into the individual Accounting Funds described below:

Governmental Fund Types (Tax-Supported Activities)

The Governmental Fund Type is used to account for the acquisition of revenues, expenditures, assets and liabilities of tax-supported activities. In Beaumont the Governmental Fund Type is divided into the General Fund, Special Revenue Funds, and Capital Projects Fund.

1. General Fund. The General Fund is the primary operating Fund of the City for the delivery of general municipal services. It is used to account for all financial transactions and resources of the general government, except those required by the General Accounting Standards Board (GASB) or federal, state or city law or regulation to be accounted for in another Fund. The City of Beaumont operates only one General Fund and it is used to account for most tax-supported activities. Expenditures for such functions as administration, finance, human resources, police, fire, planning, economic development, code enforcement, parks, recreation, and some public works activities are financed by the General Fund.

2. Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific sources that are legally restricted to expenditures for specific purposes. It does not include accounting for financial resources in Fiduciary funds or major construction projects accounted for in the City's Development Impact Fee Capital Project Funds. These restrictions usually arise from state legislation or from federal, state and county grants. The City operates six Special Revenue Funds. They are:

¹ National Council on Governmental Accounting (NCGA) Statement No. 11.

A. Highway Users Tax Allocation (HUTA) (Gas Tax) Special Revenue Fund. This Accounting Fund is used to account for revenues and related expenditures limited to a variety of highway and transportation purposes. Revenues are derived from gasoline taxes collected under Sections 2105, 2106, 2107, 2107.5 of the California Streets and Highway Code. These revenues come from gasoline taxes placed on motor vehicle fuels. Allocations are generally distributed by population. Funds can only be used for construction and maintenance of City streets and roads.

B. California Citizen Option for Public Safety Grant (COPS) Special Revenue Fund. All activities, revenues, expenses, assets and liabilities from grants obtained from the State of California to provide additional law enforcement resources under Assembly Bill 1913 are recognized and accounted for in this Accounting Fund. In order to be eligible for allocations under the COPS program, a local jurisdiction must (1) submit an annual expenditure report to the State Controller as required by current law and (2) fully expend its grant allocation within 24 months of receipt. COPS funds cannot be used to replace existing funding for the Police Department. Each County has an oversight committee from the District Attorney's Office that reviews COPS expenditures of each law enforcement agency.

C. Community Development Block Grant (CDBG) Program Special Revenue Fund.

The Community Development Block Grant (CDBG) Special Revenue Fund is used to account for all activities, revenues and expenditures related to the receipt of federal Community Development Block Grant (CDBG) from the Department of Housing and Urban Development (HUD). The purpose of these federal funds is to achieve "national objectives" that include (1) assisting low and moderate income people, (2) eliminating blight, or (3) to meet urgent needs.

D. Community Facilities District (CFD) Special Revenue Fund. This Accounting Fund is used to keep track of all activities, revenues, expenditures, assets and liabilities in providing municipal services, constructing capital facilities, maintaining public improvements, making bond principal and interest payments and defraying administrative costs within the boundaries of a Community Facilities District (CFD). In response to the property tax limitations in Proposition 13, the Mello-Roos Community Facilities Act (Government code Section 53322-53368.3) was adopted in 1982 to allow cities to form Community Facilities District (CFD) for the financing of public services and capital improvements within a defined set of boundaries.

E. Public, Educational and Governmental (PEG) Channel Special Revenue Fund. The mission of the Public, Educational and Governmental (PEG) Channel Special Revenue Fund is to account for all activities, revenues and expenditures associated with collecting and spending cable television franchise fees of 1% of gross revenues paid to cable television companies in support of public, educational and governmental purposes consistent with state and federal law. The funds can be used to acquire equipment, goods and services to broadcast City Council and other governmental meetings on the internet or on a public access cable channel.

F. AB 2766 Motor Vehicle Surcharge Subvention Special Revenue Fund. The purpose of the AB 2766 Motor Vehicle Surcharge Subvention Special Revenue Fund is to account for the revenues, expenditures, assets, and liabilities related to the South Coast Air Quality Management District (SCAQMD) Mobile Emissions Reduction Program (MERP) to improve air quality in Southern California. The AB 2766 Subvention Program provides a funding source for cities and counties to meet requirements of federal and state Clean Air Acts, and for implementation of motor vehicle emissions measures outlined in the SCAQMD Air Quality Management Plan (AQMP).

2. Capital Projects Funds. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those required to be financed by Proprietary Funds and Fiduciary Funds.) The primary purpose of Capital Projects Funds are to account for major construction projects, to enhance understanding of capital activities and avoid distortion of revenue and expenditure trend data in the General Fund or Special Revenue Funds. The City operates ten Capital Project Funds.

A. Basic Facilities Development Impact Fees Capital Projects Fund. The mission of the Basic Facilities Development Impact Fees Capital Projects Fund is to account for all of the activities, revenues, expenditures, assets and liabilities for the construction and improvement of new public buildings and facilities pursuant to the State Mitigation Fee Act (Government Code Section 6600 et. seq.) Expenditures of basic facilities development impact fees can only be for the construction and improvement of public facilities needed for new development constructed in the City. They cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

B. Traffic Signal Development Impact Fees Capital Projects Fund. This Accounting Fund is used to track all of the activities, revenues, expenditures, assets, and liabilities of traffic signal development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.). Expenditures of traffic signal development impact fees can only be for the construction, improvement and upgrade of traffic signals and related intersection improvements needed for new development constructed in the City. Traffic signal development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

C. Railroad Crossing Development Impact Fees Capital Projects Fund. This Accounting Fund is used to track all of the activities, revenues, expenditures, assets, and liabilities of railroad crossing development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.) Expenditures of railroad crossing development impact fees can only be for the construction and improvement of railroad crossings for new development constructed in the City. Railroad crossing development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

D. Fire Station Development Impact Fees Capital Projects Fund. The Fire Station Development Impact Fees Capital Project Fund is used to track all of the activities, revenues, expenditures, assets and liabilities pursuant to the State Mitigation Act (Government Code Section 66000 et. seq.). Expenditures of fire station development impact fees can only be for the construction of fire and emergency medical buildings and facilities as well as purchase of capital equipment needed to provide fire and emergency medical services to new developments built in the City. Fire station development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

E. Emergency Preparedness Development Impact Fees Capital Projects Fund. The Emergency Preparedness Development Impact Fees Capital Project Fund is used to track all of the activities, revenues, expenditures, assets and liabilities pursuant to the State Mitigation Act (Government Code Section 66000 et. seq.). Expenditures of emergency preparedness development impact fees can only be for the construction of emergency preparedness buildings and facilities as well as purchase of capital equipment needed to provide emergency preparedness services to new developments built in the City. Emergency preparedness development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

F. Road and Bridge Development Impact Fees Capital Projects Fund. This Accounting Fund is used to track all of the activities, revenues, expenditures, assets, and liabilities of the City's road and bridge development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.). Expenditures of road and bridge development impact fees can only be for the construction, expansion, improvement and upgrade of the City's roads and bridges related improvements needed for new development constructed in the City. Road and bridge development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

G. Regional Park Development Impact Fees Capital Projects Fund. The City of Beaumont uses this Accounting Fund to record the activities, revenues, expenditures and to account for assets and liabilities of park regional park development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. Seq.). Expenditures of regional park development impact fees can only be for the construction and improvement of public parks, facilities, recreation centers, buildings as well as the purchasing of park equipment needed for new development constructed in the City. Regional Park development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations costs.

H. General Plan Development Impact Fees Capital Projects Fund. The mission of the General Fund Development Impact Fees Fund is to account for all of the activities, revenues, expenditures, assets and liabilities relating to the development, updating and amending of the City's General Plan, the elements of the General Plan, specific plans and capital improvements associated with the General Plan and other studies and analysis needed to keep the City's General Plan current to accommodate new development. This impact fee is collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.). Expenditures of general plan impact fees can be only used for the planning, construction and improvement of public infrastructure, buildings and facilities needed for new development. The development impact fees cannot be used to pay for ongoing maintenance and operations costs.

I. Recycled Water Development Impact Fees Capital Projects Fund. The City of Beaumont uses this Accounting Fund to record the activities, revenues, expenditures, assets and liabilities relating to the treatment, transport, distribution of recycled water and the construction of reservoirs, pipes, pumps and wells to convey recycled water to discharge point 8 and the golf course. This development impact fee is collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.). Expenditures of recycled water development impact fees can only be for the construction and improvement of infrastructure and the purchase of associated equipment for new development constructed in the City. Recycled water development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations costs.

J. Sewer Capacity Development Impact Fees Capital Projects Fund. This Accounting Fund is used to record the activities, revenues, expenditures, assets and liabilities relating to the collection, transportation, treatment and disposal of wastewater required for new development pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.). Expenditures of recycled water development impact fees can only be for the construction and improvement of the wastewater treatment plant, infrastructure, collection lines, other facilities or the purchase of associated equipment for new development constructed in the City. Sewer capacity development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations costs.

Proprietary Fund Types (Business-Type Activities)

Proprietary Funds are used to account for the resources collected and used for business-type activities of the City of Beaumont. Proprietary Funds can be divided into Enterprise Funds and Internal Service Funds. Beaumont has no Internal Service Funds.

1. Enterprise Funds. Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to a private business enterprise where fees are charged to external users and the intended purpose of the City is either (1) that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; (2) or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. In accordance with Government Accounting Standards Board (GASB) Statement No. 20, the City has elected to apply only those applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in accounting for enterprise operations. The City of Beaumont operates two Enterprise Funds. They are:

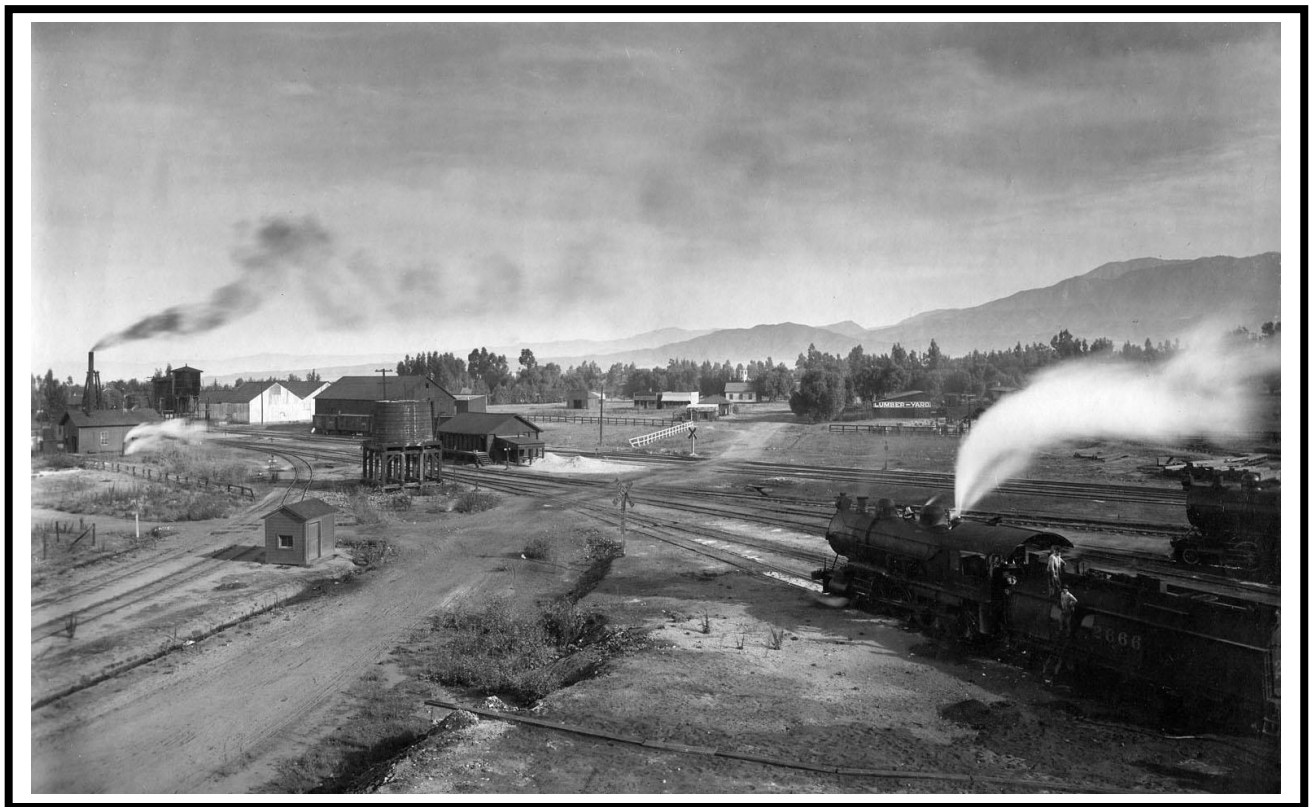
A. Wastewater Enterprise Fund. The Wastewater Enterprise Fund is used to account for all the operating and maintenance activities, revenues, expenditures assets and liabilities in the collection and treatment of wastewater generated in the City of Beaumont. It also accounts for all activities revenues and expenditures, assets and liabilities in the construction, replacement, upgrade, and improvement of the City's wastewater treatment facilities and wastewater collection system.

B. Transit Enterprise Fund. This Accounting Fund is used to track all activities, revenues, expenditures, assets and liabilities to provide bus services for the residents of Beaumont and to destinations in the surrounding area as well as dial-a-ride bus services within the City of Beaumont. Department operations are funded by Local Transit Funds (LTF). LTF funds make up 90% of the operating budget where operating expenditures, including salaries, fuel, office supplies, utilities, etc., are budgeted. The remaining 10% is contributed by fare box recovery (fares placed in the fare box when riding the bus). Funds for capital purchases, such as buses, equipment and other capital purchases come primarily from State Transit Assistance (STA) funds.



SECTION 4

ACCOUNTING, FINANCIAL MANAGEMENT, INVESTMENT, FIXED ASSET AND CAPITAL IMPROVEMENT POLICIES



Beaumont, California Historic Train Photo

ACCOUNTING, FINANCIAL MANAGEMENT, INVESTMENT, FIXED ASSET AND CAPITAL IMPROVEMENT POLICIES

Introduction

The City of Beaumont has adopted accounting, financial management, investment, fixed asset and capital improvement policies to provide the framework for managing the City's financial resources. These policies are designed to:

1. Contribute to the confidence in the City operations and the commitment of the City Council, City Manager and staff to sound financial practices.
2. Save time and energy of the City Council and appointed officials. Once certain decisions are made at the policy level, those policies may be applied to individual situations and issues.
3. Direct attention of the City Council, City Manager, department heads and the public to the City's total financial condition and link day-to-day operations with long-range financial planning.
4. Contribute to the stability and expeditious handling of the City's financial affairs. The City Council, City Manager and department heads may change over time, but sound financial accounting policies will be in existence to guide whoever holds these positions.

Accounting Policies

Accounting Standards

The annual budget and audited financial statements of the City of Beaumont are prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applicable to government entities. Generally Accepted Accounting Principles (GAAP) are national accounting standards adopted by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is the nation-wide accepted standards body for establishing governmental accounting and financial reporting principles.

The City also complies with Financial Accounting Standard Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Beaumont's budget and audited financial statements present the financial position of the City government and its blended component units. Blended component units are entities for which the City is considered to be financially accountable. This includes the Beaumont Redevelopment Agency and the

Beaumont Public Finance Authority. These organizations are technically separate legal government entities, but are in substance part of the City of Beaumont' government operations. The City Council acts as the board of directors for the Beaumont Redevelopment Agency and the Beaumont Public Financing Authority. City employees serve as the staff for all three of these governmental units. The budget and other financial information from these government entities are combined with the budget and financial data of the City of Beaumont. The Beaumont Redevelopment Agency and the Beaumont Public Financing Authority have a June 30 date for the end of their fiscal years.

Measurement Focus

The accounting and reporting treatment applied to a Fund is determined by its **measurement focus**. All Governmental Funds (General Fund, Special Revenue Funds and Debt Service Funds) are accounted for on a **flow of current financial resources measurement focus**. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental Fund operating statements and budgets present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary Funds (Internal Service Funds and Enterprise Funds) and all Fiduciary Funds are accounted for on a **flow of economic resources measurement focus**. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Funds operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the City's financial statements. The **Basis of Accounting** relates to the timing of revenue recognition in the City's financial statements regardless of Measurement Focus applied. The accounting basis in the City's annual budget is the same as accounting basis in the City's annual audited financial statements.

1. Governmental Fund Types (Tax-Supported Activities) The modified accrual basis of accounting is used by the City of Beaumont to apply revenues to expenditures in its Governmental Funds. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available to pay for expenditures of the current period. "Measurable" means that the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to the accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City of Beaumont considers all revenues available if they are collected within sixty (60) days after the end of the fiscal year. Revenues that are accrued include property taxes, franchise fees, interest revenue and charges for service. Sales taxes and motor vehicle license fees collected and held by the state at year end on behalf of the City are also recognized as revenue. Licenses, permits and fines are accrued when received as they are not measurable until received in cash. Investment earnings are recorded as earned. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports deferred revenue on its balance sheet. Deferred revenues arise when potential revenue meets the asset recognition criteria but does not meet both the “measurable” and “available” revenue criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, such as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

2. Proprietary Fund Types (Business-Type Activities) and Fiduciary Fund Types (Resources Held in Trust). Expenditures are generally recognized in Enterprise Funds, Internal Service Funds, Private Purpose Trust Funds, and Agency Trust Funds under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due. Certain compensation absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Assets, Liabilities and Fund Equity

1. Cash and Investments. Cash and cash equivalents represent the City’s cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents.

The City maintains a cash and investment pool that is available for use by all Funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month-end cash balances in each fund. Cash is divided into three risk levels in accordance with standards that have been developed by the Governmental Accounting Standards Board (GASB) in Statement No. 3:

A. Category 1 Investments. Insured or collateralized investments with securities held by the City of Beaumont or by its agent in the City’s name.

B. Category 2 Investments. Collateralized investments with securities held by the pledging financial institution’s trust department or agent in the City’s name.

C. Category 3 Investments. Uncollateralized investments. This includes

any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City of Beaumont' name.

In accordance with Governmental Accounting Standards Board (GASB) 31, all City investments are stated at fair value. Fair value is based on the quoted market prices as of the valuation date. Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent cash and investments' balance exceeds the cumulative value of those investments subject to Governmental Accounting Standards Board (GASB) 31.

The fair value of the City's investment in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 is reported in the City's financial records and financial statements at amounts based on the pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

2. Internal Controls. The internal control structure of the City of Beaumont is designed to ensure that the assets of the City are protected from loss, theft, or misuse. It is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls within the City of Beaumont address the following issues:

A. Control of Collusion. Collusion occurs where two or more employees work in conjunction to defraud the City. The City has an organizational structure and operational policies and procedures that are designed to prevent collusion.

B. Separation of Transaction Authority from Accounting and Record Keeping. The City has segregated job duties so that the person who authorizes or performs the transactions is different from the person who records or otherwise accounts for the transaction. The City's Finance Department has divided duties and record keeping among employees with a Finance Director overseeing day-to-day operations.

C. Custodial Safekeeping. Funds collected by the City are deposited into the bank each day. Any small amounts of cash or checks held at the end of the day are placed in a safe in a locked room. Securities purchased from any bank or dealer (including appropriate collateral) for short-term or long-term cash investments are placed with an independent third party for custodial safe keeping.

D. Avoidance of Physical Delivery of Securities. The City avoids the physical delivery of securities. Book-entry securities are easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

E. Clear Delegation of Authority to Subordinate Staff Members. Staff members in the Finance Department have a clear understanding of their authority and responsibilities to avoid improper actions. Clear designation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective

responsibilities.

F. Written Confirmation of Transactions for Investments and Wire Transfers. Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions are supported by written communications and approved by the authorized supervisor. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.

G. Wire Transfer Agreement with Lead Bank. The City has a wire transfer agreement with its bank that addresses controls, security provisions and responsibilities of each party making and receiving wire transfers.

3. Accounts Receivable. Billed but unpaid services provided to individuals or non-government entities are recorded as "accounts receivable." The Proprietary Funds include a year-end accrual for services through the end of the fiscal year, which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectible accounts in the Enterprise Funds.

4. Compensated Absences. It is the City's policy to permit employees to accumulate earned (but unused vacation), sick pay and compensatory time benefits up to the limits imposed in the City of Beaumont Personnel Manual. Vested or accumulated vacation, holiday and sick leave along with any compensatory time that is expected to be paid with expendable available financial resources is reported as an expenditure and fund liability in the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts. Vested leaves in Enterprise Funds are recorded as an expense and liability as the benefits accrue.

5. Long-Term Liabilities. The government reports long-term debt of Governmental Funds at face value. Long-term liabilities for all Governmental Funds and Fiduciary Funds do not affect net current assets and are not included on their respective balance sheets in previous years. Long-term liabilities of proprietary and non-expendable trust funds are accounted for in the respective funds.

6. Inventory. Inventory is valued at the cost that approximates market, using first-in, first-out (FIFO) method. The consumption method is used to account for the inventory of Governmental Funds including the General Fund, Special Revenue Funds and Capital Projects Funds. The value of the City's office supply inventory is not considered material and as a result, no inventory value is shown in the City's financial statements or in the annual budget.

7. Bond Discounts. In Governmental Funds, bond premiums, discounts, and issuance costs are recognized in the current period. Bond discounts are presented as a reduction of the face amount of the bonds payable. Issuance costs are reported as an expenditure of the period. For Proprietary Funds, bond premiums and discount, with issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

8. Called Developer Bonds. Revenues from called developer bonds arising from contract Defaults are deferred and recognized as revenues when the related costs to complete the

project are incurred by the City.

9. Unappropriated Fund Balance and Unreserved Cash and Investments. The Unappropriated Fund Balance in Governmental Funds and Unreserved Cash and Investments balances in Proprietary Funds indicate that portion of Fund Equity which is available for appropriation in future periods. Restricted Fund Balances or Reserved Fund Equity indicates that a portion of Fund Balance or Fund Equity has been segregated for specific purposes or is not available for appropriation. Reservations of retained earnings are limited to outside third-party restrictions.

10. Contributed Capital. Contributed capital are non-cash assets recorded in Enterprise Funds and primarily represents infrastructure such as water lines, sewer lines or assets received from other funds, developers, or customers. Contributed capital designations in the Enterprise Funds cannot be spent for operating or capital needs.

Taxes and Other Significant Revenues

1. Property Taxes. Riverside County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the state. The California property tax is ad valorem, based on the value of the property rather than on a fixed amount or benefit to the property or persons. Intangible assets and rights are not subject to taxation except to the extent that they are necessary to put real property interests to beneficial or productive use. Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls, which are primarily maintained by the Riverside County Assessor. Tax rolls contain an entry for each parcel of land, including parcel number, owner's name and value.

The amount of the tax is based on an annually determined assessed valuation. The property tax is paid to the county tax collector and allocated to local taxing agencies. The property tax is guaranteed by placing a lien on the real property. For this reason, types of properties are distinguished as secured or unsecured.

Certain special exemptions to the standard assessment rules are provided in the State Constitution and state law. These exemptions include federal and state owned property, municipal owned property except property outside the legal boundaries of the agency, homeowners property tax exemption, property owned, irrevocably dedicated to religious, hospital, cemeteries and schools and the California Air Patrol; Williamson Act; disabled veterans; and other exemptions.

Property taxes are levied in equal installments on November 1 and February 1. They become delinquent respectively on December 10 and April 10. The lien date is March 1 of each year. Property taxes are accounted for in the City of Beaumont General Fund. The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum of \$1.00 per \$100 of full cash value. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after the end of the fiscal year. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year-end accrual. Taxes on individual pieces of property may be delinquent up to five years before the property is sold for delinquent taxes.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and dispersed to the taxing units on a routine basis.

The City receives property taxes under the "Teeter Plan." The Teeter Plan allows cities to collect 100% of assessed taxes each year in lieu of receiving only those taxes collected by the County. Riverside County receives the penalties and interest when delinquent taxes are collected in future years. The County benefits by charging interest substantially higher than market rates when the delinquent taxes are collected.¹¹⁰

2. Sales and Use Taxes. California sales tax is imposed on retailers for the privilege of selling tangible personal property. A portion of the tax is a state tax and a portion is locally imposed. The tax base for the sales tax is the retail price of tangible personal property. Tangible personal property is any material asset, such as household goods and business equipment which is readily moveable and not permanently attached to real property. Sales tax applies to a transaction if (1) the seller's registered place of business in California participates in the sale and (2) title to the goods passes to the customer within the state.

The use tax complements the sales tax. It is imposed on the storage or use, or other consumption in California of property purchased from a retailer in cases where the sales tax is not collected. While sales tax is imposed on the seller, the use tax is imposed on the purchaser and at the same rates as the sales tax. The use tax was first imposed in 1935, in order to discourage buying from out of state solely for the purpose of avoiding state sales tax, and thereby placing California retailers at a competitive disadvantage.

Sales and use taxes are collected by the State Board of Equalization and remitted to the City quarterly. Sales and use taxes are recorded as revenues when received by the State Board of Equalization.

3. Franchise Fees. Franchise fees collected by Southern California Edison and The Gas Company are remitted to the City each year on April 15. Cable television franchise fees from Time-Warner are sent to the City quarterly and franchise fees from Waste Management are remitted monthly to the City.

Chart of Accounts

The City Chart of Accounts is a carefully arranged system classifying financial transactions for budgeting, accounting and reporting purposes. The Chart of Accounts does the following:

1. Defines each account in order to assure uniform treatment in the classification, recording and summarization of accounting transactions.
2. Provides a consistent basis for reporting accounting financial and related information to facilitate effective and meaningful communications with the public, bond investors, City departments City Manager and City Council.
3. Provide flexibility for other reporting needs as required for ongoing operations of the City.

Periodic Journal Entries

The Finance Director is responsible for seeing that the following journal entries are prepared and posted as appropriate to the General Ledger.

1. Monthly Postings to General Ledger. Monthly postings to the General Ledger include, but are not limited to, payroll related postings, including deferred compensation and contributions to the California Public Employees' Retirement System, tax receipts, wire transfers, bank account charges, investment earnings, transfers between funds, voided and non-sufficient fund checks, budget appropriation changes, reconciliation adjustments and miscellaneous entries including reclassifications.

2. Annual Postings to General Ledger. Annual postings to the General Ledger include, but are not limited to, accounts payable from invoices, accounts receivable from billings, grant accruals and/or deferrals, land transactions, fiscal agent activity on Successor Agency bond issues, interest on notes receivable, capital asset transactions, reimbursements due to and due from accounts, deferred revenue and other accruals as required.

Month End Closing of General Ledger

Month-end closing procedures including posting of monthly journal entries (including bank reconciliation entries), and pending cash disbursements, payroll and cash receipts to the General Ledger.

Financial Reports

The City staff prepares appropriate monthly financial statements reflecting the operations of individual Funds for internal use by the City Council, City Manager, department heads and the general public. The City adheres to a policy of full and open public disclosure of all financial documents.

Independent Audits

An independent audit of the City's financial statements is conducted each year by an independent Certified Public Accounting firm. The City also participates in a number of federal and state assisted grant programs, which are subject to annual financial, and compliance audits.

Financial Management Policies

(Adopted by the City Council on April 5, 2016)
(Strike Outs and Italics are Proposed Amendments)

Background

The City of Beaumont is accountable to the community for the use of public dollars. Municipal resources will be used wisely to ensure adequate funding for the services, public facilities and infrastructure necessary to meet the community's present and future needs. Financial management policies serve as the blueprint to achieve the fiscal stability and accountability required to meet the City's goals and objectives.

Financial Policy Objectives

The objectives for comprehensive management policies are to:

1. Guide City Council and City Management decisions that have significant fiscal impact.
2. Support the planning for financial sustainability and long-term needs.
3. Maintain and protect City assets and infrastructure.
4. Set forth operating principles that minimize the financial risk in providing City services.
5. Optimize the efficiency and effectiveness of services to reduce the costs and improve service quality.
6. Employ balanced and fair revenue policies that provide adequate funding for desired programs.
7. Promote sound financial management by providing accurate and timely information on the City's financial condition to the City Council and community.
8. Maintain and enhance the City's credit ratings and prevent default on any municipal financial obligations.
9. Ensure the legal and ethical use of financial resources consistent with Council policy through an effective system of internal controls.
10. Promote cooperation and coordination within the City, and other governments and with the private sector in the financing and delivery of services.
11. Provide the appropriate level of accountability in the use of public resources.

Affiliated Agencies

If agencies have been created through Council action, intergovernmental agreements, and state and federal laws, they should be managed with the same financial standards as City agencies. To protect the

City's fiscal status and avoid an adverse effect on the City, affiliated agencies will be accountable for financial compliance and reporting standards as described in the City's Financial Management Policies. The City may audit financial records or performance data to ensure funds are spent in accordance with Council directions and policies. Affiliated agencies include, but are not limited to, agencies created by Council action, agencies with leadership appointed by the City Council and agencies that receive a majority of funds from the City.

Responsibility

The City Manager is ultimately responsible for the City's implementation and compliance with these policies, unless the City Council authorizes exceptions. Under the direction of the City Manager, the finance Director will review, develop and implement a system of processes and procedures to ensure compliance with these policies throughout the entire organization. The City Manager will work with the Finance Director to ensure these policies are updated on a timely basis.

Annual Budget

The annual budget is the primary mechanism for the implementation of City Council policies and the achievement of their goals and objectives. The budget is a policy document, operations guide, financial plan and a communications device. It is the single most important means of setting spending policies and priorities of the City. It constitutes approval by the City Council of service levels and operating programs and provides resources to finance them. Expenditures must be kept within total appropriations for all Accounting Funds.

Budget Goals

The City will develop and implement a budget process that will:

1. Make prudent use of public resources.
2. Include financial forecast information for resources, uses and ending fund balances to ensure that the City is planning adequately for current and future needs.
3. Provide adequate opportunity for public review and input.
4. Provide adequate opportunity for City Council review and deliberations.
5. Provide information on accomplishments and service levels vis-a-vis community needs.
6. Comply with City Code, State of California Local Budget Law, bond covenants and other promulgations.

The City Manager will develop and present a proposed City budget to the Mayor and City Council for consideration and adoption. The City Manager's proposed budget will opine on the short and long-term financial condition of the City, identify policy and financial and service issues, identify any use of one-time funds to support ongoing operations or key changes from previous years, identify funding requirements and sources of funds, provide supplemental information on programs and service areas, include budget and performance details for all City organizations and related recommendations to the City's vision and

goals.

The Finance Department will issue guidelines and rules for the preparation and review of the department budget requests to the Mayor and City Council, including a proposed annual budget process and calendar. The proposed process and calendar will support community input and Council deliberations

Budget Appropriations

All Accounting Funds are included in the annual budget and all revenues and other financing sources are appropriated by the City Council each fiscal year in the annual budget. All Accounting Funds are included in the City's annual audited financial statements, reviewed by the City's independent certified public accountants. The accounting basis in the City's annual budget is the same as the accounting basis used by the City's annual audited financial statements. Annual operating budgets in the General Fund and Enterprise Funds are carefully reviewed to insure that budget appropriations are conservative because the City feels government units function more efficiently under conservative budgets than where excess funds are made available.

Appropriations Limit

Under Article XIII B of the California Constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must be either refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

Proposition 218

Proposition 218, approved by the voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments and fees are imposed may be significantly impaired. Under Proposition 218:

- 1. Revenues derived from a property related fee must not exceed the funds required to provide the property related service. (The total cost limitation)*
- 2. Revenues derived from the fee must not be used for any purpose other than for that which the fee is imposed. (The proportional cost limitation)*
- 3. Fees may not be imposed for a service unless the services is actually used by, or immediately available to, the owner of the property subject to the fee. Fees based on potential or future use of a services are not permitted, and stand-by charges must be classified as assessment subject to the ballot protest and proportionality requirements for assessments. (The future services prohibition)*

4. No fee or charge may be imposed for general governmental services, such as police, fire, ambulance, or libraries, where the service is available to the public in substantially the same manner as it is to property owners. (The general government service prohibition)

A public agency has the burden to prove compliance with these provisions if a fee is challenged in court.

Budget Control and Monitoring

The City Council appropriations and control points will be at the department level within each fund. These City Council adopted appropriations and employee counts cannot be exceeded without City Council approval. The City Manager will have the authority to amend budgets within a departmental appropriation but changes in employee counts must be approved by the City Council. The Finance Department will maintain a system of tools for departments to manage their budgets and for financial monitoring and control of the City's budget during the fiscal year. This system will provide the departments, Mayor and City Council with information on revenue, expenditures and budget performance at both the department and fund level. The system will include provisions for amending the budget during the year in order to comply with this policy and State of California budgetary statutes.

The City Manager, through the Finance Department, will periodically report to the City Council financial status reports on revenues and expenditures to date, and the estimated year-end balance. At the start of FY2016-2017, the City Manager will, on a quarterly basis, review all City financial operations, report to Council on financial results and recommend financial actions necessary to meet the adopted budget's financial planning goals.

For the mid-year budget monitoring report, the audited financial statements, the audit opinion and management letter will be presented to the Mayor and City Council for review and discussion as an action item. Any additional resources, whether additional projected revenues produced them or higher beginning fund balances, should be set-aside for the next budget cycle. Any negative financial results should be highlighted and a proposed plan of action should be provided to the Mayor and Council for review and approval. General Fund discretionary resources that exceed budgeted amounts should be added to the General Fund contingency, except for funds allocated to infrastructure maintenance or replacement.

Review Council Actions

The City Manager, through the Finance Department, will review any proposed Council actions. The objective of these reviews will be to ensure compliance with the City's budget direction and identify financial and service issues for the Council. The Finance Department will identify financial and service issues for the Council. The Finance Department will establish and issue procedures and forms to submit fiscal impact statements for proposed Council actions.

Additional Operating Budget Direction

1. Balanced Budget. In each fund, resources shall be equal to or exceed requirements. Each City fund must identify on-going resources that at least match expected ongoing requirements. One-time resources and non-recurring ending balances may either be applied to reserves or used to fund one-time expenditures; they will not be used to fund ongoing programs, except as provided in Section 2. Each year the Finance Director will provide Council with the amount of discretionary revenue that is estimated to be non-recurring for the General Fund.

2. One-time Funds. One-time funds can be used for ongoing expenditures only as a plan for: (1) Transitioning to a permanent funding source, (2) leading to an organized program elimination, or (3) as part of verifiable plan of existing a recessionary period. Scenario 3 should be documented in the City's multi-year financial forecast.

3. General Discretionary Revenues. Unless otherwise explicitly stated by the Mayor and City Council, the City will not dedicate discretionary revenues for specific purposes in the General Fund. This will preserve the ability of the Mayor and Council to determine the best use of available revenues to meet changing service requirements.

4. Transfers Between Funds. A schedule of all transfers between funds will be identified, explained and appropriated in the Proposed and Adopted Budget. Any additional transfers will require City Council action.

5. Efficiency and Effectiveness. The City will optimize the efficiency and effectiveness of its services to reduce costs and improve service quality. The City will coordinate its service delivery with other applicable public and private service providers and seek the most cost effective method for service delivery.

6. Self-Supporting/Full Cost Recovery Basis. The City will attempt to recover the costs of services providing a private benefit to users through the imposition of user fees and charges. The fees and charges will be based on cost accounting standards consistent with state of federal law when applicable. Fees and charges should include full costs i.e. direct, indirect, depreciation, interest charges, etc. and the Finance Director will ensure an annual user fee and charges schedule is regularly updated and approved by Council.

7. Recovery of Indirect or Overhead Costs. The City will endeavor to recover director or overhead costs through their allocation towards the calculation of user fees and charges or inter-fund charge. However, a reasonable cost allocation methodology must be used consistent with Generally Accepted Accounting Principles (GAAP).

8. Contingencies. The City will budget a contingency account for each operating fund adequate to address reasonable but unforeseen requirements within the fiscal year.

9. General Fund Reserves or Ending Fund Balance. ~~The City will show adequate progress towards increasing reserves or Unassigned Ending Fund Balance ultimately to 16% of the General Fund Operating Budget. This is a long-term goal. NOTE: The Government Finance Officers Association recommends, at a minimum, that general purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures.~~

10. Enterprise Reserves or Ending Fund Balance. ~~The City will show adequate progress towards increasing Enterprise Fund reserves or Unassigned Fund Balance ultimately to 25% of the Enterprise Fund Balance.~~

11. Unexpended Appropriations at the End of the Fiscal Year. *Unexpended appropriations cannot be used in subsequent fiscal years unless re-appropriated by the City Council.*

Fund Balances In Governmental Funds and Cash and Investments Balances in Enterprise and Fiduciary Funds.

1. Definition and Purpose.

A. Governmental Funds. Accountants employ the term “Fund Balance” to describe the net assets of Governmental Funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of Governmental Funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a Governmental Fund. It is essential the City of Beaumont maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

B. Enterprise and Fiduciary Funds. The “Cash and Investment Fund Balance” is that portion of fund equity that can be used for operating, capital and debt service expenditures, and is intended to serve as a measure of the financial resources available in an Enterprise Fund. It is essential the City of Beaumont maintain adequate levels of cash and investment fund balances to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable utility rates. Cash and investment fund balance levels are also a crucial consideration in long-term financial planning.

Credit rating agencies carefully monitor levels of fund balance in a government’s General Fund to evaluate a government’s continued creditworthiness. Those interested primarily in a government’s creditworthiness or economic conditions are likely to favor higher levels of fund balance. Opposing pressures often come from employee unions, taxpayers and citizens’ groups, which may view high levels of fund balance as “excessive.”

2. Classification of Governmental Fund Balances. Governmental Fund balances are classified into the following categories:

A. Nonspendable Fund Balances. Non-Spendable Fund Balances consist of items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

B. Restricted Fund Balances. Restricted Fund Balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributions, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

C. Committed Fund Balances. Committed Fund Balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through City Council resolutions, etc., and that remain binding unless removed in the same manner.

D. Assigned Fund Balances. Assigned Fund Balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of

resources can be done by the highest level of decision make or by a committee or official designated for that purpose. The City Council has authorized the City Manager for that purpose.

E. Unassigned Fund Balances. This category is for any balances that have no restrictions placed upon them.

3. Fund Balance Policy Considerations. In establishing a policy governing the level of unrestricted (unreserved) fund balance in governmental funds and cash and investment fund balance in its Enterprise Funds, the City Council takes into consideration the following factors:

A. The predictability of its revenues and the volatility of its expenditures (i.e. higher levels of unrestricted (unreserved) fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).

B. The availability of resources in other funds as well as the potential drain upon General Fund resources from other funds (i.e. the availability of resources in other funds may reduce the amount of unrestricted (unreserved) fund balance needed in the General Fund, just as deficits in other funds may require that a higher level of unrestricted (unreserved) fund balance be maintained in the General Fund.

C. Liquidity (i.e. disparity between financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained.)

D. Designations (i.e. the City of Beaumont may wish to maintain higher levels of Unrestricted (unreserved) fund balance to compensate for any portion of unrestricted (unreserved) fund balance already designated for a specific purpose).

4. Fund Balance Policies.

A. General Fund Reserves or Ending Fund Balance Policy. The City will show adequate progress towards increasing reserves or Unassigned Ending Fund Balance ultimately to 16% of the General Fund Operating Budget. This is a long-term goal. NOTE: The Government Finance Officers Association recommends, at a minimum, that general purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures.

B. Enterprise Reserves or Ending Fund Balance. The City will show adequate progress towards increasing Enterprise Fund reserves or Unassigned Fund Balance ultimately to 25% of the Enterprise Fund Balance.

These fund balances will be maintain for the following purposes:

A. Provide sufficient working capital to avoid meeting daily cash needs to avoid using tax-anticipation notes.

B. Provide a reserve to absorb emergency expenditures caused by natural disaster such as fire, flood or earthquake.

C. Cover any unanticipated deficit resulting from a shortfall in actual revenues in a given budget year or unanticipated cuts by the State Legislature and Governor of City revenues.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses unrestricted resources in the following order: committed, assigned, and unassigned.

When the unrestricted (unreserved) fund balance of the General Fund exceeds the amount needed for the above purposes, monies are transferred to the General Capital Projects Fund to be used for capital improvements in the City.

Restricted (reserved) fund balances in the General Fund, Special Revenue Funds, and Capital Projects Funds will be separated out and identified in the City's accounting records, financial statements, budgets and audit reports. This same policy is followed with respect to restricted amounts in the cash and investment balances of the Enterprise Funds. The purpose of this policy is to show the City Council, staff and the public what funds in these balances are unrestricted and what funds are to be used for specific purposes.

Fund Management

Creation of new funds or elimination of existing funds shall be done by Council action. A review and report by the Finance Department will be required prior to Council action. The Finance Department will conduct an annual review and, as part of the budget, explain the purpose of each fund and assess if each fund is needed.

Departments or programs that are primarily funded by user fees and charges should be segregated into their own funds *or fund accounts* to assist in cost accounting and ensuring fees and charges are recovering an adequate portion of costs.

Enterprise Funds

For Enterprise Funds, the budget will include the required level of debt service coverage for the fund and a description of the relationship between operating and construction.

Financial Planning Goals

The City of Beaumont will prepare long-range financial firebases and plans to guide the Mayor and City Council in adopting the City budget and to assist Council in ensuring the delivery of needed services through inevitable economic cycles. The financial plans will help the Mayor, Council and community Evaluate the impact of financial needs of all programs within the regional and local economic conditions. The plans will also assist in coordinating funding needs among enterprise, special revenue and General Fund functions.

Financial planning and budgeting will be based on the following principles.

1. Revenue estimates will be prepared on a conservative basis to minimize the possibility that economic fluctuations could surprise the City and jeopardize ongoing service delivery during the fiscal year.
2. Expenditure estimates will anticipate needs that are reasonably predictable.
3. Forecasts will rely on a common set of basic economic assumptions that will be established, updated and distributed by the Finance Department.

Financial Plans and Forecasts

Prior to the initiation of the annual budget process, the Finance Department will prepare an annual City financial assessment report. This report will include a comprehensive overview of the City's financial condition.

Five-year financial forecasts and plans will be prepared annually for the General Fund, General Fund departments, major Enterprise Funds, Special Revenue Funds and other funds that materially affect the City. Plans will be based on current service levels and funding sources, as well as anticipated changes to service levels and funding. If appropriate, the plans will identify additional resources needed to continue current service levels or identified service adjustments.

General Fund departments will forecast and monitor their own revenues and expenditures. The Finance Department will assist departments in developing appropriate systems, will retain fiscal oversight responsibility for the entire City and will publish regular financial status reports on revenues and expenditures.

Enterprise Fund and Special Revenue Fund forecasts will identify any impact on rates. The forecasts will discuss how standards for debt service coverage and operating reserves are established and maintained. Departments that manage Enterprise and Special Revenue Funds will prepare and coordinate with the Finance Department on the presentation of regular status reports on revenues and expenditures.

Capital and Other Asset Plans

The departments that are responsible for major infrastructure and utility improvements will complete 10 or 20-year master plans to support growth and replacement needs. The master plans must support and reconcile with the City's major planning documents.

The City will annually prepare a Citywide five-year Capital Improvements Plan that provides the Mayor and City Council with an overview of the condition of its infrastructure. It should include prioritized department needs for capital replacement, additions and major maintenance, along with the potential impacts of not funding certain projects. The plan will include estimated project costs and operating costs and will identify funding sources. Staff will ensure the proposed funding is in fact an eligible source under state law. It will highlight what projects are fully funded and which ones are not.

The City will annually adopt a Capital Budget that will include estimated resources and capital expenditures based on the first year of the current Capital Improvements Plan.

Other major asset categories critical to service delivery such as facilities, fleet and technology will also have master plans to ensure their timely replacement.

The City will preserve its current physical assets and the plan in an orderly manner for future capital investments, including the operating and maintenance costs associated with current improvements and new or additional capital improvements or major equipment.

The City will identify and include full costs of future maintenance needs and operating costs of new capital improvements and equipment prior to funding as part of the Capital Budget.

In general, all assets will be maintained at a level that protects capital investment and minimizes future maintenance and replacement costs. A high priority should be placed on maintenance where deferring maintenance will result in greater costs to restore or replace neglected facilities such as roads.

Each department with major capital assets will maintain accurate information on the condition and lifespan of its major assets to assist in long-term planning, such a pavement management index. Each department with major capital assets will develop replacement costs data for major assets to assist in City asset management and investment decisions.

Maintenance and operations of major capital assets should be given priority over acquisition of new assets.

Revenue Goals

1. The City will maximize and diversify its revenue base to raise sufficient revenue to support essential City services and to maintain services during periods of declining economic activity. The City's overall revenue structure will be designed to recapture some of the financial benefits resulting from City economic and community development investments. Revenue collection efforts that produce positive net income for City service delivery will be the highest budget priority.
2. Departments that primarily or exclusively operate with non-General Fund revenue will minimize reliance on General Fund support for discrete programs that are not support with fees.

Revenue Collections

The City will use all cost effective means available to collect revenues due it.

The Finance Department is responsible for ensuring all Accounts Receivable are properly pursued and accounted for, which includes an aging of each receivable and the development of a bad debt policy. The Finance Department will ensure, on an annual basis, that a report is provided to the City Council on the condition of the City's collection efforts and whether any accounts receivable and the development of a bad debt policy. The Finance Department will ensure, on an annual basis, that a report is provided to Council on the condition of the City's collection efforts and whether any accounts receivable should be written off. ~~Only Council can write off receivables.~~

The Mayor and City Council must approve any fee waivers.

Grants

The City will avoid using grants to meet ongoing service delivery needs. Prior to a grant application submittal, or acceptance of an application is not required, all grants will be reviewed by the Finance Department to ensure compliance with state, federal and City regulations. The City will also consider the relative benefits vs. costs of the grant, including what will happen after the grant ends. The City will budget expenditures for grant-funded programs only after receipt of the grant award or letter of commitment and only for the amount of the grant award to be expended within the fiscal year.

Development Impact Fee Revenues

The City seeks to recover some of the cost of growth through development impact fees assessments on new developments in the City of Beaumont. As Beaumont's population grows, the demand for the expansion of public infrastructure and the purchase of capital equipment needed to serve new development in the City increases.

State law allows (State Mitigation Fee Act, Government Code 66000 *et. seq.*) and fairness dictates that the new residents creating the need for expanded infrastructure and additional equipment capital costs should make a contribution to their acquisition in the form of development impact fees. Development impact fees are collected by the City of Beaumont for the expansion of public infrastructure and facilities and the purchase of capital equipment needed to for new development in the City. All development impact fees are deposited in separate capital projects revenue and expenditure accounts in a separate Capital Projects Fund specifically designated for the particular development impact fee. Development impact fees can only be spent for capital purchases due to growth and are not used for salary or maintenance or operation expenditures.

Unfunded Mandates

The City will oppose state or federal actions that mandate expenditures that the Mayor and City Council consider unnecessary and are unfunded. The City will pursue intergovernmental funding to support the incremental cost of such mandates.

Debt Management

*Public borrowing through lease-purchase agreements, general obligation (GO) bonds, revenue bonds, certificates of participation (COP) or other legal debt instruments may be in the public interest. However, the City will pursue policies that will not saddle the public with excessive public debt and will carefully scrutinize any public borrowing proposals. **California currently has no constitutional or statutory debt limits for municipalities. Therefore, the City Council, City Manager or other staff members must use debt in a wise and judicious manner.** Where public borrowing is considered appropriate by the City Council, it will be done in accordance with the following policies:*

- 1. Debt is limited to equipment purchases and major capital projects. It is not used for general operating expenses. It is the policy of the City to maintain cash balances at a sufficient level for general operating costs (those items normally funded in the City's annual operating budget and having a useful life of less than one year). Short-term securities may be issued in cases where the City's normal cash flow has been disrupted as a result of natural disaster or unexpected delays in the receipt of federal or state*

revenues.

2. The maturity date for any debt does not exceed the reasonable expected useful life of the equipment or capital improvement being financed. Generally, the City will limit long-term debt to a term not to exceed 10-15 years.

3. When practical, the City will develop, authorize, and issue revenue, special fee or other self-supporting debt instruments instead of General Obligation (GO) Bonds.

4. Coverage for revenue bonds or special fee debt instruments shall be at least 120% of annual total debt service.

5. The City will maintain good communication regarding its financial condition.

6. It will regularly evaluate its adherence to its debt policies. The City promotes effective communications with bond rating agencies and others in the market place based on full disclosure.

The Finance Department will report to Council on an annual basis, or whenever staff proposes to issue new debt or other long-term obligations) including accrued leave liabilities, the relative debt loads being incurred by the City and related coverage ratios.

Staff will regularly use competitive processes for selecting bond counsel, financial advisors and underwriters.

Debt issuances will be packaged and planned to minimize issuance fees and interest rates.

Risk Management

The City will retain a professional risk management program for public liability, workers' compensation and related exposures. The program will emphasize avoidance of risk whenever possible, funding for losses which cannot be avoided and transfer of risk to third parties whenever appropriate.

The risk management program will include the systematic and continuous identification of loss perils and exposures, the analysis of these in terms of frequency and severity probabilities, the appropriate application of sound risk control procedures and the financing of potential claims and administration costs within the City budget.

The City will use outside claims administrators.

As part of the annual budget process, staff will segregate and report out to the Mayor and City Council the past results of the risk management program, its relative financial status and plans for the future. Resources will be established to fund open claims liabilities, incurred but not reported (IBNR) claims and a catastrophic reserve or insurance as annual recommended by an independent actuary, or as authorized by Generally Accepted Accounting Principles (GAAP).

Interest Earnings

The Finance Department will assign interest earnings and expenses to the appropriate fund based on

available cash balances consistent with generally accepted accounting principles. Investment policies will be reviewed annually and brought to the Mayor and Council for approval.

Independent Audits

Staff will regularly use competitive processes to select and rotate new independent auditors that will be responsible for the annual audit of financial records in accordance with state and federal guidelines and generally accepted auditing standards.

The Comprehensive Annual Financial Report (CAFR) or audited financial statements along with the Management Letter and responses from management, will be completed and shared with the City Council by January following the close of the fiscal year.

Internal Control

The City Manager, through the Finance Director, will be responsible for implementing and maintaining a comprehensive system of internal controls that provides reasonable assurance that the City is operating in a way that is consistent with the desires of the City Council. Separation of duties, administrative policies and procedures, accounting and reporting tools and an overall organizational culture should be designed and encouraged to ensure the public's assets are protected and the City's business practices are in compliance with state and federal law, sound ethical principles, best management practices and City Council policy.

Budget Adoption Procedures

Budgetary procedures for the City have been established by the City Council, which require the legal adoption of a budget for all Accounting Funds. The following are the administrative procedures followed by the City in its budgetary process. (Please also see Figure 8.)

1. Budget Preparation. Department heads meet with employees and prepare proposed operating and capital budgets, as well as department goals and performance standards for the coming fiscal year based on guidance provided by the City Manager and City Council. The department heads submit these proposed budgets along with proposed goals and performance standards to City Manager no later than March 1. The Finance Director and City Manager takes information prepared by department heads and prepares the proposed budget for the coming fiscal year for the City Council.

2. Budget Presentation. During the month of May, the City Manager, authorized by the City Council to act as the Budget Officer, submits a proposed operating and capital budgets for all Governmental, Proprietary and Fiduciary Funds to the City Council for the subsequent fiscal year. The budget documents illustrate proposed financing sources along with the proposed operating and capital budget expenditures.

3. Budget Work Meetings. The City Council holds one or more public budget work meetings to review the proposed annual budget.

4. Budget Public Hearing. A public hearing is held to receive comments on all aspects of the proposed budget. A notice in the local newspaper precedes the hearing. The notice is given at least ten days before the hearing and includes the time, date and place of the hearing. All budget documents are required to be available at least seven days prior to the public hearing.

5. Budget Adoption. A final budget is adopted by the City Council for the subsequent fiscal year beginning July 1. Since city revenues are highly dependent upon the actions of the State Legislature, final budget adoption may be delayed in any given year until the Governor and State Legislature adopt a state budget.

**Figure 8
Annual Budget**

Annual Budget Event	Time	Comments
Department heads submit proposed operating and capital budgets, goals and performance standards to City Manager.	March 1	City Manager and Finance Director take information prepared by department heads and prepare the proposed budget for coming fiscal year.
City Manager presents proposed budget to City Council.	May	Proposed operating and capital budgets for all Accounting Funds is distributed to public, press and City Council. Copies are available for public review at City Hall and on City website.
City Council reviews budget in work meetings	May and June	City Council conducts reviews during work meetings.
Public Hearing	June	Public is invited to comment on proposed annual budget. City Council makes final budget changes. City Manager incorporates changes made by City Council into final budget document.
Budget Adoption by City Council	June 30	Final budget is adopted by the City Council. Since City revenues are highly dependent upon the actions of the State Legislature, final budget adoption may be delayed in any given year until state budget is adopted.

Investment Policies

Introduction

Investment policies and practices of the City of Beaumont are based upon state law, City ordinances, Generally Accepted Accounting Principles (GAAP), prudent money management principles and the “prudent person” standard (Civil Code Section 2261, et. seq.). The City has four primary goals in the investment of public Funds. They are:

- 1. Rate of Return.** Achieve a reasonable rate of return while minimizing the potential for capital losses arising from the changes or issuer default.
- 2. Daily Cash Flow.** Meet the daily cash flow needs of the City of Beaumont.
- 3. Compliance.** Comply with City ordinances and the laws of the State of California regarding the investment of public funds.
- 4. Investment Records.** Maintain accurate complete investment accounting records.
- 5. Financial Reports.** Prepare reliable financial reports of the investment portfolio for the City Manager, City Council and the public.

Scope

The City’s investment policies apply to all funds under the direct authority of the City of Beaumont. These funds include, but are not limited to, the City’s revenues associated with the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Debt Service Funds, Capital Project Funds, Private-Purpose Trust Funds, Agency Funds, proceeds from bond sales and any other funds the City’s control. .

Pooling of Funds

Except for cash in certain restricted and special funds, the City of Beaumont consolidates cash balances from all funds to maximize investment earnings. The City schedules its collection of receipts, deposits of funds and disbursements of monies to ensure maximum availability of cash for temporary investment purposes. Investment income is allocated to the various Funds based on their respective participation and in accordance with Generally Accepted Accounting Principles (GAAP).

Investment Objectives

The primary objectives (in order of priority) of the City investment activities are the safety of principal and preservation of capital, liquidity, and yield.

- 1. Safety of Principal and Preservation of Capital.** Safety of principal and preservation of capital are the foremost objectives of the investment program. Investments are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit risk and interest-rate risk.

A. Credit Risk. The City of Beaumont will minimize credit risk, the risk of loss due to the failure of the security issuer or backer by:

- (1) Limiting investments to the safest type of securities.
- (2) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with whom the City of Beaumont will do business.
- (3) Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

B. Interest Rate Risk. The City of Beaumont will minimize the risk that the market Value of securities in the portfolio will fall due to changes in general interest rates by:

- (1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- (2) Investing operating funds primarily in shorter-term securities or with State and local government investment pools.

2. Liquidity. The investment portfolio remains sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrently with the City's cash needs to meet anticipated demands (static liquidity). A portion of the portfolio also may be placed in money market mutual funds or Local Government Investment Pools (LGIP's) which offer either same-day or next-day liquidity. Furthermore, since all possible cash demands cannot be anticipated, the portfolio consists of largely of securities with active secondary or resale markets (dynamic liquidity).

3. Yield on Investments. The investment portfolio is designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs of the City. Return on investment is of secondary importance compared to the safety and preservation of capital and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to the maturity with the following exceptions:

A. Loss of Principal. A security with declining credit may be sold early to minimize loss of principal.

B. Security Swap. A security swap would improve the quality, yield, or target duration in the portfolio.

C. Liquidity. Liquidity needs of the portfolio require that the security be sold.

Standards of Care

1. Prudence. The standard of prudence used by investment officials is the "prudent" person standard (Civil Code Section 2261, et. seq.) and is applied in the context of management an overall investment portfolio. Investment officers acting in accordance with written procedures

and this overall investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and sale of securities are carried in accordance with the terms of this policy.

Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. Public Trust, Ethics and Conflicts of Interest. Investment officials recognize that the investment portfolio is subject to public review and evaluation. The overall program is designed and managed with a degree of professional that is worthy of the public trust.

Officers and employees involved in the investment process refrain from personal business activity that could be conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials disclose any material interest in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Beaumont.

3. Delegation of Authority. Authority to manage the City's investment program is granted to the City Manager and his or her designee, hereinafter referred to the "Investment Officer," Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with this investment policy.

Authorized Financial Dealers and Institutions

The City transacts business with banks and savings and loans, and with investment securities dealers in compliance with the City's investment policy. The Finance Division of the Administration Department will maintain a list of financial institutions authorized to provide investment services. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

1. Audited financial statements.
2. Proof of National Association of Securities Dealers (NASD) certification.
3. Proof of state registration.
4. Completed broker/dealer questionnaire.
5. Certification of having read and understood and agreeing to comply with the City of Beaumont's Investment Policy.

The City on an annual basis submits a copy of the current investment policy to all financial institutions approved to do business with the City. Confirmation of receipt of this policy is considered evidence that the dealer has read and understands the City's investment policy and will recommend and executive only transactions suitable for and in compliance with the City's Investment Policy.

In selecting financial institutions for deposit or investment of City funds, the creditworthiness of the institutions will be considered. The City will continue to monitor financial institution's credit characteristics and financial history throughout the period in which City funds are deposited or invested. The City is authorized by the City Council to conduct investment transactions with the following institutions.

1. State of California Government. Office of the State Treasurer, Local Agency Investment Fund (LAIF).

2. Banks. Citibank and Bank of Hemet.

Authorized Financial Dealers and Institutions

The City is authorized by California Government Code Section 53600, *et seq.* to invest in specific types of securities. Section 43601 of the Government Code sets limits on the type investments that may be in the City portfolio.

- 30% in Medium-Term Notes
- 40% in Negotiable Certificates of Deposit.
- 40% in in Bankers Acceptance Notes, not to exceed 180 days in maturity.
- 30% in Commercial Paper, not to exceed 270 days.
- 100% in U.S. Government Treasury Obligations.
- 100% in U.S. Government Agency Debt Issues.
- 100% in Pass-Book Savings Deposits.

The City Council may establish further limits on the types of securities in which the City may invest its idle cash, Any investment security (except investment of bond proceeds as explained in the next section) not listed below is not a valid investment for the City of Beaumont.

1. Local Agency Investment Fund (LAIF) Investments. LAIF is a special fund of the State of California Treasury that local agencies may use to deposit funds for investment. Investments by the State Treasurer for City funds in LAIF are authorized by the City Council. State law prohibits LAIF from impounding any depositor's funds and prohibits the fund from ever declaring bankruptcy. Total investments of any one public agency in LAIF may not exceed \$20 million. Public entities are limited to 15 transactions per month per account. A minimum Transaction is \$10,000.

2. United States Debt Obligation. These investments would include U.S. Government direct obligations such as Treasury bills, bonds, notes and other certificates of indebtedness where the full faith and credit of the United States are pledged for payment of principal and interest.

3. United States Government Debt Obligations. These investments include obligations, participations or other instruments of, or issued by, a Federal Agency or a United States government-Credit Bank (FFCB) or other obligations or other instruments issued by, or fully guaranteed as to principal and by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association (FNMA). While these U.S. Government debt issues are not backed by the full faith and credit of the United States, they do in fact have defacto backing from the Federal Government, and it would be most unlikely that the government would let any of these agencies default on its obligations.

4. Repurchase Agreements. These agreements would be limited to U.S. Government or its authorized Agencies' securities described in Number 2 and Number 3 above, provided that they are held less than a year.

5. Certificates of Deposit. A Certificate of Deposit is a time deposit with a specific maturity evidenced by a certificate. Certificates of Deposit must be issued through financial institutions insured by the Federal Deposit Insurance Corporation (FDIC), a federal agency of the United States Government that insures bank deposits up to \$100,000 per account.

6. Pass Book Savings Account Demand Deposit. Savings accounts are approved by the Beaumont City Council provided they are maintained only with banks and savings and loan institutions which are insured by the Federal Deposit Insurance Corporation (FDIC), a federal agency of the United States Government that insures bank deposits up to \$100,000 per account.

7. Overnight Repurchase Agreements. The City is authorized by the City Council to set up a "sweep account" and to enter into an overnight repurchase agreement with an authorized bank to sweep cash from its checking accounts and other appropriate accounts to earn overnight interest on funds in these funds.

8. Zero Coupon Bonds. Zero Coupon Bonds may be purchased only for the purposes of bond defeasance.

Investment of Bond Proceeds

The City directs the investment of proceeds in bonds or similar debt instruments issued as instructed in the bond indenture or similar investment documents. Securities authorized by the bond indenture or similar investment documents that are not authorized by the City's Investment Policy will be considered approved when the bond indenture or similar investment document is approved by the City Council. Bond reserve funds, escrow funds and any funds approved by the City Council may be invested in securities with maturity limits of five years or an appropriate longer period.

Investment Parameters

1. Diversification. Other than funds invested in U.S. Government debt obligations and the State of California Local Agency Investment Fund (LAIF), the City's remaining investment portfolio is diversified to avoid incurring unreasonable and avoidable risk regarding specific security types of individual financial institutions. Diversification is dividing investment funds among a variety of securities offering independent returns. LAIF is a special fund in the State Treasury which local agencies may use to deposit funds for investment. State law prohibits LAIF from impounding any depositor's funds and prohibits the fund from declaring bankruptcy.

2. Maximum Maturities. Section 53601 of the California Government Code allows the investment of City surplus funds in specific types of securities provided that, at the time of investment, the securities have a maturity date of five years or less, unless the legislative body has granted express authority to make that investment either specifically or as part of the Investment Policy approved by the legislative body, no less than three months prior to the investment. It is herein authorized as part of the current investment policy to invest in securities with an estimated average life of five years, but only when authorized by the City Council no

less than three months prior to the investment.

3. Risk Tolerance. The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary liquidity. Portfolio diversification is employed as a way to control risk. The City displays prudence in the selection of securities as a way to minimize default risk. No individual investment transaction is undertaken which jeopardizes the total capital position of the overall portfolio. Funds invested in LAIF are considered consistent with this policy. In accordance with Governmental Accounting Standards Board Statement No. 3, the City's investment risk is divided into three categories:

A. Category 1. Securities that are insured and registered or securities held by the entity or its agent in the City's name.

B. Category 2. Securities that are uninsured and unregistered with securities held by the counter party, or by its trust department or agent, but not in the entity's name. This includes the portion of the carrying amount of any underlying securities.

C. Category 3. Securities that are uninsured or unregistered with securities held by the counter party, or by its trust department or agent, but not in the entity's name. This includes the portion of the Carrying amount of any underlying securities.

4. Equal Opportunity. The City does not knowingly invest funds in an institution that practices or supports, directly or indirectly through its actions, discrimination based on race, religion, color, creed, nationality or ethnic origin, age, sex or disability.

5. Prohibited Investment Activities. This policy specifically prohibits trading securities for the sole purpose of speculating on the future direction of interest rates. It further prohibits investing in common stocks, using reverse repurchase agreements, use of derivative products, buying mortgage derived interest only strips, purchasing investments using margin accounts and/or leveraging of the City's investment portfolio.

Collateralization

Collateralization will be required on two types of investments: certificates of deposit and sweep checking accounts. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest.

The City chooses to limit collateral to the following: certificates of deposit and sweep checking accounts held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

Safekeeping and Custody

1. Custody. To protect against potential losses by the collapse of individual securities dealers, all securities owned by the City shall be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of a custody agreement executed by the bank and the City. No outside broker/dealer or advisor may have access to the City funds, accounts or investments, and any transfer of funds to or through an outside broker/dealer must be approved by the City Council.

2. Internal Control. A system of internal controls has been established to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or unanticipated changes in financial markets. Internal controls deemed most important include control of collusion, separation of transaction authority from accounting and record keeping, custodial safekeeping, avoid of physical delivery of securities, clear delegation of authority to subordinate staff members, written confirmation of transactions for investments and wire transfers and development of a wire transfer agreement with the lead bank and third-party custodian.

3. Delivery vs. Payment. All trades where applicable executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities are held by a third-party custodian as evidenced by safekeeping receipts.

Reporting

In accordance with Government Code Section 53646(8)(1), the City Treasurer shall submit to each member of the City Council a quarterly report. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for the City of Beaumont by third party contract managers. The report will also include the source of the portfolio valuation. As specified in Government Code 53646(e), if all funds are placed in the Local Agency Investment Fund (LAIF), FDIC insured accounts and/or county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been in full compliance with the investment policy, and, (2) the City of Beaumont will meet its expenditures obligations for the next six (6) months.

Investment Policy Adoption and Review

The City's independent certified public accountants annually review and make recommendations regarding the City's investment policies to the City Manager and City Council. In accordance with Senate Bill 564 and Senate Bill 866, effective January 1, 1996, the City staff brings forward each year the City's Investment Policy for review by the City Council.

Fixed Asset Policies

Introduction

The City of Beaumont's fixed asset policies are intended to provide specific guidance for determining which fixed assets are subject to separate accounting and reporting (i.e. capitalization). They also outline the procedures to define fixed assets and establish guidelines for their purchase, use, accountancy, inventory, transferring and disposal.

Purpose

The City's fixed asset policies and procedures are established in accordance with Generally Accepted Accounting Principles (GAAP) and statements issued by the Government Accounting Standards Board (GASB). The objectives of the City's fixed asset policies are to:

- 1. Appropriate Use and Control.** Ensure that there is adequate control and appropriate use of the City's fixed assets for the delivery of municipal services and for the protection of the health, safety and welfare of the community.
- 2. Safeguarding and Preservation.** Carry out the City's fiduciary responsibility to establish systems and procedures to protect its fixed assets acquired with taxpayer resources from loss, theft, misplacement or inappropriate use.
- 3. Accounting and Financial Reporting.** Accurately account for and report fixed assets in financial reports issued to external reporting agencies, financial institutions, bond trustees, granting agencies and the public.

Scope

The City's fixed asset policies apply to all personnel, departments, divisions and offices of the City government as well as all associated accounting funds under the direct authority of the City of Beaumont. These accounting funds include, but are not limited to, the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Debt Service Funds, Capital Projects Funds, Private-Purpose Trust Funds and Agency Trust Funds. These fixed asset policies are also applicable to the City's blended component unit including the Successor Agency to the Beaumont Redevelopment Agency and Beaumont Public Financing Authority.

Responsibility

The Finance Department is responsible for establishing systems and procedures so that the purposes of these policies are implemented and ensure that fixed assets are identified, processed, tracked, inventoried and appropriately reported by fund and asset category. Department Heads and Division Managers are responsible to ensure that proper budgeting and purchasing guidelines are followed, and to ensure that fixed assets are adequately controlled, safeguarded, preserved, and used only for appropriate City purposes.

Definitions

The City of Beaumont will apply the following definitions to its fixed asset policies and procedures.

1. Buildings. Structures of a fixed or semi-fixed nature, which provide shelter and/or create interior space. Buildings also include picnic shelters, storage sheds and restrooms.

2. Construction in Progress. Assets that are being built that are not usable at the end of the fiscal year, such as an incomplete building, waterline, sewer line, storm drain line, street, road, traffic signal, or other public improvement or infrastructure.

3. Capital Expenditure. A capital expenditure is an outlay for fixed assets, including land, building, machinery, equipment, construction in progress, design in progress, improvements and infrastructure with an original cost of \$5,000 or more.

4. Design in Progress. Capital improvement projects that are in planning or the design stage. The expenditure of these projects is capitalized at year-end if the design has exceeded \$5,000.

5. Equipment. Moveable personal property with a useful life of more than one year and a value of \$1,000 or more. Such items as furniture, machines, tools, vehicles, and computers are included in this category.

6. Fixed Asset. Tangible and intangible property owned by the City with a value of \$5,000 or more and a useful life of at least one year.

7. Improvements. Physical property of a fixed nature that is added (affixed) to land or buildings. These assets include ground improvements, sidewalks, driveways, landscaping, sprinklers, fences, parking lots, etc. Building improvements include such items as carpeting, air conditioning systems or improvements through remodeling.

8. Infrastructure. Includes bridges, traffic signals, streets, roads, curbs, gutters, sidewalks, water lines, sewer lines and storm drain lines.

9. Intangibles. Items such as software (not replacement or upgrades).

10. Land. Includes the investment in real property or the ownership of ground space such as parcels, easements, and rights-of-way.

11. Streets and Roads. Includes all streets and roads that have pavement as well as curb, gutter and sidewalk.

12. Street Drainages. Includes storm drainage piping and manholes underneath streets and roads.

13. Traffic Signals. All traffic lighting systems that control traffic.

14. Vehicles. All vehicles and rolling stock equipment that are maintained by the Public Works Department or Community Services Department.

Capital Expenditure Definition and Capitalization Policy (Accounting and Financial Reporting)

Capital Expenditures for fixed assets, including land, buildings, machinery, equipment, construction in progress, design in progress, improvements and infrastructure with an original cost of \$5,000 or more, will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction of the asset are part of the capitalization threshold including ancillary costs such as freight, transportation charges, site preparation expenditures, professional fees, warranties, taxes and legal claims directly attributable to the asset acquisition. Specific capitalization guidelines are described:

1. Capitalization Threshold. An exception to the \$5,000 threshold is land and some infrastructure. All costs associated with the purchase or acquisition of land parcels, rights-of-way, or easements, are capitalized, regardless of cost.

2. Individual Units of Fixed Assets. The \$5,000 capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased through a single purchase order, each costing \$1,000, will not qualify for capitalization even though the total (\$10,000) exceeds the capitalization threshold of \$5,000.

3. Fixed Asset Components. For the purpose of capitalization, the threshold will generally not apply to components of fixed assets. For example, a keyboard, monitor and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.

4. Grants. Any asset required to be controlled and separately reported pursuant to grant conditions or any other externally imposed reporting requirement, will be capitalized, regardless of cost. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant-funded asset.

5. Dedications and Donations. When an asset is acquired through dedications, donations, developer funding, or in-lieu of fees, the asset will be recorded at its estimated fair market value at the date of acquisition, as determined by the appropriate City department using an appropriate method to determine value.

6. Repairs and Maintenance. Repairs to existing fixed assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case, the repair represents an improvement and is subject to the capitalization requirements described below.

7. Improvements. Improvements to existing fixed assets will be presumed (by definition) to extend the useful life of the related fixed assets, and therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold. Therefore, an improvement to a fixed asset that had an original cost of less than \$5,000, but now exceeds the threshold as a result of the improvement, should be combined as a single asset at the total cost (original cost plus the cost of the improvement) and capitalized.

8. Capital Projects. Capital projects will be capitalized as “design in progress” or “construction in progress” until completed. The costs associated with the capital project include direct costs, such as labor and materials, as well as indirect and ancillary costs.

Capitalization Valuations

The objective fixed asset accounting is to account for the City's historical acquisition cost, not present market or replacement values of City fixed assets. Therefore, fixed assets are valued at historical cost. In those instances where historical costs are not available, fixed assets are valued at estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. In valuating fixed assets the following guidelines are used.

- 1. Buildings.** Costs include all expenditures in connection with their acquisition such as purchase price or construction cost, fixtures attached to the structure, architect's fees, engineering fees, and insurance during construction.
- 2. Construction in Progress.** Assets are recorded in the same manner as assets acquired by purchase or construction contract. Costs that are capitalized are service charges, materials, and architects and engineering payments and retentions.
- 3. Design in Progress.** Costs that are capitalized include service charges, materials and architects and engineering payments and retentions.
- 4. Equipment.** Costs include all expenditures including the purchase price (before trade-in allowance) freight charges, taxes and installation costs.
- 5. Improvements.** Costs include all expenditures in connection with their acquisition such as purchase price or construction costs, materials costs, installation costs, fixtures, architect's fees, engineering fees, freight charges, taxes and insurance during construction.
- 6. Infrastructure.** Costs include all expenditures in connection with their construction including labor costs, material costs, installation costs, engineering fees, freight charges, sales taxes and insurance during construction.
- 7. Land.** Costs include all expenditures in connection with land acquisition such as purchase price, appraisal fees, title policy fees, demolition, site clearance, etc.
- 8. Street Drainage.** Costs include all expenditures in connection with their construction including materials costs, installation costs, engineering fees, freight charges, sales taxes and insurance during construction.
- 9. Streets and Roads.** Costs include all expenditures in connection with their construction including material costs, installation costs, engineering fees and insurance during construction.
- 10. Traffic Signals.** Costs include purchase price, freight charges, taxes and installation charges.
- 11. Vehicles.** Costs include purchase price, sales tax, freight charges and installation costs.

Depreciation

- 1. Principles and Guidelines.** The purpose of depreciation is to spread the cost of fixed assets equitably among all users over the life of these assets. The amount charged to

depreciation expense each year represents that year's pro rata share of the cost of the fixed asset.

General Accounting Standards Board (GASB) Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures for these assets are expensed, unless they are additions or improvements.

Except for streets and roads covered by the "modified approach," depreciation is booked on fixed assets. Depreciation of all fixed assets is charged as an expense against operations each year. The total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the fixed assets.

Depreciation is used solely in Proprietary Fund Types. Depreciation is important in these funds because it is included as an operational expense of these funds. Unlike Governmental Fund Types, fixed assets are reported in the balance sheet accounts of each Proprietary Fund. The use of these assets over a period of time is charged as a depreciation expense.

2. Depreciation Method. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

3. Estimated Useful Life. The estimated useful life of an asset will vary depending on the type of fixed asset that is being depreciated. The useful life for various fixed assets are indicated below:

Buildings	40-50 Years
Infrastructure	40-50 Years
Street Drainage	40-50 Years
Curb, Gutter and Sidewalk	40 Years
Traffic Signals	20 Years
Furniture, Fixtures & Vehicles	4-5 Years
Machinery and Equipment	2-20 Years

Inventory Control Policy

1. Inventory Control Criteria. Inventory control is applied only to movable fixed assets and not to land, buildings or other immovable fixed assets. Fixed assets subject to inventory control will be accounted for and controlled through the same systems and procedures used to account and control fixed assets subject to capitalization. Fixed assets will be subject to inventory control if they meet at least one of the following criteria:

- A. The fixed asset has a useful life that exceeds one year.
- B. The original cost of the fixed asset is equal to or greater than \$5,000.
- C. Any asset less than \$5,000 as requested from a department. This may include certain machinery and equipment that, due to their portability,

character or value outside of the office are susceptible to loss, theft, misplacement or borrowing. It may also include any asset that has been requested by a department to be controlled in order to satisfy an internal (operational) or external federal or state regulatory requirement.

D. Any asset required to be controlled and separately reported pursuant to grant conditions or any other externally imposed reporting requirement. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant funded asset.

2. Annual Review and Certification. Each Department Head holds ultimate responsibility for safeguarding their fixed assets against theft or loss. At the end of each fiscal year, the Financial Services Department will forward to each department a listing of their fixed assets for review and certification. It is the responsibility of the Department Head to verify and certify the accuracy of the information contained on that report. Any discrepancies must be reported to the Finance Division.

3. Fixed Asset Report. All departments involved in the construction or dedication of improvements or infrastructure assets must complete a fixed asset report when filing a Notice of Completion or Acceptance. The report must be forwarded to the Finance Department for inclusion in the City's fixed asset data base and the City's engineers for inclusion on the City's Geographic Information Systems (GIS) data base.

4. Transfers of Fixed Asset. Requests for transfers of fixed assets will be in writing and submitted to the Finance Division and City Manager for approval. The Finance Department will be responsible for making the appropriate transfers on the City's computerized Fixed Asset data base and keeping a file of all transfers.

Disposal of Fixed Assets

1. Disposal Authority. No fixed assets may be disposed of without the approval of the City Council or the City Manager and Finance Department. Disposal of all land and buildings and all other fixed assets with a value of over \$5,000 must have City Council approval. If it is determined that the fixed assets sold as a unit has a value less than \$5,000, the property may be disposed of in a manner approved by the Department Head, Finance Department and the City Manager. Fixed assets will only be disposed of after checking with other City departments to see if they can use the property.

2. Disposal Value. It is the responsibility of each department to appraise fixed assets designated as surplus prior to sale.

3. Disposal Methods. Fixed Assets may be disposed of in the following ways:

- A. Sealed bids after at least three public notices have been published in the newspaper.
- B. Public auction after at least three notices have been published in the newspaper.
- C. Traded in to reduce the purchase price of a new replacement for a fixed asset.
- D. Taken to a federal or state surplus property facility and sold through that facility.

E. Sold or donated to another government agency.

F. Recycled and disposed of as junk to a landfill or other appropriate waste removal facility.

G. Other method approved by the City Council or the City Manager where it is believed that the highest price can be obtained for the fixed asset. The City Council or City Manager will determine the most appropriate method of disposing of fixed assets.

4. Proceeds from Sales and Auctions. All proceeds from the sale of fixed assets will be allocated to the City's General Fund unless the property was originally purchased with monies from a specific City Accounting Fund, in which case, the proceeds will be returned to that specific Accounting Fund.



Beaumont High School Football Team

Capital Improvement Project Policies

New Construction

New residential, commercial and industrial developments must be approved by the City Engineer and be fully completed before acceptance by the City. The City requires surety bonds or stand-by letters of credit in a form approved by the City Attorney to guarantee the construction of off-site improvements in all new developments. The improvements that must be installed in each development are water lines, flood control facilities, underground electrical lines, underground telephone lines, underground natural gas lines, underground cable television lines, curbs, gutters, sidewalks and a finished street, with enough road base and asphalt depth to last at least 15 years. Construction standards to achieve this useful life have been determined and adopted by the City Council.

Capital Project Funding and Construction Categories

Beaumont capital projects may be divided into four categories. They are current-year funded projects, Five-Year Capital Improvements Plan (CIP) projects, planned, but unfunded projects, and unfunded future needs projects.

1. Category 1 Projects: Current -Year Funded Projects. This category includes projects that funding has been appropriated in the current fiscal year's capital budgets and legal contracts have been signed to commit these funds. The City Council has determined through the annual budgeting process that these projects are in the best interest of the public's health, safety and welfare. These projects have been carefully planned to maximize the benefits derived through the use of the City's limited resources. Projects that generate future revenues that will fund future services and projects and benefit the entire community will receive first priority for funding.

2. Category 2 Projects: Five-Year Capital Improvement Plan (CIP) Projects. This category includes projects where funding will come from projected revenues in the second through fifth year of the Five-Year Capital Improvements Plan (CIP). The fiscal year in which anticipated funding has been reserved may change due to the available revenues. All projects in this category must be tied to a projected funding source.

3. Category 3 Projects: Planned but Unfunded Projects. This category includes projects that are planned and required to maintain established levels of services throughout the City for the existing population. Typically these projects are needed as a result of deteriorating infrastructure, updates to various General Plan Elements, or are in areas where minimum levels of service are not currently being met. These projects are not intended to promote residential growth, but to sustain municipal services for the existing residents. If a funding source becomes available, a project in this category may be moved to a Category 2 Project.

4. Category 4 Projects: Unfunded Future Needs Projects. Projects under this category are a condition of future growth and will generally be included in undeveloped areas. It is the intent of the City that development should pay for public improvements to meet established minimum levels of service. In this category, projects are not anticipated to be upgraded to a higher category without revenue generating potential.

Capital Project Financing

Capital improvements and equipment purchases are financed in accordance with the following policies:

1. General Fund and Enterprise Fund Equipment Purchases. City departments within the General Fund will finance equipment purchases from current year appropriations. Multi-year equipment lease-purchase agreements will be avoided except in the most rare of cases.

2. General Infrastructure Construction Projects. Capital projects for general governmental purposes such as land purchases, building construction, road construction, street paving, storm drain installation and other major improvements are financed from revenues allocated to the General Capital Projects Fund. The General Capital Projects Fund contains revenues from unrestricted sources as well as restricted sources such as development impact fees or federal, state and county grants. Major capital improvements that cannot be delayed until the required funds are accumulated may be financed by issuing general obligation bonds, revenue bonds (where permissible), or by a combination of any of these methods.

3. Enterprise Fund Construction Projects. All capital projects in the Enterprise Funds are paid from resources provided by development impact fees, contributed capital revenues and net income from operations. If these sources cannot provide sufficient resources for Enterprise Fund improvements, construction of these improvements may be financed by general obligation bonds, revenue bonds or by a combination of any of these methods.

4. Special Assessment Districts. Capital improvements or public services that benefit a given area may be financed in accordance with state law by special assessment districts. These districts are established where the majority of the residents or businesses want specific improvements or public services and consent to pay for them over time. In these cases the City finances the specific capital improvements with bonds and public services through a special tax or special annual assessment. Property owners then pay the principal and interest for capital improvements over a designated time period.

Five-Year Capital Improvements Plan

The Five-Year Capital Improvements Plan (CIP) is a multi-year guide to the construction of community improvements such as roads, storm drains, curbs, gutters, sidewalks, water facilities, sewer facilities, storm drainage facilities and other needed City improvements. It is through this process that the long-range plan for the orderly maintenance and improvement of Beaumont physical fixed assets can be accomplished. This document is intended to serve as a planning tool and is structured to present a meaningful perspective of the community's long-range needs.

The Five-Year Capital Improvements Plan (CIP) determines the budgeted capital projects for the current fiscal year only. There are no specific appropriations established via the adoption of the Five-Year Capital Improvements Plan (CIP) with the exception of the current fiscal year. Subsequent year appropriations and actual funding sources are identified as part of the preparation of the annual budget.

Utility Coordination

All capital construction and maintenance projects are coordinated with Southern California Edison, The Gas Company, Time-Warner Communications, Beaumont Water District and other utilities. This saves Beaumont residents money and will avoid tearing out improvements after they have been installed.

Five-Year Capital Improvements Plan (CIP) Preparation

Each department is asked every year to identify potential capital projects and their estimated cost. Financial forecasts of the General Fund, Special Revenue Funds and Enterprise Funds are then prepared to identify what monies will be available for future projects. Projects that cannot be funded from money generated through the general course of business must be financed with development impact fees, grants, bonds or must be postponed or cancelled.

During the City Council budget work sessions, potential capital projects are discussed enabling the City Council to review staff recommended projects and make any necessary changes. When consensus is reached on the capital projects and proposed funding sources, the staff will prepare a formal Five-Year Capital Improvement Plan (CIP) document that will be presented to the City Council. The adoption of this document commits the City Council to spend money on projects listed in the current fiscal year only.

The City can face significant changes in economic conditions, funding sources and political priorities every year. Therefore, the Five-Year Capital Improvements Plan (CIP) must be annually updated.

Capital Project Priority Criteria

Capital projects are prioritized using revenue generating and cost avoidance considerations; health, safety and welfare considerations; level of service considerations; maintenance considerations; aesthetic considerations; and leverage and timing considerations.

1. Revenue Generating and Cost Avoidance Considerations. Projects that enhance revenues or reduce costs will be given first priority in order to improve the financial position of the City and enhance the ability to do future projects or deliver high levels of municipal services. New commercial, residential and industrial development must pay for its infrastructure either by constructing these items or paying impact fees.

2. Health, Safety and Welfare Considerations. One of the primary purposes of government is to provide for the health, safety and welfare of its citizens. The City must provide safe drinking water, safe streets, safe sidewalks as well as adequate police protection, solid waste disposal, and storm water disposal and treatment of municipal sewage.

3. Level-of-Service Considerations. Many older City developments were constructed decades ago and many newer developments do not meet minimum levels of service as established by the federal government, state government, County government or generally accepted engineering standards.

4. Maintenance Considerations. All public improvements must be maintained after the construction is completed. Maintenance staffing and equipment are critical elements that must be considered in project prioritization and must be funded on an on-going basis with revenue sources other than capital improvement funding. The nature of some projects may cause a reduction in maintenance.

5. Aesthetic Considerations. Community appearance and aesthetics are important elements in the quality of life in the community. City aesthetics and appearance helps attract new residential, commercial and industrial developments to the City. Beaumont has buildings and public infrastructure that need to be replaced and upgraded to create a more attractive community.

6. Leverage and Timing Considerations. Projects that may be funded by entitlement grants or competitive grants from the federal, state and county governments will be considered based on the availability of funds and the requirements of the granting agency. In addition, the City Council may accelerate capital projects where the City has the opportunity to participate in partnership with other public or private entities or where timing is critical or funding may be lost.



SECTION 5

FEDERAL AND STATE ECONOMIC AND LEGAL ENVIRONMENT



Historic Beaumont, California in 1880's

Federal Economic Environment

Beaumont is faced with many challenges brought on by events outside the City limits and beyond the control of the City Manager and City Council. The national economy, state economy, as well as Federal and State governmental laws, court cases, regulations and State budget, will continue to have a huge influence on the City of Beaumont.



Since the passage of Proposition 13 in 1978, there has been a trend toward increasing centralization of political power in Sacramento, decreasing financial control by city governments, and loss of home rule for cities and counties. These trends will continue in FY2017 and beyond.

Over the last decade, State government has added to local government's fiscal stress by its decision to mandate unfunded City obligations, reduce state assistance and eliminate local revenue sources, as epitomized by California's termination of Redevelopment Agencies on February 1, 2012.

Gross National Product (GDP).

The U.S. economy is poised to pick up its pace in the second half of the year. But overall, the **GDP will expand more slowly at around 2% for 2016, down from 2.4% last year.** The quarterly growth GNP was revised up to a weak 0.8% pace, but should rebound in the second quarter and rise by at least 2%, before expanding at a 3% rate in the last six months of the year. The second-half economic growth should guarantee a better 2017 growth rate.

Consumer spending, which accounts for about 70% of spending, will be the main engine for growth.

Continuing gains in jobs and wages will fuel strong boosts in disposable income, enticing consumers to open their wallets after months of paying down various debts and hiking their savings rate.

Spending by consumers, in turn, will spark more

home sales, buoying the housing market. Leisure and hospitality businesses will also hear their cash registers ringing more. Other positives include more government spending, a steady increase in business investment and increased lending by banks.

The economy still faces headwinds. Though oil prices are higher than they were six months ago, the energy sector will not show much new life until next year. The strong dollar will continue to dampen the

Figure 9
National Economy at a Glance

GDP:

2% growth for year, down from 2.4% in 2015.

Interest Rates:

10- year Treasury Notes at 2.1% and Mortgages at 3.6% by the end of the year.

Business Spending:

4% gain in 2016, after drop in 2015.

Trade Deficit:

Trade deficit widening in 2016, after 6.2% increase in 2015.

Housing Sales:

Housing prices up 5% on average in major metropolitan areas.

Inflation:

2.4% for 2016, up from 0.7% in 2015.

Employment:

Unemployment falling to 4.7% by end of 2016. Wage growth up from 2.5% to 3%.

Energy:

Crude oil trading at \$40-\$45 per barrel. Natural gas selling at \$2 per MMBtu.

Retail Sales:

4.2% in 2016, down from 4.7% in 2015 (excluding gasoline)

outlook for firms that make and export products for sale abroad.²

Employment

Job growth will weaken from about of 200,000 a month to about 150,000 a month by the end of the year. Some sectors of the economy, such as the retail establishments and restaurants, appear due for a slow down after strong growth over the past several months. In addition, as the labor market tightens, it is becoming more difficult for tech companies and other firms looking for skilled help to find the qualified workers they need, so vacancies are going unfilled.

May's job growth was a dismal gain of 38,000 jobs. It comes after the Federal Government revised March's job gain to 186,000 jobs and April's job growth to 123,000. Many economists think that the decline in job growth is an indication that the economy is slowing. However, a **good sign for the economy is that hiring continues to be strong in health care and in professional and technical services.** Job losses in May were in mining, manufacturing, temporary help, construction, and wholesale trade. The numbers also showed a weakening in business services.

The unemployment rate has gone down from 5% to 4.7%— mostly the result of a large group of unemployed workers dropping out of the labor force instead of finding jobs. It is anticipated that the unemployment rate to end the year at 4.7%. Wage gains are not slowing down. The average hourly earnings grew 2.5% over the twelve months ending in May. As the labor market tightens further, **wage growth will strengthen to a 3% rate by the end of 2016.** Hiring and wage gains also spur consumer confidence and spending.

The low job creation numbers in May will keep the Federal Reserve from raising rates until at least September. The bankers will want to see the economic data in June and July before they decide to raise rates.³



Interest Rates

There will only be one interest rate hike this year by the Federal Reserve, in either late July or December, if there is positive employment and other economic data. With the weak economic momentum in the U.S. and abroad, the Federal Reserve will not likely have enough evidence of forward economic momentum to justify a rate hike at its June meeting. The Federal Reserve is also concerned that Britain will vote on June 23 to leave the European Union. A vote to leave would surely cause unrest in the global economy and financial markets.

Since the Federal Reserve tries to stay out of presidential election politics, it is unlikely that they will even consider acting on rates at meetings in September and early November, with the campaigning in full swing.

² David Payne, Kiplinger's Economic Outlook, Kiplinger.com, May 27, 2016,

³ David Payne, Kiplinger's Economic Outlook, Kiplinger.com, June 3, 2016.

That leaves just the July or December meetings as the most viable options for raising rates. If the economy starts picking up momentum sooner rather than later, then July would be the month. If not, then December looks more likely. (It is Possible, though much less likely, are rate increases at both meetings.) Until the first rate hike, interest rates to remain very low, with the 10-year Treasury note yielding about 1.8%. Any fresh economic upheaval, such as Britain's exit from the European Union, could drive rates even lower. The U.S. dollar remains the world's safe haven currency.

The Federal Reserve will also back off its previous vow to stop replacing maturing securities among its \$4.5-trillion portfolio following its quarter-point hike in short-term rates this past December. It is likely that the Federal Reserve will wait until 2017 to stop replacing maturing securities. Since 41% of its portfolio is in mortgage-backed securities, delaying the move should be beneficial for mortgage rates this year.

By the end of 2016, the 10-year Treasury bond rate will be at 2.1% versus 1.7% now, and the 30-year mortgage rate at 3.9%, from 3.6%.

There will likely be more frequent interest rate increases in 2017. Eventually, the Fed will realize that it's not getting very far in "normalizing" short-term interest rates back to the 3% level, and it will mull accelerating hikes once it appears safe to do so in light of an improving economy. Moreover, growing tightness in the labor market in the form of a very low unemployment rate and the beginnings of wage pressures will cause inflation expectations to rise, boosting the drive for higher interest rates.⁴

Inflation

Consumer prices will continue to trend upward modestly in the wake of their April rebound from an earlier slowdown. **Total inflation is still on track to run at 2.4% over the 12 months of 2016.** The end of sharp declines in energy prices will help to restore overall inflation to more normal levels this year. Gasoline prices now average \$2.33 a gallon after ending last year below \$2.

Core inflation, which excludes food and energy, will also rise about 2.4% in 2016, slightly above the 2.1% pace posted in 2015. Medical care prices will increase to 3.6% in 2016, up from 3% in 2015, and housing costs will increase 3.3% from 3.2%. The Federal Reserve considers the core rate a more reliable indicator of future inflation than the overall index, since food and energy prices tend to be heavily influenced by factors other than just the strength of the economy. The Fed also emphasizes increases in prices of nonenergy services (within the core inflation rate), currently running at 3%, since it views price declines in goods as temporary. A steady upward trend in the core inflation rate will likely spur the Fed to raise interest rates at least once this year, in spite of ultralow rates in Europe and Japan.

Food prices to go up by about 1.4% overall, a modest increase from 0.8% in 2015. The still relatively strong value of the U.S. dollar will hold down the costs of imported food. Meat, egg and milk prices should remain moderate for a while as production ramps up in light of various viruses having run their course and the drought easing a bit. Any new bird flu strain could lead to a hike in egg and turkey prices, though the only outbreak so far in Indiana has been stopped.

Stiff price competition globally will keep prices of commodities and goods overall fairly flat in coming months. However, prices for services in general will rise above 3% this year. The strong rental housing market will keep rents going up at a robust pace of 3% to 4%--strongest in the Northeast and urban areas of the West. Day care costs will rise 3.5% as more parents find jobs and need someone to watch the kids. College tuition will climb about 3.5%, higher than inflation. But prescription drug price increases should

⁴ David Payne, Kiplinger's Economic Outlook, Kiplinger.com, May 13, 2016.

Figure 10
Changes in the Consumer Price Index (CPI)

CONSUMER PRICE INDEX

ALL URBAN CONSUMERS (1982-1984=100)

Source: U.S. Bureau of Labor Statistics

To figure the percentage increase between any two months: Subtract the index for the earlier month from that of the later month. Divide that number by the index for the earlier month. Then multiply by 100 by moving the decimal two places to the right.

Year	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Dec.-Dec. Increase
1985	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3	3.8%
1986	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5	1.1%
1987	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4	4.4%
1988	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5	4.4%
1989	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1	4.6%
1990	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8	6.1%
1991	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9	3.1%
1992	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9	2.9%
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8	2.7%
1994	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7	2.7%
1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5	2.5%
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6	3.3%
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	1.7%
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	1.6%
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	2.7%
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	3.4%
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	1.6%
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9	2.4%
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3	1.9%
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	3.3%
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	3.4%
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	2.5%
2007	202.4	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	4.1%
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	0.1%
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	2.7%
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	1.5%
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	3.0%
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	1.7%
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	1.5%
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	0.8%
2015	233.707	234.722											

The Kiplinger Letter

The Kiplinger Washington Editors

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<http://www.kiplinger.com>

slow because of competition from cheaper imports, though they are likely to still rise at a faster rate than overall inflation.⁵

Business Spending.

The nation's manufacturing sector is enduring tough times this year as it copes with soft overseas demand, a relatively strong dollar and reduced investment in energy products. Many companies are putting investment plans on hold or paring them back as they gauge the outlook for demand after weaker first-quarter economic growth and earnings, hoping for a pickup as the year wears on.

Key overseas economies such China are slowing, while Brazil and other countries have slipped into recession, sapping the potential for exports. While the dollar has eased modestly this year against other major trade currencies, it remains well above levels of a year ago. The strong dollar has the double-edged impact of making U.S.-produced goods more expensive in foreign markets while drawing in a larger volume of imports.

April orders for new durable goods were not encouraging. Orders for nondefense capital goods excluding aircraft, a proxy for business investment, dropped for a third month in a row, to a five-year low of \$62.4 billion. But a surge in demand for new commercial aircraft helped drive overall orders up by 3.4% from March levels. Shipments of new motor vehicles and parts, a measure of current demand, climbed by 3.3%, while new orders rose 2.9%. That still leaves large sections of the durable goods world — from machinery makers to producers of computers and communications equipment — asleep at the switch well into the year.

It's not entirely gloom and doom, since GDP growth is expected to pick up in the second quarter, from about 1% in the first three months of the year. A few sectors, notably transportation, have continued to grow strongly. **There will be a modest 4% gain in new-equipment purchases for calendar 2016.** This prediction is based upon stronger second-half spending, as built-up inventories are whittled down enough to create room for companies to invest in new materials and equipment to churn out more goods. There also is evidence in other measures of manufacturing that business will pick up modestly. The Institute for Supply Management's index of manufacturing activity rose in April and May after contracting earlier in the year. In addition, the gauge of manufacturing output that the Federal Reserve issues monthly gained in April after a March decline.⁶

Energy.

The only constant these days is change in the energy industry. **U.S. benchmark West Texas Intermediate (WTI) crude rallied early in the week to about \$51 per barrel, its highest level so far this year. But the price quickly reversed, with WTI slipping back toward \$49 per barrel on continuing concerns about the outlook for the global economy.** Markets are



⁵ David Payne, Kiplinger's Economic Outlook, Kiplinger.com, May 17, 2016.

⁶ Glenn Somerville, Kiplinger's Economic Outlook, Kiplinger.com, May 26, 2016.

also trying to determine the severity of various supply disruptions in Canada, Africa and elsewhere. So expect crude prices to stay volatile for now.

Looking ahead, oil prices will likely fall slightly, reaching a range of \$40 to \$45 per barrel by early July. After nearly doubling from its winter low of about \$26 per barrel, WTI seems due for a pullback. Output losses in several oil-exporting countries will tighten the global market. But a supply crunch looks unlikely. Canadian oil sands production is restarting in the wake of the huge wildfire that curbed output in May. And Iran continues to ramp up exports.

Prices at the pump should remain fairly stable. **The national average price of regular unleaded gasoline, now \$2.38 per gallon, will probably range from \$2.30 to \$2.40 in coming weeks** — a welcome relief for motorists who watched gas prices climb steeply this spring. **Diesel, now averaging \$2.36 per gallon, will creep a few cents higher** as summer arrives.

Natural gas prices continued their strong run this week, with the benchmark futures contract trading at about \$2.50 per million British thermal units (MMBtu). This price is remarkable considering that only a few months ago, natural gas had slipped well below \$2 per MMBtu, reaching lows not seen since 1999. Warm weather and rising demand from gas-fired power plants, combined with weakening gas production, have turned traders bullish on gas prices. And the price rally could continue in the near term if warm weather takes hold over enough of the country to fire up air conditioners and boost electricity demand. **But barring a continued warm spell, natural gas prices will gradually retreat toward \$2 per MMBtu later this summer.** Stockpiles of gas held in storage remain quite large, and that will tend to depress prices unless power plant demand stays robust.⁷

Housing

The recent rebound in new-home purchases, combined with stronger demand for previously owned properties, indicate that rising wages and low mortgage rates are putting the housing market on solid footing.

Sales of existing homes rose in April for the second straight month, up 1.7% from the prior month to a seasonally adjusted annual rate of 5.45 million sales. Demand continues to grow, especially in more affordable regions like the Midwest. Sales increased from a year ago in all regions except for the West, where faster price growth and low inventories are holding back buyers. **In April, new-home sales recorded their biggest gain since January 1992, jumping 16.6% to a seasonally adjusted annual rate of 619,000 units.** That's the highest level since January 2008. Sales of new homes increased significantly in all regions except the Midwest.

Builders that are picking up single-family construction in coming months should help ease supply constraints. **New-home construction rose 6.6%, to a seasonally adjusted annual rate of 1,172,000, in April.** Lenders are being more cautious on apartment loans, which is one of the factors prompting builders to renew their emphasis on single-family construction. Multifamily starts are down about 12% from a year ago, signaling that builders are rebalancing production to single-family units. Construction of single-family homes climbed 3.3% to a 778,000 rate, from 753,000 in March. Home building in the South, where most residential construction takes place, jumped 9% — its highest level since December 2007. Inventories of new homes tightened in April. That contraction plus rising home sales will lead to **more housing production as we move forward in 2016.**

⁷Jim Patterson, [Kiplinger's Economic Outlooks](http://Kiplinger.com), Kiplinger.com, June 10, 2016.

House prices continue to rise. The S&P/Case-Shiller U.S. National Home Price Index, not seasonally adjusted, rose 5.1% in March from a year ago. Home value appreciation varied across the nation. Some Western metropolitan areas, such as Portland, Seattle and Denver, had the largest year-over-year increases. Several markets, including San Francisco, Portland and Seattle, now have house prices that are at or near the peaks reached during the latest housing bubble. The limited supply of homes has kept upward pressure on prices, hurting affordability and making it more difficult to become a homeowner in certain metro areas. Home price appreciation has hovered around 5% since late last year and could pose challenges for prospective buyers, especially first-timers. Price growth appears to be picking up in Seattle, Portland and Atlanta.⁸

Retail Sales

Healthy retail sales growth in April promises to be a foretaste of stronger consumer spending after the slow start to the year. For retailers who saw April sales rise 1.3% from the month before, the prospect of better days ahead comes as welcome relief. Consumers in the next few months will open their wallets a bit more, especially in the second half of the year as the sluggish economy shows more life.

Retail sales, excluding gasoline sales, will expand at a 4.2% clip for the year. That's slower than last year's 4.7% gain, largely because the torrid pace of car sales will cool in a saturated market.

Look for shoppers to shell out more for apparel and other goods, plus lawn care and a variety of other services in coming months. Spending on furniture and home decor, recreational items, health care products and beauty supplies, in particular, will see stronger growth. An end to cool, rainy and stormy weather in many parts of the country so far this spring is also sure to unleash pent-up demand for sandals, swimsuits and other warm-weather clothing.

Online sales are climbing at a double-digit pace and show little indication of slowing. Online sales and, to a much smaller extent, mail-order sales account for 10% of all goods sold in April, up from 8.7% in April 2015. That's sure to grow further at the expense of sales in brick-and-mortar establishments. Amazon's recent full-fledged jump into selling fashion online, for example, will have a big impact.

Department store earnings will likely continue to spiral down, following dismal numbers in the first quarter and despite a 0.3% boost in sales in April, compared with the month before. But sales were down 1.7% when compared with April 2015. Department stores continue to be plagued by a lack of ingenuity. They're also struggling to put all of their inventory online and to better tailor their assortments to the differing needs and tastes of people in different regions of the country. Some also grapple with how to streamline inventory management systems, invest in improving their sales forces and offer more entertainment in stores to engage consumers. For department stores, which used to be a mainstay in American consumer culture, with command over the majority of apparel sales, it has come down to survival of the fittest — and the most adaptable. Those able to bend under the pressures of the Digital Age will survive; others will be forced to shutter more, if not all, of their doors.⁹

⁸ Rodrigo Sermeno, [Kiplinger's Economic Outlooks](#), Kiplinger.com, May 29, 2015.

⁹ Lisa Elaine Babb, [Kiplinger's Economic Outlooks](#), Kiplinger.com, May 13, 2016.

Trade

The shortfall on trade is headed up another 4% this year, primarily because of sluggish expansion in many of America's key trading partners that is restraining exports of U.S.-made goods. However, there is some good news: After substantial revisions reaching back to 2013, deficits for the three years through 2015 have been revised down in dollar terms. Brisker than originally estimated exports of services like insurance, banking expertise, and engineering and construction services account for the lion's share of the revisions.

he 2015 deficit of \$500.4 billion remains 2.1% higher than the total a year earlier, and it does not look as though export growth is about to ramp up significantly in the immediate future. **So the trend toward rising deficits remains intact.** Despite a 1.5% gain in April exports, foreign sales are running around \$10 billion a month below year-ago levels in each of the first four months this year.

Some of the U.S. dollar's relative strength against other currencies has come off in recent months, but it still makes U.S. products more costly in foreign markets because the dollar is up on a year-over-year basis against the currencies of many trade partners. In April, the gap between imports and exports increased 5.3% to \$37.4 billion. Part of that reflected the rebound in monthly oil prices that made petroleum imports costlier in April — \$9.6 billion versus \$8.9 billion in March — though still well below year-earlier monthly costs.

Non-oil imports also gained. Imports of auto vehicles and parts as well as consumer goods each rose \$500 million from March levels. Capital goods imports climbed by \$2.5 billion.¹⁰

¹⁰ Glenn Somerville, Kiplinger's Economic Outlooks, Kiplinger.com, June 3, 2016.

State Limitations on Revenues and Appropriations on the City of Beaumont

There are a number of provisions in the State Constitution and State law that limit the ability of the City to raise and expend revenues. Contained below is a description of some of these limitations.

Proposition 13 (California Constitution Article XIII A)

California voters on June 6, 1978, approved an amendment (commonly referred to as "Proposition 13" or the "Jarvis-Gann Initiative") to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or the appraised value of real property when purchased, new construction, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors.



Article XIII A further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative that exempts from the 1% limitation any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property. On December 22, 1978, the California Supreme Court up the amendment over challenges on several State and Federal Constitution grounds. (*Amador Valley Joint Union School District v. State Board of Equalization*).



In the general election held on November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms "purchased" and "Change of ownership," for the purposes of determine full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amended Article XIII A to permit the

Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same County, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" based in the event of declining property values caused by damage, destruction or other factors, to provide that there

would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other minor or technical ways.

Proposition 13 (Article XIII A) Implementing Legislation

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978. Increases of assessed valuation resulting from reappraisals of property due to new construction change in ownership or from the two percent annual adjusted are allocated among the various jurisdictions in the “taxing area” based on their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value, which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value.

Challenges to Proposition 13 (Article XIII A)

California trial and appellate courts have upheld the constitutionality of Article XIII A’s assessment rules in three significant cases. The United States Supreme Court, in an appeal to one of these cases, helped the constitutionality of Proposition 13’s tax assessment system.

Proposition 4 (Article XIII B) Appropriations Limitations

On November 6, 1979, California voters approved Proposition 4, called the Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B limits the annual appropriations of the State and any City, County, School District, Authority or other political jurisdiction of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such appropriations limit is the 1978-79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Revenues received in excess of the appropriation limit must be returned by a revision of tax rates or fee schedules within the next subsequent fiscal years.

Proposition 218 (Article XIII C) and Proposition 26 (Article XIII D)

On November 5, 1996, California voters approved Proposition 218, “the Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the California Constitution, providing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges.

The general financial condition of the City may be affected by the provisions of Article XIIC and Article XIID. In particular, provisions of Proposition 218 (Article XIIC) (i) require taxes for general governmental purposes to be approved by a majority vote and taxes for specific purposes, even if deposited into the General Fund, to be approved by two-thirds vote; (ii) require any general purpose tax which the City imposed, extended or increased, without voter approval, after December 31,



1994, to be approved by majority vote on November 5, 1998; and (iii) provide that all taxes, assessments, fees and charges to reduction or repeal at any time through the initiative process, subject to the overriding constitutional principles relating to the impairment of contracts. Provisions of Proposition 26 (Article XIID) affect the ability of the City to fund certain services or programs by (i) adding notice, hearing, protest and, in some cases voter approval requirements to impose, increase or extend certain assessments, fees and charges; and (ii) adding stricter requirements for finding individualized benefits associated with such levies.

On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIIC of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. As a result, Proposition 26 requires local government to obtain two-thirds voter approval for many fees, charges and levies that a local government was previously authorized to adopt by a majority vote of its legislative body. Specifically, Proposition 26 defines a “tax” as any levy, charge, or exaction of any kind imposed by a local government except those enumerated in seven specified exceptions as follows:

1. A charge imposed for a specific benefit conferred or privilege granted directly to the payer that is not provided to those not charged, and which does not exceed reasonable costs to the local government of conferring the benefit or granting the privilege.
2. A charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government.
3. A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.
4. A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property.
5. A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law.
6. A charge imposed as a condition of property development.
7. Assessments and property-related fees imposed in accordance with the provisions of Article XIID of the California Constitution.

In the event that the City cannot properly impose a charge, which constitutes a “tax” pursuant to Article XIII of the California Constitution, the City would have to choose whether to reduce or eliminate the services financed by such tax or to finance such services from its General Fund.

Proposition 62

On November 4, 1986, California voters adopted Proposition 62, which requires that (i) any local tax for general governmental purposes (a “general tax”) must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a “special tax”) must be approved by two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body, and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency’s property tax allocation.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Los Angeles County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. The City does not believe any of the taxes constituting City revenues are levied in violation of Proposition 62.

Unitary Property (AB 454)

AB 454 (Chapter 921), Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

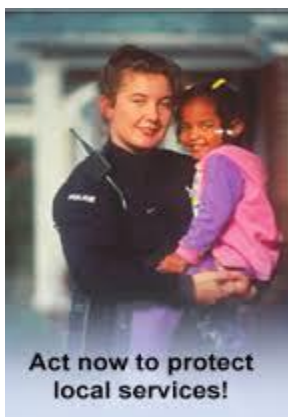
The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in the County.



Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocation the revenue generate by such taxes, (ii) shift property taxes form local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees (VLF) revenue without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State may shift to school and community colleges limited amount of local government property tax revenue if

certain conditions are met, including (a) a proclamation by the Governor that a shift is needed due to a severe financial hardship of the State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does not allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within the County.



New State Legislation, Regulations and Court Cases

Introduction

Democrats once again swept highest constitutional offices in 2014 with Governor Jerry Brown leading the pack and garnering his fourth and final term with nearly 60% of the vote. The State legislation will continue to play out in the shadow of a State Legislature dominated by liberal democrats.



This election cycle completes the transition to sweeping changes made to California's political system over the last few years—primarily the adoption of new district lines and new primary rules providing for the top two vote-getters, regardless of party, to advance to the general election. The potential to gain the supermajority threshold in either house may largely be attributed to these changes. In particular, the top two system contributed to some of the nastiest and most expensive intra-party battles across the state and could possibly result in one incumbent losing to an opponent of the same party.

Absent any development in vacant Assembly seats, it remains unlikely that Democrats will recapture the supermajority (54) votes in the lower house. Four seats held by Democrats last legislative session were lost to Republican challengers in November, resulting in a full Assembly with 51 Democrats and 29 Republicans.

Following the general election, there was no change to the majority control of the California State Assembly. The Democrats currently control the chamber, but only by a slim margin that was decreased following the general election. Their seats decreased from 55 to 52, after the Republicans picked up four seats to increase their number from 24 to 28. In addition to the three seats the Republicans wrested from the Democrats, a vacant seat was filled.

There was no change to the majority control of the California State Senate. The Democrats currently control the chamber, but their hold on the chamber was diminished following the election. Their seats decreased from 27 to 25, as the Republicans picked up two seats to increase their number from 12 to 14. One seat remains vacant.

The following is a summary of new State legislation, new regulations and new court cases, Budget that will affect the City of Beaumont during the coming fiscal year.

Ballot Measures.

1. Proposition 1: Water Bond. Funding for Water Quality, Supply, Treatment, and Storage Projects.

Yes: 66.8% (3,378,826 Votes)

No: 33.2% (1,681,733 Votes)

The Water Quality, Supply, and Infrastructure Improvement Act of 2014 authorizes \$7.12 billion in new general obligation bonds and the reallocation of \$425 million in existing bond

funds for state water supply infrastructure projects, such as public water system improvements, surface and groundwater storage, drinking water protection, water recycling and advanced water treatment technology, water supply management and conveyance, wastewater treatment, drought relief, emergency water supplies, and ecosystem and watershed protection and restoration.

Specific spending proposals in the proposition include:

- \$520 million to improve water quality for “beneficial use,” for reducing and preventing drinking water contaminants, disadvantaged communities, and the State Water Pollution Control Revolving Fund Small Community Grant Fund.
- \$1.495 billion for competitive grants for multi-benefit ecosystem and watershed protection and restoration projects.
- \$810 million for expenditures on, and competitive grants and loans to, integrated regional water management plan projects.
- \$2.7 billion for water storage projects, dams and reservoirs.
- \$725 million for water recycling and advanced water treatment technology projects.
- \$900 million for competitive grants and loans for projects to prevent or clean up the contamination of groundwater that serves as a source of drinking water.
- \$395 million for statewide flood management projects and activities.

2. Proposition 2: Rainy Day Budget Stabilization Fund Act.

Yes: 69.12% (4,831,045 Votes)

No: 30.88% (2,158,004 Votes)

The measure will alter the state’s existing requirements for the Budget Stabilization Account (BSA) (more commonly called the State Budget Rainey Day Fund), as established by Proposition 58. It will also establish a Public School System Stabilization Account (PSSSA) and provides for the dedication of additional funds to pay previously accrued state debts, payments owed on local mandates, and supplemental payments toward the State’s pension liabilities that will contribute to the improvement of the State’s overall financial picture.

- Require the director of finance to submit estimates of general fund revenues and expenditures for the ensuing fiscal year and the three fiscal years thereafter within 10 days following the submission of proposed adjustments to the Governor’s budget.
- Require the State Controller to deposit annually into the BSA: (A) 1.5% of the State General Fund revenues and (B) an amount equal to revenues derived from capital gains-related taxes in situations where such tax revenues are in excess of 8% of the State General Fund revenues. Deposits to the BSA are scheduled to begin by no later than October 1, 2015. Deposits will be made until the BSA balance reaches an amount equal to 10% of general fund revenues.
- Require that from the 2015-2016 fiscal year until the 2029-2030 fiscal year, 50% of the revenues that would have otherwise been deposited into the BSA

must be used to pay for fiscal obligations, such as budgetary loans and unfunded state-level pension plans. Starting with the 2030-2031 fiscal year, up to 50% of revenues that would have otherwise been deposited into the BSA may be used to pay specified fiscal obligations.

- Permit the legislature to suspend or reduce deposits to the BSA and withdraw for appropriation from the BSA upon the governor declaring a budget emergency.
- Create a distinct budget stabilization fund known as the "Proposition 98 Reserve" or Public School System Stabilization Account (PSSSA). The PSSSA will be funded by a transfer of capital gains-related tax revenues in excess of 8% of General Fund revenues. Funds will be appropriated from the PSSSA when state support for K-14 education exceeds the allocation of General Fund revenues, allocated property taxes and other available resources.

3. Proposition 47: Reduced Penalties for Some Crimes Initiative.

Yes: 59.61% (4,238,156 Votes)

No: 40.39% (2,871,943 Votes)

The initiative reduces the classification of most "non-serious and nonviolent property and drug crimes" from a felony to a misdemeanor. Specifically, the initiative:

- Mandates misdemeanors instead of felonies for "non-serious, nonviolent crimes," unless the defendant has prior convictions for murder, rape, certain sex offenses or certain gun crimes. A list of crimes that will be affected by the penalty reduction are listed below.
- Permits re-sentencing for anyone currently serving a prison sentence for any of the offenses that the initiative reduces to misdemeanors. About 10,000 inmates will be eligible for resentencing, according to Lenore Anderson of Californians for Safety and Justice.
- Requires a "thorough review" of criminal history and risk assessment of any individuals before re-sentencing to ensure that they do not pose a risk to the public.
- Creates a Safe Neighborhoods and Schools Fund. The fund will receive appropriations based on savings accrued by the state during the fiscal year, as compared to the previous fiscal year, due to the initiative's implementation. Estimates range from \$150 million to \$250 million per year.
- Distributes funds from the Safe Neighborhoods and Schools Fund as follows: 25% to the Department of Education, 10% to the Victim Compensation and Government Claims Board and 65% to the Board of State and Community Correction.

The measure requires misdemeanor sentencing instead of felony for the following crimes:

- Shoplifting, where the value of property stolen does not exceed \$950.
- Grand theft, where the value of the stolen property does not exceed \$950.

- Receiving stolen property, where the value of the property does not exceed \$950.
- Forgery, where the value of forged check, bond or bill does not exceed \$950.
- Fraud, where the value of the fraudulent check, draft or order does not exceed \$950.
- Writing a bad check, where the value of the check does not exceed \$950.
- Personal use of most illegal drugs.

New State Laws.

Some of the legislation that passed in 2014, 2015 and 2016 that affects cities and counties are listed below:

1. City Council Vacancies (AB 1795): This measure authorizes a resigning City Council Member to cast a vote for an appointee to fill their vacant seat. The bill applies to cities that elect City Council Members in a by-district system and have authorized vacant seats due to resignation to be filled by appointment. Specifically, the bill states a resigning City Council Member, for a period of two years, cannot:

- Cast a vote for an appoint if they are resigning due to an accusation or conviction for corruption or criminal behavior;
- Vote for a family member or someone where there is a relationship that could be a conflict of Interest.

If a resigning City Council Member casts a vote they cannot:

- Advocate on a measure before the City Council in which the City Council Member may have a personal benefit.
- Enter into a contract with the City or City vendor.
- Accept a position of employment with the City or City vendor.
- Apply for a permit requiring City Council approval.

2. Voter Registration and Recall Elections (AB 882): This measure provides that when information is missing on an affidavit of voter registration, an election official is permitted to obtain the missing information by mail on any document that is certified by the affiant, as determined by the elections official. Additionally, the bill provides that an elections official may use random sampling as specified to verify a petition for recalling a state officer, if the petition received 500 or more signatures.

3. Voter Registration of High School Pupils (AB 1817): This measure declares the last two weeks of April and September as “High School Voter Education Weeks.” During this timeframe, persons authorized by the County Elections Official can register high school students to vote. The bill authorizes the administrator of a high school to appoint students as outreach

coordinators. Responsibilities could include coordinating election-related activities and voter registration drives.

4. Recall Elections and Voter Registration (AB 311): This measure establishes a process for filling a vacancy after a recall petition has been filed. The measure clarifies that a person, including a conservatee, is not disqualified from voting if they signed their affidavit of voter registration with a mark, cross, signature stamp, or with assistance from another person.

5. Ballot Processing (AB 2530): This measure permits an elections official to use signature verification technology when processing ballots and prohibits a ballot from being disqualified unless the Elections Official has visually confirmed the signature.

6. Elections (AB 2562): This measure clarifies that a person who signs a petition with an incorrect or incomplete apartment number of their address does not have their signature invalidated. The bill makes other technical changes for County Election Officials and special elections for school or community college boards.

7. Political Reform Act of 1974 (SB 27): This measure creates restrictions on the use of campaign funds for political candidates or elected officials. The bill prohibits campaign funds from being used to pay for fines or judgments that arise from misuse of campaign funds when the expenditure is related to a personal benefit to the candidate and not directly related to a political, legislative or governmental purpose.

8. Voter Requested Recounts (AB 2369): This measure permits a campaign or ballot measure committee to pay for an election recount that is made at the request of a voter.

9. Youth Athletic Programs (AB 230): This law requires, commencing January 1, 2016, a community youth athletic program to provide to the parent or guardian any youth participating in the program written notice that states whether or not the program obtains criminal background checks for hired or volunteer coaches, or both. This measure also defines a "community youth athletic program" as an organization that meets both the following requirements: (a) its primary purpose is the promotion or provision of athletic activities for youth under 18 years of age; and (b) it has adult employees who have supervisory or disciplinary power over a child.

10. Occupational Safety and Health Reporting (AB 326): This measure requires employers to make an immediate report by telephone or email of every case involving an employee's serious injury, illness, or death to the Division of Occupational Safety and Health (DOSH) within the Department of Industrial Relations (DIR).

11. California Environmental Quality Act Exemption for Residential Infill Projects (SB 674): This measure modifies the CEQA exemption for urban infill housing projects by increasing the current limit on retail usage from 15% to the total floor area to 25%.

12. Minimum Wage (AB 10): AB 10 increases California's current minimum wage (of \$8 per hour) in two \$1 increments: to \$9 per hour on July 1, 2014, and from \$9 per hour to \$10 per hour on Jan. 1, 2016. This is the first minimum wage increase in California in five years. Increasing the minimum wage will also increase the minimum salary amount employees must earn to qualify as "exempt" employees under California state law executive, administrative, or professional exemptions. One of the requirements for employees to be exempt from overtime and other requirements for hourly-wage employees is that their monthly salary must be at least twice the state minimum wage for full-time employment. Under current law,

the earnings threshold for exempt employees is \$2,773.34 per month. Under AB 10, the minimum monthly salary for exempt employees will increase to \$3,120 on July 1, 2014, and \$3,466.67 on January 1, 2016.

Some California cities and counties have already increased their minimum wage above the current \$8/hour. In San Francisco the minimum wage is \$10.55/hour, and in San Jose it is \$10/hour.

13. Solar Energy Permits (AB2188): This measure requires a City or County to adopt an ordinance, on or before September 30, 2015, that creates an expedited permitting process for residential rooftop solar energy systems of 10 kilowatts or less.

14. Drivers License for Illegal Aliens (AB 60): AB 60 requires the California Department of Motor Vehicles to issue a driver license to illegal aliens who can prove identity and California residency and meet all other licensing requirements, such as passing the written exams and driving tests. The DMV will design a special driver license that complies with the U.S. government's Real ID Act. AB 60 also makes it a violation of law to discriminate against anyone on the basis of having this new license, and the law explicitly prohibits using the new license for criminal investigation, arrest or detention based on immigration status. New law is fully effective on Jan. 1, 2015.

15. Property Assessed Clean Energy (PACE) Program (AB 2597): This measure modifies the California Alternative Energy and Advanced Transportation Financing Authority's underwriting standard for the Property Assess Clean Energy Program (PACE) by providing that financing cannot exceed 15% for the first \$700,000 of the value of the property and 10% for the remaining value of the property, and substitutes the term "Loan" with "financing" within various parts of the PACE program.

16. Organic Solid Waste (AB 1826): This measure phases in requirements for businesses, which are defined as commercial or public entities that generate a specific amount of organic waste per week or a multifamily residential dwelling of five units or more, to arrange for recycling services beginning January 1, 2016 through January 1, 2019. This measure also requires each local jurisdiction on and after January 1, 2016, to implement a an organic waste recycling program to divert organic waste from the businesses subject to this act, except as specific with regard to rural jurisdictions, Further, this measure requires each local jurisdiction to report to the Department of Resources Recycling and Recovery on its program in implementing the organic waste recycling program.

17. Single-Use Carryout Bags (SB 270): This measure, beginning July 1, 2015, prohibits specified stores from distributing single-use plastic bags. This bill establishes requirements for reusable bags and prohibits stores from distributing reusable bags and recycled paper bags for less than \$0.10 per bag. Further, this measure grandfathered in all existing ordinances adopted before September 1, 2014. Additionally, cities and counties maintain full authority over regulating single-use carryout bags in at establishments not covered by the measure.

18. Groundwater Management (AB 1739): This measures part of a three bill package that regulates groundwater in a comprehensive manner for the first time in California. This measure, among other things, requires a groundwater sustainability agency to submit a groundwater sustainability plan to the Department of Water Resources (DWR) for review upon adoption. Additionally, this measure requires DWR to review the plans at least every five years after initial submission.

19. Groundwater Management (AB 1168): This measure is part of a three bill package that regulates groundwater in a comprehensive manner for the first time in California. This bill, among other things, enacts the Sustainable Groundwater Management Act with the stated intent of empowering local groundwater agencies to sustainably manage groundwater basins through the development of ground water sustainability plans. This measure also requires the adoption of the sustainable groundwater sustainability plan by January 31, 2020 for all high or medium priority basins that are subject to critical conditions of overdraft and by January 31, 2022 for all other high and medium priority basins unless the basin is legally adjudicated or the local agency establishes that it is otherwise being sustainably managed.

20. Groundwater Management (SB 1319): This measure is part of a three bill package that regulates groundwater in a comprehensive manner for the first time in California. This measure authorizes the State Water Resources Control Board to designate certain high-and medium-priority basins as a probationary basin if, after January 31, 2025, prescribed criteria are met, including that the state board determines that the basin is in a condition where groundwater extractions result in significant depletions of interconnected surface water.

21. Urban Water Management Plans (AB 2067): This measure requires an urban retail water supplier and an urban wholesale water supplier to provide narratives describing the supplier's water demand management measures. This measure requires, for retail water suppliers, the narrative to address the nature and extent of each water demand management measure implement over the past five years and describe the water demand management measures that the supplier plans to implement to achievement its water use targets.

22. Urban Water Management Plans (SB 1420): This measure requires an urban water supplier to quantify and report distribution system water losses, beginning in 2015, in its Urban Water Management Plan. It also authorizes the Department of Water Resources (DWR) to require electronic filing of Urban Water Management Plans and directs DWR to develop guidance for estimating water savings from codes, standards, ordinances and sustainability plans.

23. Local Government Water Assessments, Fees and Charges (AB 2403): This measure modifies the definition of water, in the Proposition 218 Omnibus Implementation Act, to mean water from any source. This measure codifies the *Griffith v. Pajaro Valley Water Management Agency* appellate court ruling which held that a fee imposed by the Pajaro Valley Water Agency to fund a program that included storm water capture and treatment for the recharge of groundwater supply did not require voter approval. Thus, cities may use property-related water fees to pay for harvesting storm water to augment or treat water supplies.

24. Storm Water Resource Planning (SB 985): This measure requires a storm water resource plan to be submitted to any applicable regional water management group, to identify and prioritize storm water and dry weather runoff capture projects for implementation in a prescribed quantitative manner and to prioritize the use of lands or easements in public ownership for storm water and dry weather runoff projects.

25. Income Taxes Exclusion (AB 2434): This measure excludes from gross income, under both the personal income tax and corporation tax laws, amounts received as a rebate, voucher, or other financial incentive issued by a local water agency for participation in turf removal water conservation program. The exclusion will be in effect for taxable years 2014 through 2018.

26. Salton Sea Restoration (AB 148): This measure revises language stating legislative intent regarding restoring the Salt Sea. This measure also eliminates the requirement that the

Secretary of the Natural Resources Agency and the State Legislature have final approval for any proposed restoration plan.

27. Local Government Agricultural Land (AB 2241): This measure changes the rescission fee charged by a city or county when land under the Williamson Act contract or land designated as farmland security zone enters into a solar-use easement to 10% of the fair market value of the property. This measure also requires 50% of the rescission fees collected to be desposited in the state General Fund. This law expires on January 1, 2020.

28. Economic Development Subsidies (AB 562): This measure requires local agencies, as of January 1, 2014, to provide specific information to the public prior to approving any economic development subsidy of \$100,000 or more. It defines “economic development subsidy” as any expenditure of public funds or loss of revenue to a local agency intended to stimulate economic development, including but not limited to loans, loan guarantees, bonds, grants, enterprise zone or empowerment zone incentives, fee waivers, land price subsidies, matching funds, tax abatements, tax exemptions, and tax credits. This provision, however, does not apply to subsidies provided to low and moderate income housing. AB 562 requires that the public must be provided a description of the subsidy, its start and end dates, a statement of the public purposes of the subsidy, and a projection of the anticipated tax revenue the local agency will receive as a result of the subsidy. This measure further requires both a public hearing to be held and a report on each economic development subsidy to be issued during the term of the subsidy and no later than five years after it is granted. A final public hearing must be held upon the conclusion of each subsidy with a term of 10 years or more.

29. State Budget Trailer Bills (SB 861 and SB 871): These measures contained budget appropriations and various statutory changes necessary to enact the provisions of the FY2014-2015 State budget. Specifically some of the provisions these measures provided include:

- Provides necessary statutory authority to transfer the drinking water program from the California Department of Public Health (CDPH) to the State Water Resources Control Board including merging of loan programs.
- Transfers any residual funds from the California Department of Public Health for grants for public water systems to address drought-related drinking water emergencies or threatened emergencies to the State Water Board for the same purposes.
- Authorizes the Public Utilities Commission (PUC) to order electrical corporations to continue to administer the New Solar Homes Partnership Program, regardless of the source of funds for this program, until they \$400,000,000 funding limit is reached. It also allows the California Energy Commission to notify the California Public Utilities Commission when funding is low for the New Solar Homes Partnership.
- Increases fees that local building departments must charge (from \$10 to \$13 per \$100,000 on residential properties and from \$21 to \$28 per \$100,000 on commercial properties) for seismic-related mapping and other services. Local governments may retain five percent of these funds for data utilization and seismic education activities and damage assessment preparation if the above activities have been adequately funded. The balance of the fees shall be transferred to the Strong-Motion Instrumentation and Seismic Hazards Mapping for the Alquist-Priolo seismic mapping program.
- Extends the property tax exemption for new active solar energy systems in a new

construction from FY2015-2016 to FY2023-2024.

30. Redevelopment Successor Agency Housing Expenditures (SB 341): This measure is revises the rules governing the activities and expenditures of Housing Successor Agencies. Specifically, SB 341:

- Allows housing successors that have fulfilled any outstanding housing replacement and production requirements of the development agency to spend up to \$250,000 per year for homeless prevention and rapid re-housing services.
- Allows housing successors to expend available funds for the purpose of monitoring and preserving the long-term affordability of units in its portfolio and for administering its activities, up to annual cap of 2% if its portfolio value or an inflation-adjusted level starting at \$200,000, whichever is greater.
- Funds left after monitoring, administration and homeless prevention services are required to be used so that at least 30% is spent on rental housing for extremely-low income households and no more than 20% on households earning between 60-80% of the area median income.
- If a housing successor does not comply with the extremely low-income housing requirement, the successor must ensure that at least 50 percent of housing expenditures in each subsequent year support housing for this category until it is in compliance.
- If a housing successor exceeds the limit on expenditures for households between 60%-80% of the area median income, the housing successor may not spend funds for this category until it is in compliance.
- Changes the current housing limitation, allowing no more than 50% of the housing financed over a 10-year period to go towards seniors.
- Provides that program income a housing successor receives is not associated with a project area and may be expended outside of a project area without a finding of benefit to a project area.
- Allows housing successors to transfer funds among themselves for the purpose of of developing units in transit priority projects, permanent supportive housing, farmworker housing, or special needs housing under specified conditions.
- Requires that a housing successor that has not expended the excess surplus within three year to transfer the surplus to Housing and Community Development (HCD) for the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.
- Resets the 10-year clock on the development of properties purchased by the former Redevelopment Agency and eliminates the time limit on developing newly purchased properties.
- Eliminates the requirement for a housing successor to report annually to the State

Controller as well as allows a housing successor to combine its annual independent financial audit with its host jurisdiction.

31. California Environmental Quality Act Exemption for Residential Infill Projects (SB 674):

This measure modifies the California Environmental Quality Act exemption for urban infill housing projects by increasing the current limit on retail usage from 15% to the total floor area to 25%.

32. Microenterprise (AB 674): This measure expands the definition of microenterprise to also include limited liability company, increases the number of employees to five or fewer and requires that the entity generally lack sufficient access to loans, equity or other financial capital. This bill also deletes provisions in existing law that differentiates between small businesses and micro businesses.

33. Motion Pictures Income Taxes (AB 1839): This measure provides targeted support to California's film and TV industry by extending State Film and Television Tax Credit program by five years, lifting the per film budget limitation on the credit, allowing larger films to qualify, and offering additional incentives for film and TV production activities. It will allocate \$1.5 billion in tax credits over five years. The bill also provides incentives for film and TV projection, occurring outside the Los Angeles area by allowing for a 5% increase in the tax credit, for a maximum of 25%, for productions meeting the requirements. It also provides for a 5% increase in the credit, up to a maximum of 25%, for post-production activities that occur in California (film editing, music scoring, music track recording, and visual effects.)

34. Targeted Area Contract Preference Act (AB 2022): This measure makes changes to the Target Area Contract Preference Act by redefining what qualifies as an economically distressed area. A "distressed area" is in the top quartile of census tracts for having the highest unemployment and poverty in the State as determined by the Department of Finance (DOF).

35. Capital Investment Incentive Programs (AB 2389): This measure modifies the current property tax capital investment incentive program for local governments and allows a tax credit under the corporation tax law to a qualified taxpayer in an amount equal to 17.5% of qualified wages paid by the taxpayer during the taxable year to qualified full-time employees. This measure, until July 1, 2015, reduces the assessed value threshold for calculating the capital investment incentive amount from \$150 million to \$25 million and defines a "qualified manufacturing facility" to include facilities operated by certain businesses described in specified provisions of the North American Industry Classification System Manual. The measure also transfers the duties of the Business, Transportation and Housing Agency to the Governor's Office of Business and Economic Development.

36. Property and Business Improvement Areas (AB 2618): This measure amends the Property and Business Improvement District Law of 1994 to conform several provisions to constitutional requirements established by Proposition 218. For example, the measure requires assessments levied on real property to be levied proportionally to the special benefit conferred on the real property, not to exceed the reasonable cost of the proportional benefit. The measure also added requirements that must be included in a resolution adopted by a City council in order to form a property and business improvement district such as: a statement that the improvements, maintenance and activities conferred on the district will be funded by the levy of the assessments; a finding that in a property-based district, the property within the district will receive a special benefit, the total amount of all special benefits to be conferred on the properties; and the sum of any general benefit in a property-based district.

37. Enhanced Infrastructure Financing Districts (SB 628): This measure authorizes the creation of a new governmental entity called an Enhanced Infrastructure Financing District (EIFD). One or more of these districts may be created within a city or county and used to finance the construction or rehabilitation of a wide variety of public infrastructure and private facilities. An EIFD may fund these facilities and development with the property tax increment of those taxing agencies (cities, counties, special districts, but not schools) that consent. EIFD's are also authorized to combine tax increment funding with other permitted funding sources:

- Property tax revenue distributed to a city, county or special district after payment of a successor agency's debts.
- Revenues dedicated by a city or county to the EIFD from property tax corresponding to the increase in assessed valuation of taxable property attributed to those property gas shares received by a city or county pursuant to in lieu of the Vehicle License Fee (VLF).
- Fee or assessment revenues derived from one of 10 specified existing sources.
- Loans from a city, county or special district, that must be repaid at no more than the LAIF interest rate that is in effect on the date the loan is approved by the governing board of the city, county or special district making the loan.

38. Redevelopment and Successor Agencies (AB 471): This measure makes several changes affecting the redevelopment dissolution process and clarifies that infrastructure financing districts (IFD) can be established on territory with a former redevelopment project area. Specifically, this measure:

- Defines, for the period between July 1, 2014 to July 1, 2018, "housing entity administrative cost allowance" as an amount of up to 1% of the property tax, but not less than \$150,000, allocated to the Redevelopment Agency Retirement Fund on behalf of the Successor Agency for each applicable fiscal year.
- Provides that if a local housing authority assumed the housing functions of a former Redevelopment Agency, then the housing entity administrative cost allowance shall be listed on the Successor Agency's Recognized Obligation Payment Schedule (ROPS).
- Provides that if there are insufficient moneys in the Redevelopment Agency Retirement Fund to make the payment authorized by Section 34171, then the unfunded amount may be listed on each subsequent ROPS until paid in full.
- Broadens the term "redevelopment plan" to include projects listed in a community plan or five-year implementation plan to clarify parcels that may be transferred from a successor agency to a city or county pursuant to a Long-Range Property Management Plan.
- Makes a technical change to the law to ensure that payments made to taxing entities from the Due Diligence Review (DDR) process are not double-counted in the calculation of the amount of the annual repayments for loans that were previously issued by a City or County to a Redevelopment Agency.

- Removes the existing restriction in the IFD law which prohibits an IFD from being located on territory included within a Redevelopment Agency Project Area. This change provides additional flexibility to the future use of IFDs.

39. Redevelopment Housing Successor Agency (AB 1793): This measure requires a housing successor agency to include in its annual report specified information on the inventory of homeownership units assisted by the Housing Successor Agency or the former Redevelopment Agency that are subject to covenants, restrictions, or an adopted program. The bill requires the following information: (a) number of units; (b) any funds returned to the Housing Successor Agency as part of an equity sharing or similar program; (c) whether the Housing Successor Agency has contracted with any entity for the management of the units as well as the name of the entity; and (d) number of units lost to the portfolio in the last fiscal year and the reason. For the first report under the requirement of this bill the number of units lost in the portfolio since February 1, 2012 will need to be reported and the reason for the losses.

40. Redevelopment (AB 1963): AB 1963 shifts the existing statutory deadline from January 1, 2015 to January 1, 2016 for the Department of Finance (DOF) to approve Long Range Property Management Plans. These plans are required to be approved within six months of DOF issuing a Successor Agency a finding of completion. This measure repeals the requirement of the State Controller to review assets that may have been transferred after January 31, 2012, between a successor agency and city, county, or city and county that created the former Redevelopment Agency. The Controller's review of asset transfers is considered duplicative of previous similar oversight board and DOF reviews, so removing this additional requirement will avoid delays and allow communities to move forward.

41. Massage Therapy (AB 1147): Measure rewrites the existing statutes with regards to massage therapy regulation. This measure restores the authority of local jurisdictions to impose land use regulations on massage businesses. The bill also requires massage businesses to operate within locally imposed standards while clarifying that a city or county cannot prevent a certified massage therapist from engaging in the practice of massage for compensation. The measure specifically prohibits local governments from:

- Defining massage establishments as adult entertainment.
- Requiring a massage establishment to have windows or walls that do not extend from floor to ceiling.
- Imposing client draping requirements beyond the covering of genitalia and female breasts.
- Prohibiting a massage establishment from locking its external doors if the massage establishment is in a business entity owned by one individual with one or no employees or independent contractors.
- Requiring a massage establishment to post any notice that may be viewed by clients that contains explicit language describing sexual acts.
- Imposing a requirement that a person certified to take any test, medical exam, or background check beyond what is required in statute.
- Imposing a requirement that an individual (other than sole business provider) holding a certificate obtained by another license, permit certificate, or other authorization to provide

massage for compensation.

- Imposing dress code requirement in excess of the requirements already imposed in statute.
- Prohibiting a person certified from performing massage for compensation on the gluteal muscles, prohibit massage techniques recognized by the California Massage Therapy Council, or other restrictions on professional practice beyond what is in the statute.

This bill requires a minimum of 500 hours of massage related education for a new certification and the passage of a massage and bodywork competency exam. Finally, this bill reconstitutes the California Massage Therapy Council as of September 15, 2015. The measure sunsets on January 1, 2017.

42. Prohibited Financial Interest—Aiding and Abetting (SB 952): This measure prohibits any individual from aiding or abetting a member of the Legislature, or a state, county, district, judicial district, or city officer or employee, in violating provisions of existing law that bar these officials from having a financial interest in any contract entered into by them in their official capacity, or by any governing or advisory body of which they are members.

43. Property Tax Postponement (AB 2231): This measure reinstates Senior Citizens and Disabled Citizens Property Tax Postponement Program to provide property tax deferment to seniors and the disabled, and prohibits participation in the program if the annual household income exceeds \$35,000.

44. Local Ballot Measures (AB 2551): This measure requires the statement provided to voters for a bond issue placed on the ballot by a City, County, District or other political subdivision to include the best estimate from official sources of the total debt service, including principal and interest to be repaid if all bonds issued are sold; information may be included about the estimate's underlying assumptions.

45. Public Contracts (AB 1650): AB 1650 requires that prior to obtaining, either orally or in writing, an on-site construction applicant's criminal conviction history, state contractors must first determine the applicants minimum qualifications. The bill provides some exemptions, including positions in which state or federal law requires a background check and where applicants are obtained from a hiring hall, pursuant to a bona fide collective bargaining agreement.

46. Public Contracts Payment (AB 1705): This measure extends the sunset date on the 5% cap on retention proceeds from January 1, 2016 to January 1, 2018. If a public agency deems a project to be substantially complex, the agency is required to describe the project and why it is unique.

47. Prevailing Wage Notice (SB 226): This measure revises the procedure for providing notice of completion or acceptance of a public work to the Labor Commissioner. In particular, the bill requires that a copy of the notice be mailed to the Labor Commissioner within 10 days of a request or within 10 days after filing the notice.

48. Design-Build Projects (SB 785): This measure streamlines and extends the design-build authority for the California Department of Corrections, California Department of General Services, Counties, Cities and Special Districts. City design-build authority would be extended from January 1, 2016 to January 1, 2025. The bill enacts new labor requirements for design-build projects. Specifically, design-build entities would be restricted to those that have an enforceable agreement to use a skilled workforce, as defined.

49. Bikeways (AB 1193): This measure authorizes local governments to deviate from Caltrans-approved design standards for bikeways if approved by the governing body at a public meeting. It also requires Caltrans to develop minimum safety design criteria for cycle tracks, which are similar to bikeways, but have a separation between the track and vehicular traffic.

50. Recycling Waste Tire Projects for Public Works Projects (AB 1179): This measure clarifies that parklets and greenways, as defined, are eligible for grants for public works projects that use tire derived products and requires the Department of Resources Recycling and Recovery, when awarding grants for parklets and greenways, to give priority to projects located in disadvantaged communities.

51. Prepaid Mobile Telephony Services Surcharges and Fees (AB 1717): This measure establishes a point-of-sale system for the collection of state and local fees, surcharges, and taxes for prepaid mobile telephone services. For local jurisdictions, the bill creates statewide uniformity for local utility user taxes (UUT) on prepaid mobile telephone services by establishing specific rates that UUTs can be collected (0%, 1.5%, 2.5%, 3.5%, 4.5%, 5.5%, 6.5%, 7.5% and 9%). The bill sunsets on January 1, 2020.

New Court Cases.

- 1. California Fourth District Court of Appeals Ruled that Charging Higher Water Users Incrementally Higher Rates Violates Proposition 218 that Prohibits Government Agencies from Charging More than the Cost of Service.** The California Fourth District Court of Appeals ruled in *Capistrano Taxpayers Association v. City of Capistrano* “that Proposition 218 requires public water agencies to calculate the actual costs of providing water at various levels of usage. Article XIII D, section 6, subdivision (b)(3) of the California Constitution, as interpreted by our Supreme Court in *Bighorn–Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, 226 (Bighorn) provides that water rates must reflect the “cost of service



attributable” to a given parcel. While tiered, or inclined rates that go up progressively in relation to usage are perfectly consonant with article XIII D, section 6, subdivision (b)(3) and Bighorn, the tiers must still correspond to the actual cost of providing service at a given level of usage. The water agency here did not try to calculate the cost of actually providing water at its various tier levels. It merely allocated all its costs among the price tier levels, based not on costs, but on pre-determined usage budgets. Accordingly, the trial court

correctly determined the agency had failed to carry the burden imposed on it by another part of Proposition 218 (art. XIII D, § 6, subd. (b)(5)) of showing it had complied with the requirement water fees not exceed the cost of service attributable to a parcel.”

- 2. United States Supreme Court Refused to Hear an Appeal of Lower-Court Actions that Shut Off Water to Farmers and Cities in 2007 and 2013 in Favor of Delta Smelt.** On January 14, 2015, the U.S. Supreme Court refused to put a hook into an appeal of lower-court actions that shut off water to farmers and cities in 2007 and 2013 in favor of Delta smelt. The justices turned down appeals from several water agencies, including the Metropolitan Water District of Southern California, and from Central Valley farmers. In their appeal, the water agencies questioned whether limits on pumping water to the southern part of the state were required under the Endangered Species Act (ESA) and said the restrictions were particularly harmful to consumers, farmers and

other water users during the drought.

The two cases were forwarded to the high court because the plaintiffs contended there was a conflict between prior rulings from the 4th and 9th U.S. Circuit Courts of Appeal regarding the implementation of the federal Endangered Species Act (ESA). At issue was whether the U.S. Department of the Interior and its sub-agency, the U.S. Fish and Wildlife Service, could consider the economic impact on farmers and cities when implementing provisions of the Endangered Species Act (ESA) to protect endangered species.



According to legal counsel for the Delta Stewardship Council, the suits did not intend to balance wildlife and restrictions on releases of water for farms and cities. (The Delta Stewardship Council is a semi-independent body under the California governor's office established under the Delta Reform Act of 2009.)

However, environmentalists claimed any balancing of wildlife protection and economic harm to farmers and cities would be at the expense of wildlife extinction and that farming and community impacts were exaggerated.

3. California Second District Court of Appeals Ruled that a 1% Surcharge it Added to Southern California Edison's Franchise Fee Agreement was Really "an Illegal Tax Masquerading as a Franchise Fee."

The City of Santa Barbara was dealt a significant setback by a Second District Court of Appeal decision in ***Jacks v. City of Santa Barbara***. The Court ruled that the 1% surcharge it added to Southern California Edison's franchise agreement was in reality "an illegal tax masquerading as a franchise fee." Under the terms of Proposition 218, any such tax needed to be approved by the voters first. The Santa Barbara City Council imposed the additional 1% fee on the electric company in 2005 —on top of the 1% it was already collecting — and has been using the additional \$600,000 to \$700,000 generated a year for general purposes.

In 2011, downtown hotel owner Rolland Jacks sued the City, charging the surcharge was an illegal tax and demanded a refund. The judicial panel ruled that if the revenues generated by the surcharge were used to compensate City Hall for installing poles and power lines on city-owned rights of way, it would have constituted a "franchise fee" and would have been acceptable. But because the money was used "for general spending purposes," the court deemed it a tax.

4. California Supreme Court Provides Guidance on the "Unusual Circumstances Exception" From Applying a Categorical Exemption under the California Environmental Quality Act (CEQA)."

On March 2, 2015, the California Supreme Court issued its opinion in ***Berkeley Hillside Preservation v. City of Berkeley***, clarifying and providing guidance to cities on the use

of categorical exemptions for projects under the California Environmental Quality Act (CEQA). The City of Berkeley, in approving a permit application to build a large single-family house, relied on two categorical exemptions from CEQA review for the project (Class 3 for constructing small structures, including a single-family residence, and Class 32 for an “in-fill development” project). The California Court of Appeal held the exemptions did not apply, invalidated the permit approval and ordered preparation of an environmental impact report, based on CEQA Guidelines section 15300.2(c) that states: “A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.”



The Supreme Court reversed and remanded the case in a majority opinion. The decision confirms that cities should apply a two-part test for determining whether the “unusual circumstances exception” under section 15300.2(c) precludes a city from relying on a categorical exemption(s) for a project. First, the city must determine whether there are any “unusual

circumstances” present (subject to the deferential “substantial evidence” standard of review). If not, then the city may rely on a categorical exemption(s) and can look to the local conditions in evaluating unusual circumstances. However, if there are any unusual circumstances, the agency must then determine whether there is “a reasonable possibility” that the unusual circumstance will produce “a significant effect on the environment” (subject to the less deferential “fair argument” standard of review). If not, then the city may rely on the categorical exemption(s) for the project.

5. California Supreme Court Finds Sex Offender Residency Restrictions Under Jessica’s Law unconstitutional as under the State of California Constitution.

The California Supreme Court struck down residency restrictions under Proposition 83, also known as Jessica’s Law on March 2, 2015.

Jessica’s Law received 70% voter approval when it passed in 2006. Among many other provisions, it added Penal Code section 3003.5(b) to prohibit sex offenders from living within 2,000 feet of a school or park, and expressly allowed cities to increase that distance or include other prohibited locations by ordinance.

The intended purpose of Jessica’s Law was to protect children from sexual predators. The California Supreme Court found that residency restrictions unconstitutionally infringed upon the liberty and privacy interests of registered sex offender parolees in San Diego County, and failed to accomplish the intended purpose of Jessica’s Law as a whole.

The residency restrictions in Jessica’s Law effectively banned registered sex offender parolees from 97% of available residential properties in San Diego County. According to the California Supreme Court, this hindered registered sex offender parolees from accessing rehabilitative services and often caused them to resort to homelessness and transiency, resulting in a greater, rather than a reduced, public safety risk.



Jessica Lunsford was abducted from her bed in Florida in 2005, raped and buried alive while clutching her stuffed dolphin by a sex offender living near her home.

Because the law hampered efforts to monitor, supervise, and rehabilitate parolees, the Court concluded it bore no rational relationship to advancing its stated purpose of protecting children from sexual predators. Therefore, Penal Code section 3003.5(b) was unconstitutional as applied. The Court noted, however, that the California Department of Corrections and Rehabilitation retains authority to impose individualized discretionary parole conditions, including residency restrictions, on a case-by-case basis.

6. California Supreme Court Denied Review of the Third District Court of Appeal's Decision in *City of Emeryville v. Cohen* Where City Reentered Redevelopment Agreements with the Successor Agency.

City of Emeryville v. Cohen involved various agreements between the city and its former Redevelopment Agency. After the Legislature dissolved redevelopment, the city re-entered into these agreements with its Successor Agency as permitted by the redevelopment dissolution statute, ABx1 26. The city then attempted to list these agreements on its recognized Obligation Payment Schedule (ROPS). The Department of Finance (DOF), however, rejected the agreements.

DOF advanced a number of arguments to justify its rejection of the agreements, all of which the Court rejected. The Court held that the plain language of ABx1 26 allowed the city and its Successor Agency, with the approval of the Oversight Board, to re-enter into agreements that were initially entered into by the city and its former redevelopment agency. DOF further argued that AB 1484, enacted after ABx1 26, applied retroactively to invalidate re-entered agreements. The Court rejected this argument finding that there was no legislative intent that AB 1484 apply retroactively to invalidate these agreements. In addition, it also rejected DOF's suggestion that the city acted with improper motives by rushing through these agreements with knowledge that AB 1484 was pending in the legislature. In rejecting this argument, the Court took the commonsense approach that it is not "necessarily sinister for [the city] to hasten to comply with a law before adverse changes occur."

New Regulations

1. CalPERS Rate of Return and New Mortality Assumptions.

On February 18, 2014, the California Public Employee Retirement Board voted to retain its current long-term assumed rate of return at 7.5% and adopt separate actuarial assumptions for the mortality of state and local employers. While the rate-of-return is not expected to influence employer or employee rates, CalPERS estimates that the new mortality assumptions will cost local agencies an average of up to 9% of payroll for safety classifications and jump to 5% of payroll for miscellaneous employees by year five of the phase in. The new mortality phase in will start in FY2016-17 and amortized over 20 years.



2. State Water Board Regulations Aimed at Reducing Urban Potable Water Usage.

On April 1, 2015, Governor Brown issued an Executive Order directing the State Water Resources Control Board (SWRCB) to impose regulations to achieve a 25% reduction in urban use of potable water by February 2016. On May 5, 2015, after several rounds of public comments, the Board adopted emergency regulations to do so. The new rules affect all local governments—not just water providers.

The regulations impose graduated mandatory conservation requirements on urban water suppliers. Starting June 1, 2015, all urban water suppliers—suppliers with more than 3,000 service connections—must reduce potable water use from 8% to 36%, depending on residential per capita water usage from July to September 2014. The SWRCB will evaluate compliance monthly, comparing usage for each month to the same month in 2013 as well as cumulatively. The



regulations require urban water suppliers to report water use to the State Water Resources Control Board (SWRCB). Urban water suppliers are also required to prepare and submit to the SWRCB by the 15th of each month a monitoring report detailing the amount of potable water the urban water supplier produced, including treated water provided by a wholesaler, in the preceding calendar month. The monitoring report shall also estimate the gallons of water per person per day used by the person it serves. Agencies that fail to meet conservation targets may be subject to fines or

SWRCB enforcement orders.

The SWRCB rejected other measures of conservation, relying on residential per capita water usage in the summer of 2014. Many agencies across the state commented on the proposed regulations, suggesting other ways to achieve the Governor's goal of 25% water use reduction while accounting for regional differences in water demand and climate. Several noted significant variation in evapotranspiration rates between drier and wetter areas that requires more water in hotter, drier areas to maintain the same area of landscaping, even for drought-tolerant, native species. The Board declined to account for climate variations in its regulations.

The emergency regulations prohibit certain water uses, in addition to rules the Board adopted in 2014. Irrigation of public street medians with potable water is prohibited. This does not prohibit irrigation with recycled water or watering to maintain street trees. Landscape irrigation outside newly constructed buildings is to be governed by new rules proposed for adoption in June 2015. The final SWRCB regulations are less clear on this issue than the draft had been. The draft prohibited irrigation with potable water for new construction other than by micro-spray or drip systems.

If these regulations prove ineffective, or if the drought worsens, the SWRCB can be expected to develop and implement further regulations.





SECTION 6

GENERAL FUND REVENUES AND DEPARTMENT BUDGETS



Historic Beaumont Public Transportation

General Fund

General Fund Description

The General Fund is the primary operating Fund of the City for the delivery of general municipal services. It is used to account for all financial transactions and resources of the general government, except those required by the General Accounting Standards Board (GASB) or federal, state or city law or regulation to be accounted for in another Fund. The City of Beaumont operates only one General Fund and it is used to account for most tax-supported activities. Expenditures for such functions as administration, finance, human resources, police, fire, planning, economic development, code enforcement, parks, recreation, and some public works activities are financed by the General Fund.

Revenue and Expenditure Trends and Assumptions

Private companies and City governments must operate within the parameters of their revenues in order to survive. Beaumont's General Fund is operating in a time of fiscal stress. The recession, the reductions in City revenues caused by the economic downturn, and raids from the State, including the elimination of the Beaumont Community Redevelopment Agency have taken its toll. In addition, the mismanagement and misuse of City funds over many years has hidden the true fiscal picture of the City. The good news is that the City Council, staff and public-spirited community members have been working very hard to correct the problems of the past and move the City forward in a positive way.

Revenue and Expenditure Forecasting

Forecasting as used in this budget document refers to estimating the future values of revenues and expenditures. It provides an estimate of how much revenue will be available and the resources required to meet current service levels and programs over the coming fiscal year, along with the understanding of how the total financial program will be affected by demographic and economic forecasts driving these forecasts. The value of forecasts is in estimating whether, given assumptions about City financial policies and economic trends, the City will have sufficient resources to meet the resource requirements of ongoing, planned or mandated programs. In short, forecasting provides an estimate of the financial flexibility of the City, as well as insight into tax, revenue, and service options the City Council must address.

1. Revenue Forecasts. The City seeks to match revenue sources with the economic and/or demographic variables that most directly affect year-to-year changes in revenues. For example, City sales tax revenues will reflect forecasts related to taxable sales; whereas, revenue from building permits and plan checks will be tied to the expected trends in residential, commercial and industrial development. The City attempts to use as many revenue-related variables as possible in its forecasts to minimize the risks of overstating or understating revenues. The beginning point of revenue forecasts and projections will be the previous year's collections along with an analysis of the financial trends over the last several years.

Revenue estimates will strive for accuracy by coming as close as possible to the actual outcome. However, forecasting sharp turns in the national, state and local economies is problematic. In addition, attempting to predict what the Governor and State Legislature will do with designated City revenues in their attempt to deal with the on-going State budget crisis is almost impossible. Revenue forecasting is not an exact science and at times relies upon the best professional

judgment of the forecaster.

2. Expenditure Forecasts. Expenditure growth is most closely linked to two major factors: inflation (including general inflation, adjustments to salaries and changes in benefit costs), and (2) financial policies related to the amount of new funding for new programs or for the expansion of existing programs. For certain expenditure categories (such as fuel and utilities), the City applies inflation factors that reflect the historical rate of price inflation in these categories to overall inflation.

Taxable Property Values and Property Taxes.

Changes in Taxable Property Values. The City of Beaumont net taxable value increased 10.1% from \$3,350,921,460 in FY2014-2015 to \$3,687,940,023 in FY2015-2016. Approximately \$34 million or 10% of this growth is due to the Proposition 13 1.998% inflation adjustment due to the growth in the City of Beaumont. See Figure 11, Figure 12 and Figure 13. This increase in taxable value was almost double the countywide taxable value increase of 5.5%. Last year Beaumont had the greatest increase in taxable value when compared to other cities in Riverside County. See Figure 14.

Since FY2005-2006, net taxable value in the City of Beaumont has risen approximately 263% from \$1,399,203,538 to \$3,687,940,023 in FY2015-2016.

The largest property assessed value increase was reported on a vacant site owned by Timoteo Land Investment off Highway 50 west of Potero Boulevard. This parcel was sold as part of a multi-parcel transaction in 2014. The value has been apportioned among the properties an increased value of the properties for an increase at this site of \$1.6 million. The value declined during the recession and was seeing some increases as the economic has improved.

Commercial property at 777 Beaumont Avenue owned by Richard S. Comras posted an increase of \$1.1 million between tax years. This site is the location of the Citibank at the corner of Beaumont Avenue and East Eighth Streets. The new value reflects the sales price of \$2.4 million paid when the property was purchased in 2014. Commercial property owned by Platinum Hotel Group at 1864 Oak Valley Village Circle posted an increase property value of \$1 million after the values on this site (which were reduced in accordance with Proposition 8) are being restored to 2012 levels. This is the Holiday Inn Express & Suites Beaumont Oak Valley Hotel.

Commercial property owned by Frederick J. Hanshaw at Highland Springs Avenue and Second Street reported an increase in value equivalent to the 2% applied by the County Assessor in accordance with Proposition 8. This was an increase of \$844,000. This is the location of Best Buy, Ross, Bed Bath and Beyond, Staples, Starbucks and PetCo.

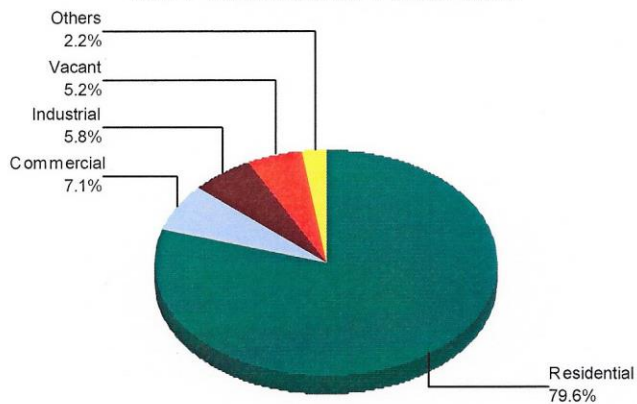
Commercial property at 1528 East Second Street owned by Havadjia Holdings Inc. added \$750,000 in new improvement values at this location. This is the site of the Farmer Boys Restaurant that opened last summer. Industrial property owned by Lowes HIW Inc. at 862 West Fourth Street added \$717,000 in value between tax years. This is the result of an addition of new personal property asset values at this location.

Figure 11
Assessed Value Summary
FY2015-FY2016

BASIC PROPERTY TAX TABLE

Category	Parcels	Net Taxable Value	G. F. Revenue	Incr. Revenue
Residential	12,981	\$2,940,232,521 (79.7%)	\$2,507,335.85	\$1,896,659.92
Commercial	247	\$291,491,374 (7.9%)	\$225,183.10	\$827,743.09
Industrial	181	\$176,247,926 (4.8%)	\$182,013.21	\$409,294.57
Vacant	2,089	\$190,999,251 (5.2%)	\$165,331.53	\$283,450.58
Irrigated	1	\$231,754 (0.0%)	\$197.75	\$0.00
Recreational	18	\$17,224,749 (0.5%)	\$14,462.39	\$4,476.35
Institutional	26	\$1,321,210 (0.0%)	\$1,423.05	\$3,202.47
Exempt	733	\$0 (0.0%)	\$0.00	\$0.00
SBE Nonunitary	[2]	\$54,015 (0.0%)	\$438.51	\$-2,384.45
Cross Reference	[129]	\$3,613,513 (0.1%)	\$5,080.93	\$1,950.79
Unsecured	[460]	\$66,523,710 (1.8%)	\$48,062.10	\$263,575.17
TOTALS	16,276	\$3,687,940,023	\$3,149,528.42	\$3,687,968.49

CITY REVENUE PORTION



INCREMENTAL REVENUE PORTION

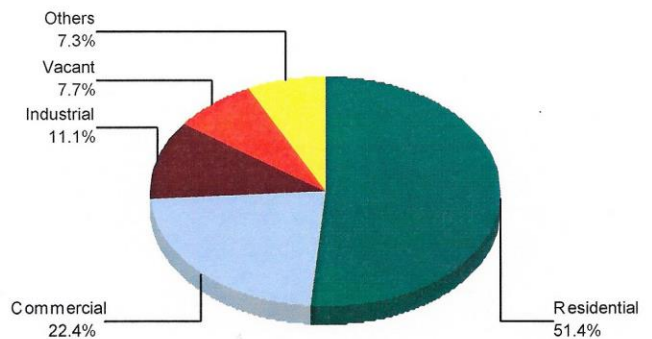


Figure 12
Taxable Property Value Growth Summary
FY2015-FY2016

Category	2014/15 Net Taxable Value		2015/16 Net Taxable Value			\$ Change	% Change
Residential	12,551	\$2,598,286,104	12,981	\$2,940,232,521	(79.7%)	\$341,946,417	13.2%
Commercial	242	\$276,682,366	247	\$291,491,374	(7.9%)	\$14,809,008	5.4%
Vacant	1,259	\$205,513,227	2,089	\$190,999,251	(5.2%)	-\$14,513,976	-7.1%
Industrial	181	\$182,704,068	181	\$176,247,926	(4.8%)	-\$6,456,142	-3.5%
Unsecured	[468]	\$66,013,382	[460]	\$66,523,710	(1.8%)	\$510,328	0.8%
Recreational	15	\$16,992,773	18	\$17,224,749	(0.5%)	\$231,976	1.4%
Cross Reference	[125]	\$3,296,822	[129]	\$3,613,513	(0.1%)	\$316,691	9.6%
Institutional	26	\$593,479	26	\$1,321,210	(0.0%)	\$727,731	122.6%
Irrigated	1	\$227,217	1	\$231,754	(0.0%)	\$4,537	2.0%
SBE Nonunitary	[2]	\$54,015	[2]	\$54,015	(0.0%)	\$0	0.0%
Dry Farm	1	\$558,007	0	\$0	(0.0%)	-\$558,007	-100.0%
Exempt	700	\$0	733	\$0	(0.0%)	\$0	0.0%
TOTALS	14,976	\$3,350,921,460	16,276	\$3,687,940,023	(100.0%)	\$337,018,563	10.1%

Numbers in blue are parcel/assessment counts

Assessed Value by Major Use Category

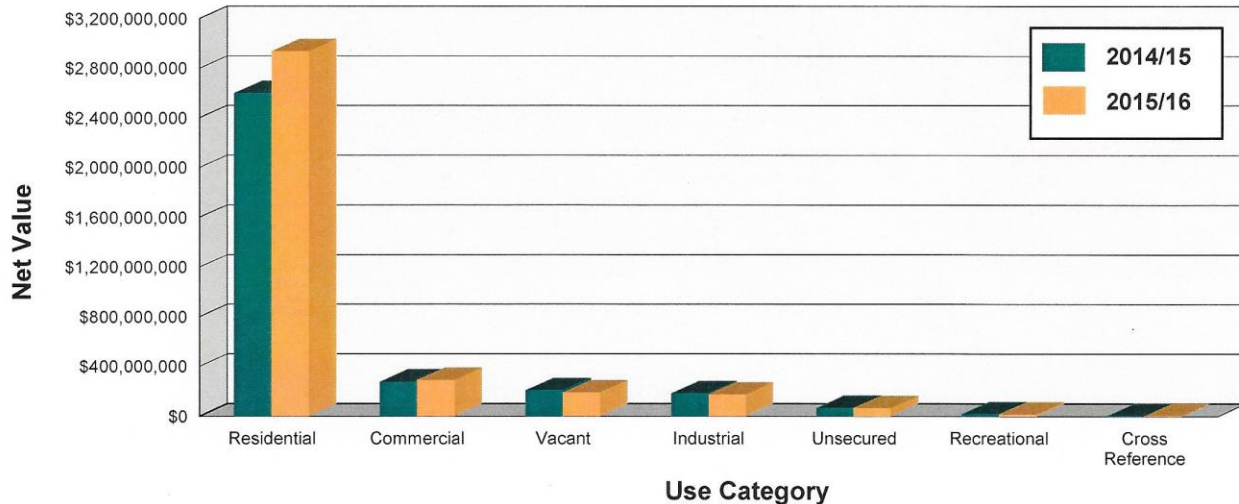


Figure 13 Property Tax Summary FY2015- to FY2016

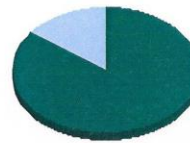
	2014/15	2015/16	Value Change
Total	3,350,921,460	3,687,940,023	337,018,563
Parcel Adds/Drops Net Change			44,868,946
Net Value Change from CPI 1.998% Growth			34,170,164
Unsecured Value Change			510,328
Cross-Reference Value Change			316,691
Prior Year Transfer of Ownership			104,737,290
Non-Residential New Construction			2,617,781
Prop. 8 - Recaptured Value - SFR			145,202,581
Prop. 8 - Recaptured Value - Non-SFR			5,792,734
Other Negative Changes*			-48,392,741
Other Positive Changes*			47,194,789
Total			337,018,563

Year to Year Value Change by Use Category

Category	\$ Change	% Change
Residential	\$341,946,417	13.16%
Commercial	\$14,809,008	5.35%
Industrial	-\$6,456,142	-3.53%
Dry Farm	-\$558,007	-100.00%
Institutional	\$727,731	122.62%
Irrigated	\$4,537	2.00%
Recreational	\$231,976	1.37%
Vacant	-\$14,513,976	-7.06%
SBE Nonunitary	\$0	0.00%
Cross Reference	\$316,691	9.61%
Unsecured	\$510,328	0.77%

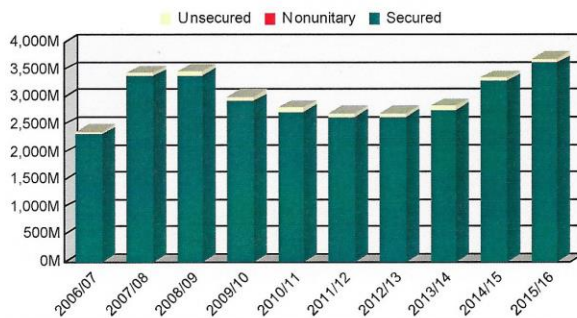
Change by Component	Total	Personal Property
Entire City	10.06%	-2.43%
Beaumont General Fund	11.44%	-2.40%
Successor Agency	2.71%	-2.46%
Countywide	5.51%	2.47%

Percentage of Assessed Value



Beaumont General Fund (02-2102)	85.2%
Beaumont Redevelopment Pr (02-2103)	14.8%
Total	100.0%

Net Taxable Value Change



Notes:

- Vacant property owned by Timoteo Land Investment off the 60 Fwy west of Potrero Blvd. sold as a part of a multi-parcel transaction in 2014 and the value has been apportioned among the properties for an increase at this site of \$1.6 million. The value declined during the recession and is seeing some increases as the economy has improved
- Commercial property at 777 Beaumont Avenue owned by Richard S Comras posted an increase of \$1.1 million between tax years. This site is the location of the Citibank at Beaumont and E 8th Streets.
- 3 vacant sites owned by Trinity Partners posted the largest decline with a combined total reduction of \$16.4 million. The largest reduction was reported on a parcel adjacent to Interstate 10 just west of the 10/60 junction. The 14 property sale transaction for \$15 million was less than the value enrolled by the assessor in 2014 prior to the sale.
- The CCPI for 2016-17 is trending below 2%.

Top 10 Taxpayers Based on Net Values 2015/16	Rank	Top 10 Taxpayers Based on Net Values 2014/15
FREDERICK J HANSHAW	1	CT BEAUMONT PARTNERS sold to Valley View Center LLC
HIGH DESERT PARTNERS	2	FREDERICK J HANSHAW
AMBEST REAL ESTATE formerly CT Partners	3	HIGH DESERT PARTNERS
LOMA LINDA UNIVERSITY	4	TRINITY PARTNERS LLC #12 in 2015-16
WALMART REAL ESTATE BUSINESS TRUST	5	LOMA LINDA UNIVERSITY
SDC FAIRWAY CANYON	6	WALMART REAL ESTATE BUSINESS TRUST
HOME DEPOT USA INC	7	HOME DEPOT USA INC
VALLEY VIEW CENTER LLC formerly CT Beaumont Partners	8	SDC FAIRWAY CANYON
DURA PLASTICS PRODUCTS INC	9	DURA PLASTICS PRODUCTS INC
LOWES HIW INC	10	LOWES HIW INC

Figure 14
Taxable Property Value Comparison
Riverside County Cities
FY2015 to FY2016

City	2015/16 Net Value	Value Change	% Change
Beaumont	3,687,940,023	337,018,563	10.057%
Moreno Valley	13,221,498,486	1,015,536,374	8.320%
Indio	7,295,001,126	558,585,300	8.292%
Perris	4,744,212,787	360,154,552	8.215%
Coachella	1,589,895,252	118,662,560	8.066%
Wildomar	2,827,286,372	210,797,180	8.056%
Palm Springs	10,715,241,365	739,467,244	7.413%
Menifee	7,945,446,487	538,735,027	7.274%
Calimesa	700,034,839	46,520,127	7.118%
Lake Elsinore	4,848,355,214	311,453,953	6.865%
Jurupa Valley	7,838,519,230	469,539,060	6.372%
Eastvale	8,037,675,869	445,587,797	5.869%
Hemet	4,993,111,753	271,314,688	5.746%
San Jacinto	2,488,223,340	132,734,369	5.635%
Desert Hot Springs	1,406,746,229	74,970,874	5.629%
Norco	2,898,065,713	150,714,920	5.486%
Cathedral City	3,941,401,563	198,574,398	5.305%
Banning	1,921,056,525	96,122,775	5.267%
Temecula	14,063,988,558	699,128,971	5.231%
Palm Desert	13,743,682,041	656,719,136	5.018%
La Quinta	11,977,978,712	559,379,020	4.899%
Canyon Lake	1,592,688,992	73,657,249	4.849%
Murrieta	11,625,734,723	533,672,158	4.811%
Riverside	25,701,739,805	1,069,648,273	4.342%
Corona	18,049,321,933	750,057,168	4.336%
Rancho Mirage	7,932,913,907	289,902,368	3.793%
Indian Wells	5,208,464,772	176,888,362	3.516%
Blythe	936,497,012	-142,443,893	-13.202%

The largest decline in property value was posted on three vacant sites owned by Trinity Partners that sold in 2014 for a combined reduction of \$16.4 million. This property is adjacent to the I-10 west of the I-10/Highway 60 junction. See Figure 29. Industrial property owned by Ambest Real Estate at 630 Nicholas Road reported a decline of \$9.3 million. This owner purchased the property formerly owned by CT Beaumont Partners for less than the assessor's enrolled value for the reported reduction. There is also an outstanding property tax appeal for values recorded in 2013. This is the Health and Fitness warehouse site.

Five vacant sites owned by Beaumont B. Yafo at 649 East First Street reported a decline in value for a combined reduction of \$4.7 million. Each of these sites received a reduction as a result of a successful appeal. These are Proposition 8 reductions and are eligible for annual review and value restoration as economic conditions improve. Two vacant properties owned by "Sixth and Xena" on the northeast corner of East Sixth street and Xenia Avenue were each granted a reduction totaling \$904,000. These are also Proposition 8 reductions that are reviewed annually for potential restoration of values.

Housing. In most areas the housing market has inched back towards normalcy in 2015 with more owner occupied sales and less distressed and investor purchases. Median sale prices for real estate have continued to increase steadily year over year while the numbers of sales transactions remains healthy with some expected seasonal dips. In some areas the current median home sales price has surpassed the median at the height of the real estate bubble. Prices for the full calendar year 2014 were up 16.82%.

The median sale price of a single family home in Beaumont from January through August 2015 was \$265,000. See Figure 15. This represents a \$8,000 (3.11%) increase over 2014. This 2015 median price is still \$131,000 lower than the prices seen at the height of the real estate bubble in 2006 when the median home sales price in Beaumont was \$396,500. It is expected that there may be two additional years for the City to benefit from the Proposition 8 values restored between tax years and will then return to the point where the Consumer Price Index, the properties transferring ownership for more than the assessed value, and added new construction will be the drivers of future housing property value changes.

Recapturing Single Family Proposition 8 Assessed Values Reductions. Residential properties throughout California received value reductions to lower market rate values between 2008 and 2012. The reductions by County Assessors for these properties reflected Proposition 8 declines in real estate values when the “Great Recession” impacted sale prices and the number of units selling. Beginning in 2013, most County Assessors started reviewing properties that had received reductions in large numbers and restoring values as market values moved upward. In many California communities, the home sale prices reported in 2015 exceeded those seen in the 2006 or 2007 during the peak of the real estate housing bubble. In several Counties, the values restored in 2015-2016 may be the last measurable Proposition increase to “boost” residential values for properties that experienced declines. Other Counties may see one or two more years of restorations before returning to the more typical year over year changes resulting from the annual Consumer Price Index adjustment, transferred properties, and new construction additions.

In Beaumont 51.8% of the properties waiting property tax recapturing in FY2012-2013 have been fully reinstated. Figure 16 shows the percentage of properties eligible for property valuation recapture that have had their values fully reinstated for Riverside County and its neighboring counties. The Figure also shows that Riverside County has restored 57.7% of the eligible properties to their pre-Proposition 13 values.

An explanation of Proposition 8 works is included in Figure 17.

Sales and Use Taxes.

Sales and use tax collections have steadily risen over the last ten years. Collections have gone from \$1,862,284 in FY2006 to \$4,026,387 in FY2014, \$3,941,108 in FY2015 and are projected to be \$4,599,964 in FY2016. Fourth quarter 2015 sales and use tax collections were \$1,333,649, up 12.4% from fourth quarter collections of \$1,008,277. Sales taxes are estimated to be \$4,600,000 in FY2017.

Figure 18 compares Beaumont per capita sales tax collections with the per capita collections with the Cities of Banning Calimesa, Perris, Hemet. Moreno Valley and Redlands as well as RIVERSIDE County, Southern California and the entire State of California.. This chart shows that Beaumont has significant sales tax leakage.

Figure 15
Single Family Home Sales Value History
FY2001-FY2016

Year	Full Value Sales	Average Price	Median Price	Median % Change
2001	148	\$116,959	\$115,000	
2002	177	\$129,282	\$124,000	7.83%
2003	292	\$171,555	\$165,000	33.06%
2004	233	\$229,559	\$225,000	36.36%
2005	334	\$315,324	\$320,000	42.22%
2006	888	\$395,621	\$396,500	23.91%
2007	472	\$376,100	\$380,000	-4.16%
2008	1,057	\$271,828	\$270,000	-28.95%
2009	969	\$201,901	\$204,000	-24.44%
2010	1,050	\$198,514	\$200,000	-1.96%
2011	959	\$177,040	\$175,000	-12.50%
2012	862	\$179,194	\$178,000	1.71%
2013	784	\$216,693	\$220,000	23.60%
2014	797	\$259,660	\$257,000	16.82%
2015	862	\$272,423	\$265,000	3.11%
2016	122	\$270,770	\$275,000	3.77%

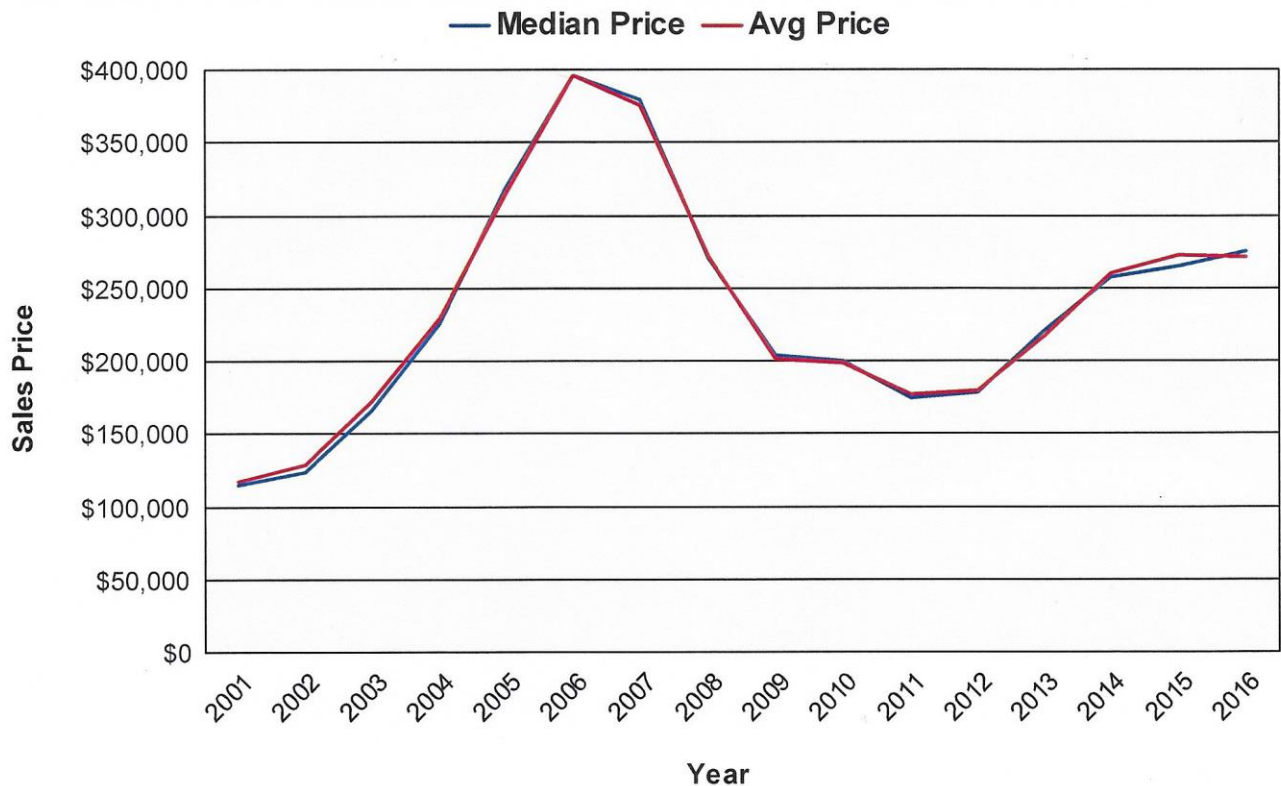


Figure 16
Single Family Home Proposition 8 Recapture County Comparison

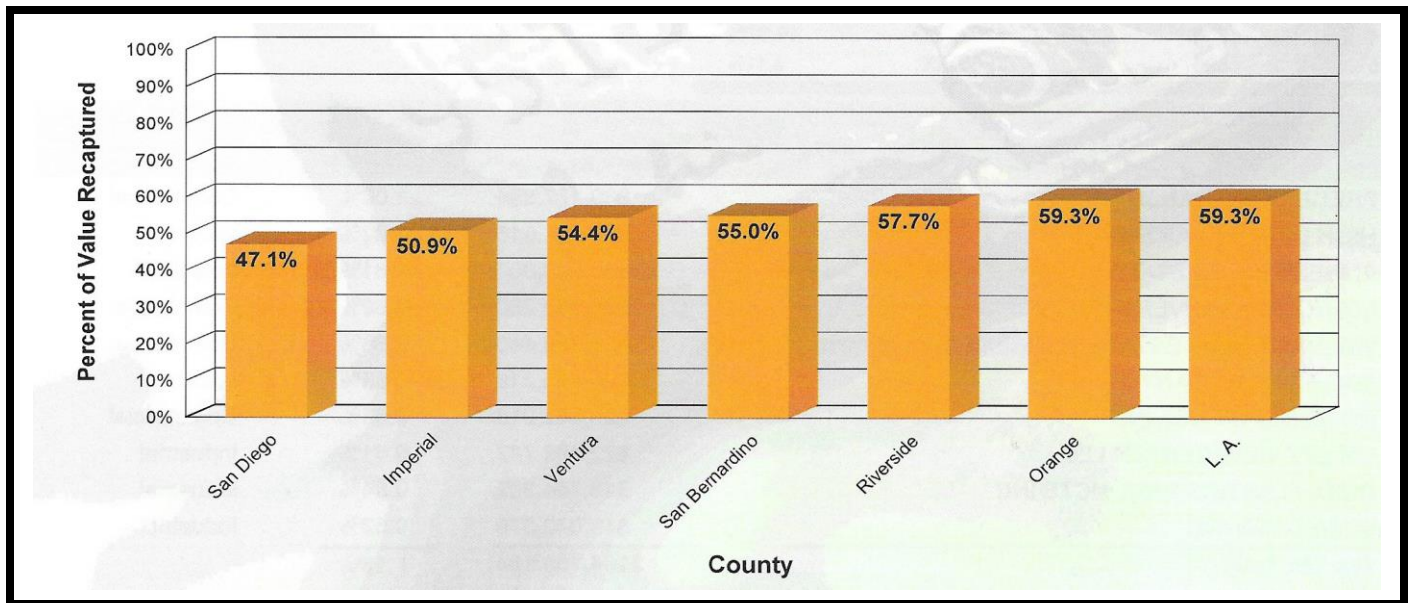


Figure 19 compares Beaumont sales tax collections between various major industry groups. This chart shows that businesses selling general consumer goods and services are generating more sales tax than other industry groups.

Other General Fund Revenues

Total licenses and permit fees were reduced from \$3,163,595 in FY2014 and \$3,064,328 in FY2015 to a projected \$2,854,000 in FY2017, because there are indications that the California economy is slowing. Service charge revenues are expected to be at their historic levels-- collecting \$4,588,000 in service charges during the fiscal year. Most of the service charge revenue (87%) comes from City billings to residences and businesses for trash service. The City estimates that it will collect \$4,030,000 in trash collection fees during FY2017.

Revenues from fines, forfeitures and fees are conservatively estimated to be \$3,565,100, while miscellaneous revenues are projected to be \$492,500 during FY2017. The City will transfer to the General Fund \$5,825,500 from other accounting funds to cover head and other indirect costs of managing and administering those funds. This budget includes funds to complete a cost allocation and accounting study by an independent finance professional to determine the appropriate charges that the General Fund can collect for indirect and overhead charges.

Total General Fund revenues are projected to be \$28,696,600 during FY2017. Total General Fund expenditures are estimated to be \$28,328,326, leaving \$368,274 in revenues over expenditures on June 30, 2017.

Figure 17
Proposition 8 Explanation

Recapturing Proposition 8 Reductions

Proposition 13 caps the growth of a property's assessment at no more than 2% each year unless the market value of property falls lower. When property values decline Proposition 8 which was passed by the voters in 1978 allows the property to be temporarily assessed at the lower value. Once reduced, the assessed value and property taxes may increase by more than 2% a year as the property values rise during a real estate recovery. The "recaptured" values can be adjusted upward to the annually adjusted Proposition 13 cap (blue line below).

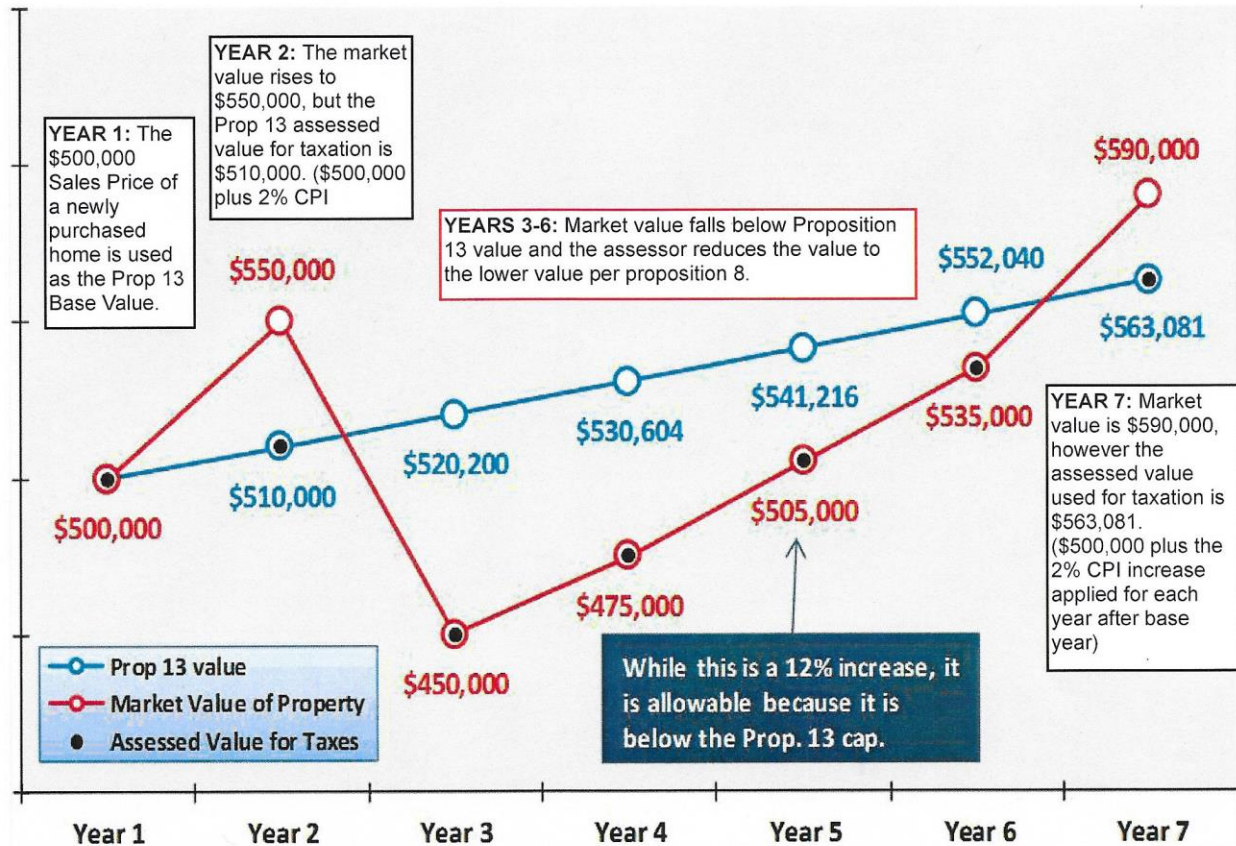
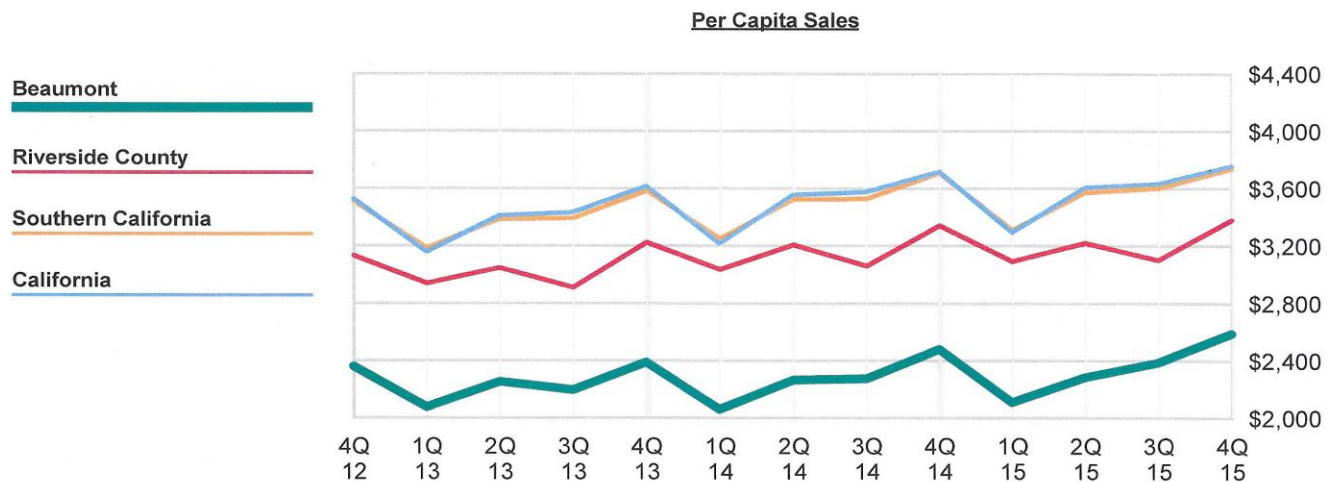
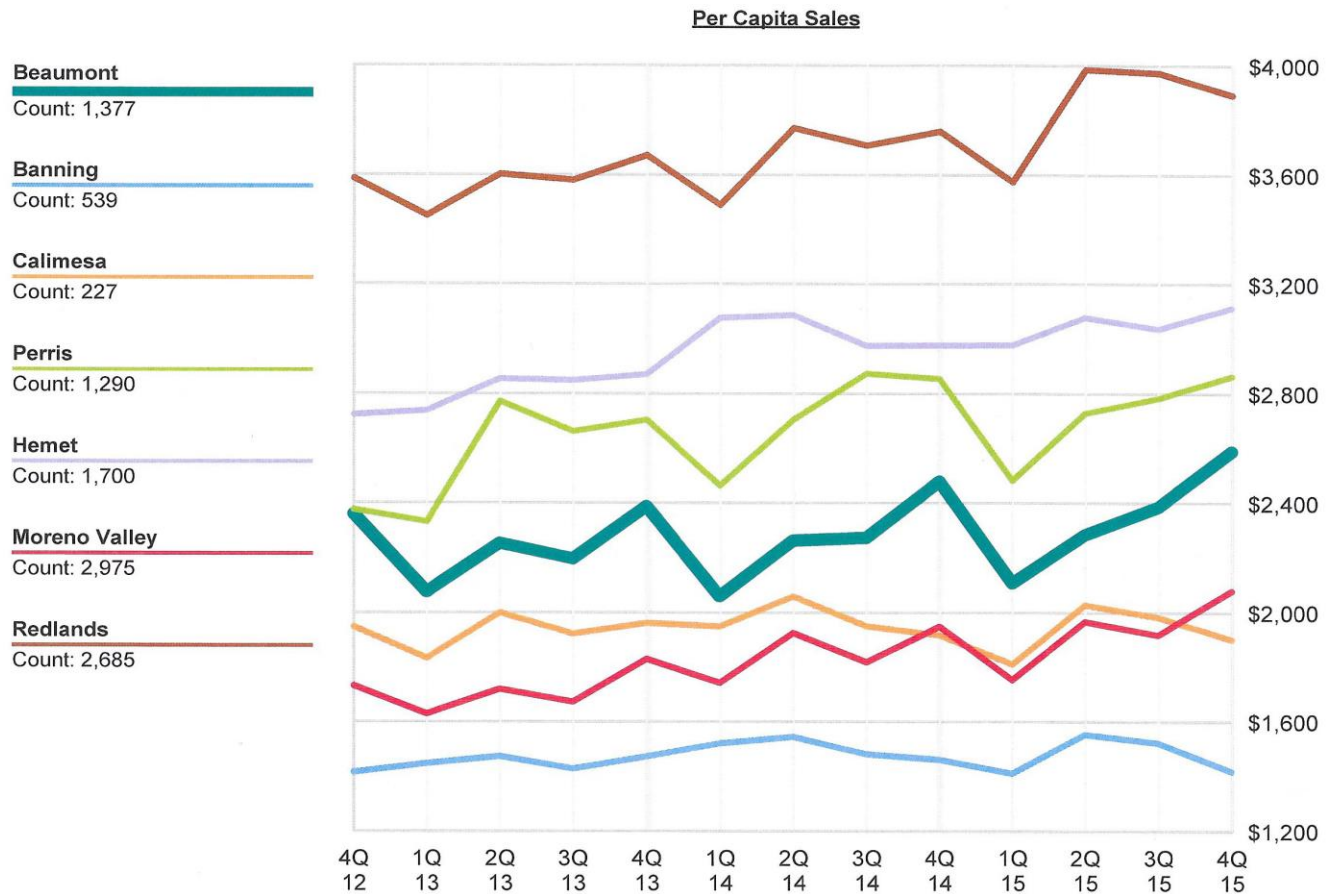
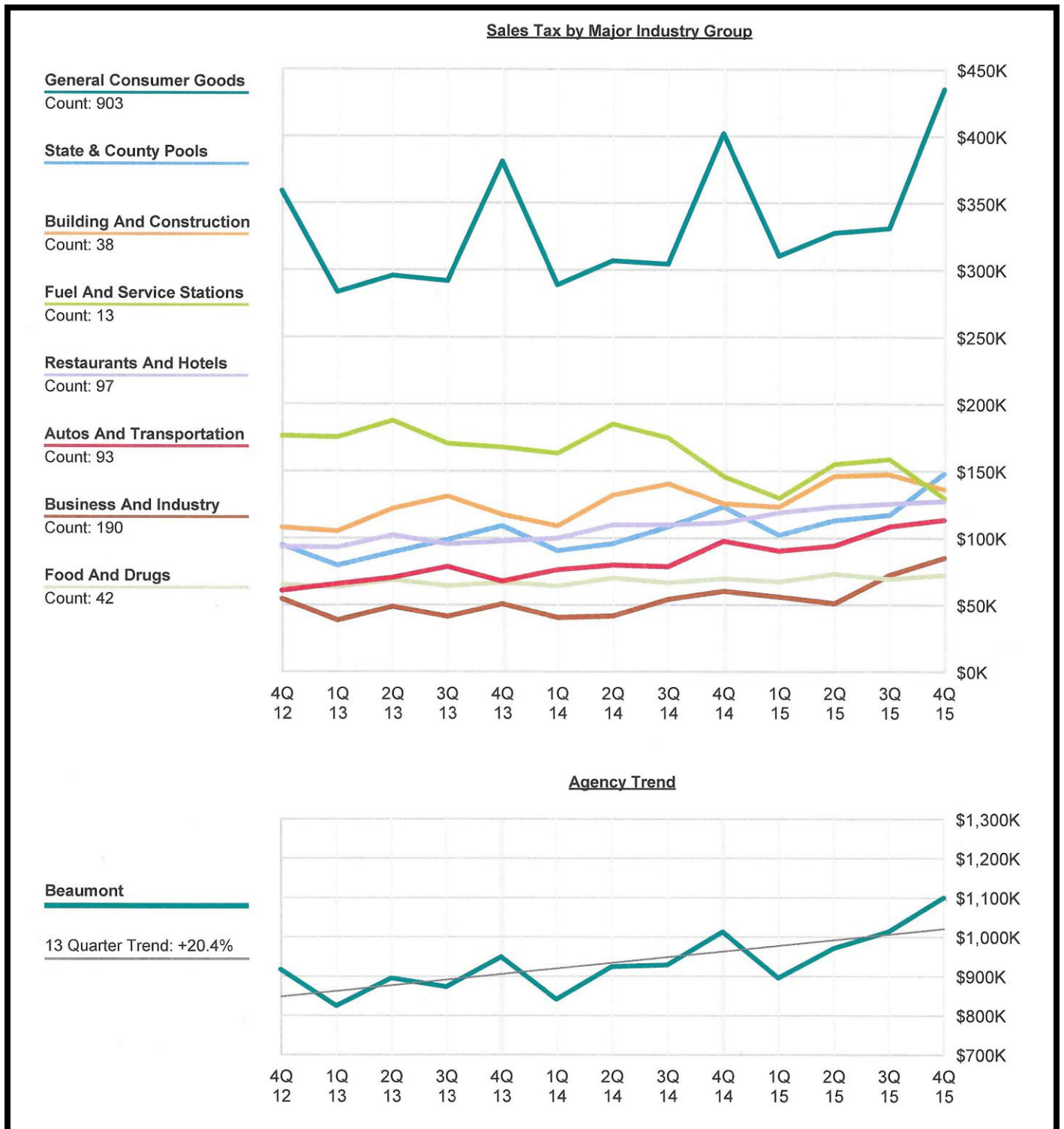


Figure 18
Sales Tax Per Capita Comparison
Fourth Quarter 2012 to Fourth Quarter FY2015



Periods shown reflect the period in which the sales occurred - Point of Sale

Figure 19
Major Industry Group Sales Tax Comparison
Fourth Quarter 2012 to Fourth Quarter FY2015



General Fund Revenues

Taxes

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-200-7010-00000	Secured Current Property Tax	2,895,346	3,218,566	3,153,256	3,309,000
01-1200-7440-0000	Property Transfer Tax	186,310	241,382	210,859	215,000
01-1200-7155-0000	Sales and Use Tax	4,026,397	3,941,108	4,599,964	4,600,000
01-1200-7156-0000	Proposition 172 Sales Tax for Public Safety	123,385	133,657	92,000	115,000
01-1200-7210-0000	Utility Users Tax	1,366,836	1,373,661	1,749,931	1,600,000
01-1200-7310-0000	Franchise Fees—Southern California Edison	269,271	290,105	292,160	295,0000
01-1200-7320-0000	Franchise Fees—Cable	121,654	130,342	141,044	145,0000
01-1200-7321-0000	Franchise Fees—Verizon	368,856	392,893	283,809	285,000
01-1200-7322-0000	Franchise Fees—Southern California Gas	122,828	131,529	142,524	125,000
01-1200-7330-0000	Transient Occupancy Tax	225,093	164,804	184,190	217,500
01-1200-8645-0000	Street Light Assessment	419,436	458,360	451,853	465,0000
	Total Tax Revenues	10,125,412	10,476,407	11,301,590	11,371,500

Licenses and Permits

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Business Licenses	0	0	191,044	210,000
01-1200-7345-0000	Business Licenses	204,445	209,124	0	0
01-1200-7460-0000	Business License Penalties	25	0	0	0
	Animal Control	0	0	94,209	92,000
01-1200-7710-0000	Animal Control—Beaumont	35,152	50,001	0	0
01-1200-7710-0001	Beaumont Control—Late Fees	3,792	1,470	0	0
01-1200-7710-0000	Beaumont Control—Replacement License	48	53	0	0
01-1200-7710-0003	Beaumont Animal Control—Micro Chip	4,200	5,730	0	0
01-1200-7710-0004	Beaumont Animal Control—Return of Impound	340	400	0	0
01-1200-7710-0005	Beaumont Animal Control—Field Impound Return	0	0	0	0
01-1200-7710-0007	Beaumont Animal Control—Owner Turn In	1,195	1,075	0	0
01-1200-7710-0008	Beaumont Animal Control—Euthanasia	370	260	0	0
01-1200-7710-0009	Beaumont Animal Control—Trap Rental	0	145	0	0
01-1200-7710-0011	Beaumont Animal Control Citation	1,600	4,100	0	0
01-1200-7711-0000	Banning Animal Control	14,098	22,743	0	0
01-1200-7711-0001	Banning Animal Control—Late Fees	460	695	0	0
01-1200-7711-0002	Banning Animal Control—Replacement License	12	20	0	0
01-1200-7711-0004	Banning Animal Control—Return of Impound	140	150	0	0
01-1200-7711-0005	Banning Animal Control—Field Return Impound	0	0	0	0
01-1200-7711-0007	Banning Animal Control—Owner Turn In	375	580	0	0
01-1200-7711-0008	Banning Animal Control—Euthanasia	390	250	0	0
01-1200-7711-0009	Banning Animal Control—Trap Rental	0	40	0	0
01-1200-7711-0011	Banning Animal Citations	0	950	0	0
01-1200-7712-0000	Calimesa Animal Control	3,802	7,335	0	0
01-1200-7712-0001	Calimesa Animal Control—Late Fees	100	290	0	0
01-1200-7712-0002	Calimesa Animal Control—Replacement License	4	25	0	0
01-1200-7712-0007	Calimesa Animal Control—Owner Turn In	490	430	0	0
01-1200-7712-0008	Calimesa Animal—Euthanasia	80	20	0	0
01-1200-7712-0009	Calimesa Animal Control—Trap Rental	0	0	0	0
01-1200-7712-0011	Calimesa Animal Control Citations	0	100	0	0
01-1200-7740-0000	Yard Sale	10,131	10,449	7,274	7,000
01-1200-7740-0000	Miscellaneous Permits	41,118	13,088	23,074	15,000
	Building and Development	0	0	1,218,784	1,100,000
01-1200-7750-0000	Building Permits	968,682	955,285	0	0
01-1200-8503-0000	Planning and Building Revenue	118,498	0	0	0
01-1200-8503-0000	Community Development	180,720	168,139	0	0
	Public Works	0	0	1,460,758	1,300,000
01-1200-8504-0000	Public Works and Engineering	1,405,284	1,482,071	0	0
01-1200-8507-0000	Bond Reduction/Exoneration	19,450	49,200	0	0
01-1200-8546-0000	Engineering Bid Fees	0	800	0	0
01-1200-8501-0000	Encroachment Permits	19,040	23,055	25,605	25,000
	Fire Prevention Permits	0	0	0	105,000
	Fire Plan Checks	129,554	108,675	79,976	0
	Fire Inspections	0	0	0	0
	Total Licenses and Permits Revenues	3,163,595	3,064,328	3,100,724	2,854,000

Charges for Service

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Public Service Fees	0	0	357,256	358,000
01-1200-8547-0000	Notary Fees	460	490	0	0
01-1200-8548-0000	Passport Fees	18,080	22,325	0	0
01-1200-8995-0000	Miscellaneous Copies	7,218	4,122	0	0
01-1200-8561-0000	Live Scan Fingerprinting	20,204	25,727	0	0
01-1200-8550-0000	Weed Abatement	35,737	22,802	0	0
01-1200-8560-0000	Special Police Services	18,081	16,340	0	0
01-12300-8670-000	Refuse Collection Fees	5,042,115	5,903,210	4,027,269	4,030,000
	Facility Use	0	0	203,029	200,000
01-1200-8820-0000	Swimming Pool Admission	28,702	27,509	0	0
01-1200-8821-0000	Swimming Pool Food Sales	4,808	5,588	0	0
01-1200-8845-0000	Facility Donations	121	31	0	0
01-1200-8857-0000	Sports Park Activity Fees	1,504	0	0	0
01-1200-8906-0000	Recreation Program—Day Camp	36,513	42,110	0	0
01-1200-9520-0000	Building/Facility Rental	90,816	114,015	0	0
		0			
	Total Charges for Service Revenues	5,304,359	6,184,269	4,587,554	4,588,000

Fines, Forfeitures and Fees

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Fines	0	0	110,640	120,000
01-1200-9010-0000	General Fines	7,848	5,895	0	0
01-1200-9011-0000	Parking Fines	10,569	16,113	0	0
01-1200-9020-0000	California Vehicle Codes Fines	137,254	149,625	0	0
	Vehicle Fees	0	0	3,589,058	3,445,100
01-1200-8310-0000	Motor Vehicle In-Lieu Fees	2,709,016	3,244,340	0	0
01-1200-8315-0000	Vehicle License Collection	0	0	0	0
01-1200-9830-0000	Abandoned Vehicle Program	332,298	11,953	0	0
	Total Fines and Forfeiture Revenues	3,196,985	3,427,926	3,699,698	3,565,100

Miscellaneous Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Other Income	0	0	54,437	60,000
01-1200-7000-0000	Interest	(5,538)	(2,828)	0	0
01-1200-9790-0000	Miscellaneous	200,114	403,497	0	0
01-1200-9795-0000	Cash Over/Short	329	4,081	0	0
01-1200-9805-0000	Sale of Real Property	8,208	0	0	0
	POST Revenue	0	0	0	15,000
	Cost Recovery	0	0	490,399	400,000
01-1200-7000-0000	Code Enforcement—Cost Recovery	166,866	156,689	0	0
01-1200-7001-0000	Code Enforcement—Lien Recovery	0	23	0	0
01-1200-9810-0000	Cost Recovery	43,862	79	0	0
01-1200-9810-0001	Cost Recovery—ARCNET	(1,111)	0	0	0
01-1200-9810-0002	Cost Recovery—ERMAC	177,578	185,448	0	0
01-1200-9810-0003	Cost Recovery—OES	373,343	78,658	0	0
01-1200-9810-0005	Cost Recovery—ACO Banning	143,082	144,384	0	0
01-1200-9810-0006	Cost Recovery—ACO Calimesa	13,468	15,519	0	0
01-1200-9810-0006	Cost Recovery—SCE	(33,164)	(88,812)	0	0
01-1200-9810-0010	Cost Recovery—Deseret Hot Springs	11,601	0	0	0
01-1200-9810-0012	Cost Recovery—BNG Fire	0	4,584	0	0
01-1200-9810-0013	Cost Recovery—Morongo Band	2,953	0	0	0
01-1200-9810-0014	Cost Recovery—AB109	0	0	0	0
01-1200-9820-0000	Insurance Recovery	83,980	475,567	0	0
	Grants	0	0	17,932	17,500
01-1200-9870-0000	Grants	16,784	4,496	0	0
01-1200-9870-0001	Grant—Energy Efficiency	4,980	(76.19)	0	0
01-1200-9870-0002	Grant—CalRecycle	0	0	0	0
	Total Miscellaneous Revenues	1,207,336	1,381,308	562,768	492,500

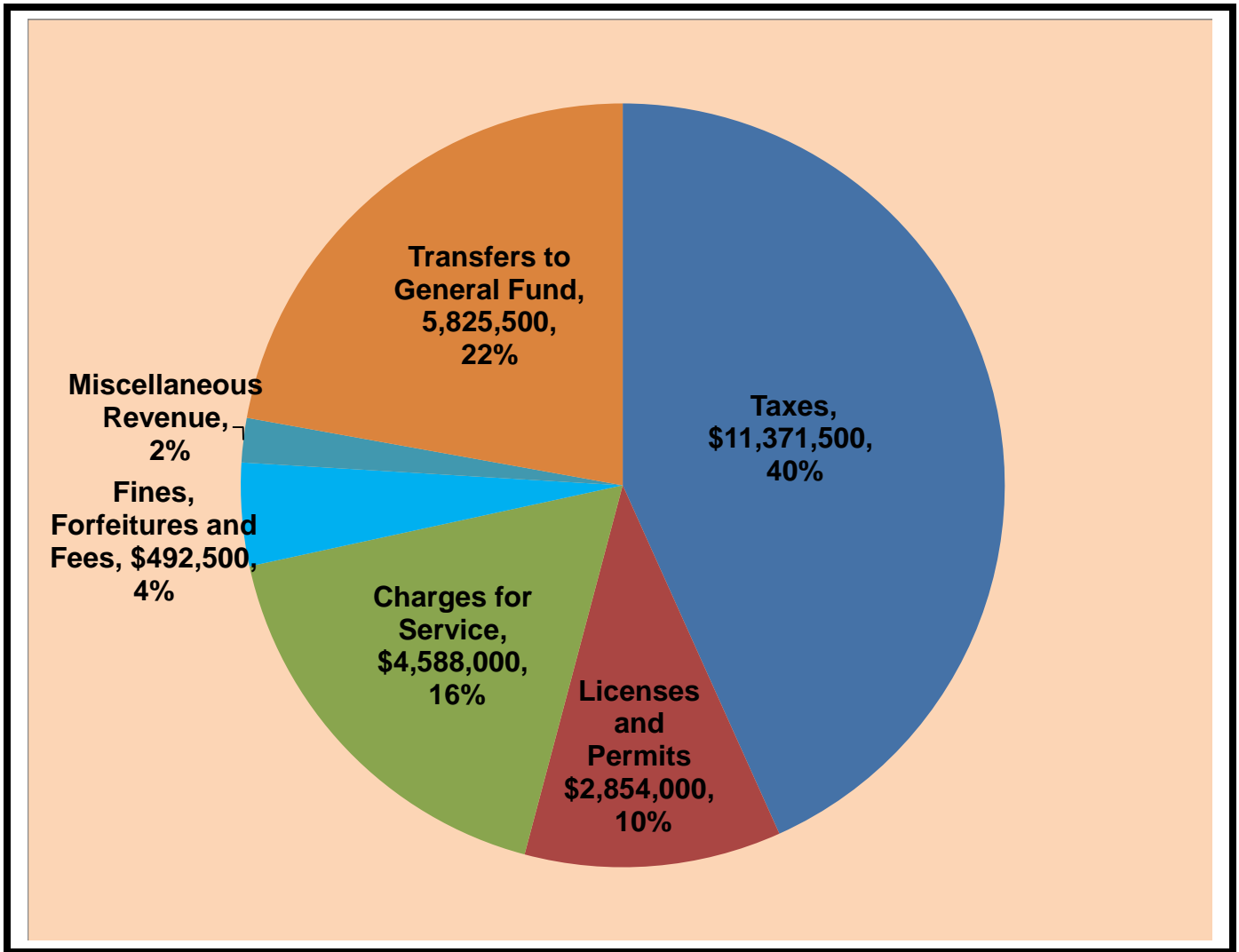
Transfers to General Fund from Other Funds

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1200-9801-0000	Administrative Overhead Cost Allocation	0	1,380,000	0	20,000
	Transfer from Public, Educational, Government Special Revenue Fund	0	0	10,500	25,000
	Transfer from the AB2766 Motor Vehicle Surcharge Special Revenue Fund	0	0	0	10,000
	Transfer from California Citizen Option for Public Safety Grant (COPS) Special Revenue Fund	0	0	100,000	100,000
	Transfer from the Successor Agency to the Beaumont Redevelopment Agency (RDA)	0	0	125,000	0
01-1200-9903-0000	Transfer from the Highway Users Tax (HUTA) (Gas Tax) Special Revenue Fund	1,379,884	497,732	1,011,500	870,000
01-1200-9910-0000	Transfer from the Community Facilities District (CFD) for Administrative Costs	4,000,000	2,075,000	3,840,000	1,117,500
	Transfer from the Community Facilities District (CFD) Special Revenue Fund for Services and Maintenance Costs	0	0	0	2,983,000
	Transfer from Wastewater Enterprise Fund	0	0	615,000	600,000
	Transfer from the Transit Enterprise Fund	0	0	98,000	100,000
01-1200-9950-0000	Transfers from Other Funds	1,228,016	3,261,363	0	0
	Total Transfers to General Fund Revenues	6,607,900	7,214,095	5,800,000	5,825,500

Total General Fund Revenues

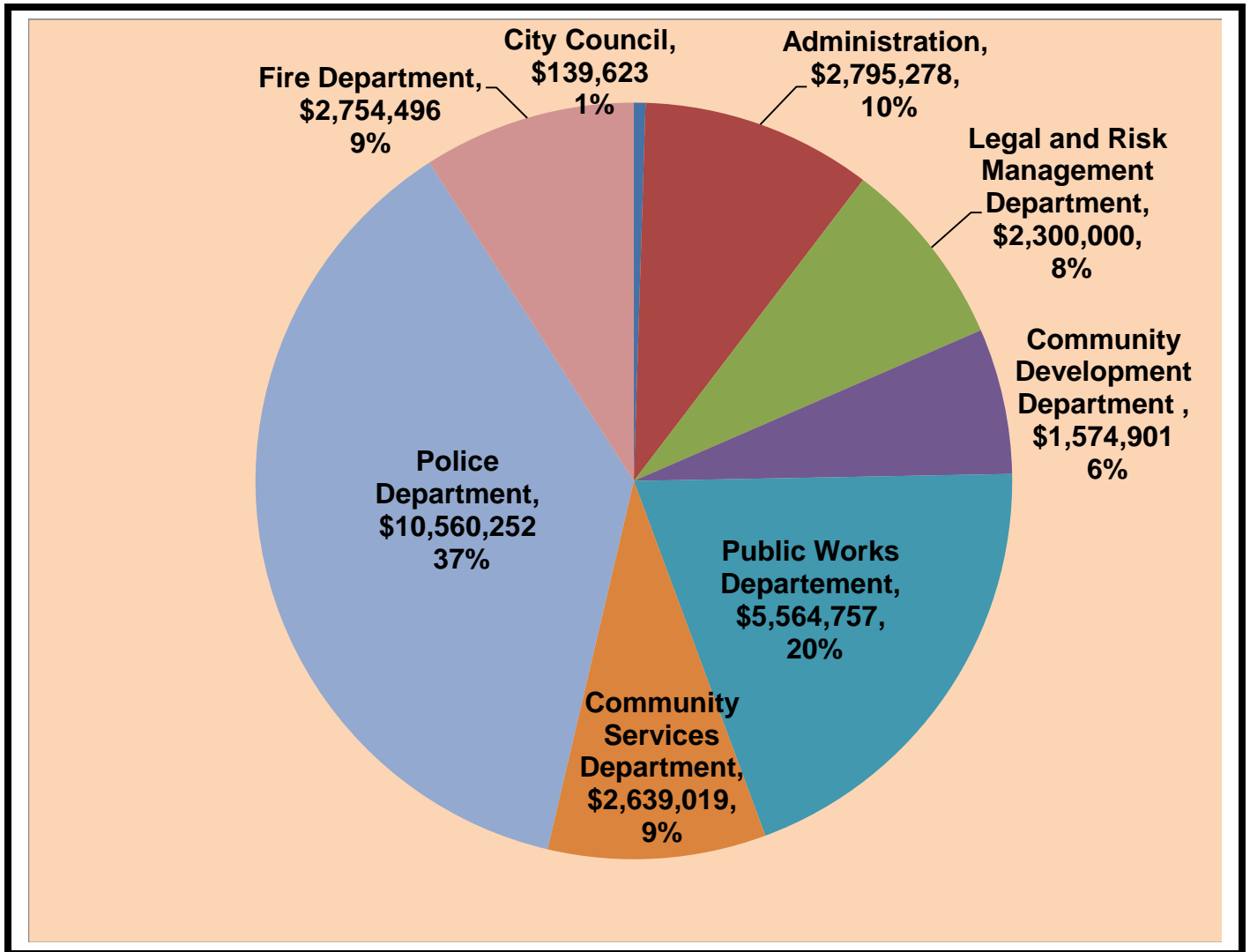
Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total General Fund Revenues	29,605,587	31,748,333	29,052,334	28,696,600

Figure 20
General Fund Revenue Summary
By Revenue Category



City Department	Budget	Percentage
Taxes	11,371,500	40%
Licenses and Permits	2,854,000	10%
Charges for Service	4,588,000	16%
Fines, Forfeitures and Fees	3,565,100	12%
Miscellaneous Revenue	492,500	2%
Transfers to General Fund	5,825,500	20%
	28,696,600	100%

Figure 21
General Fund Expenditure Summary
By Expenditure Category

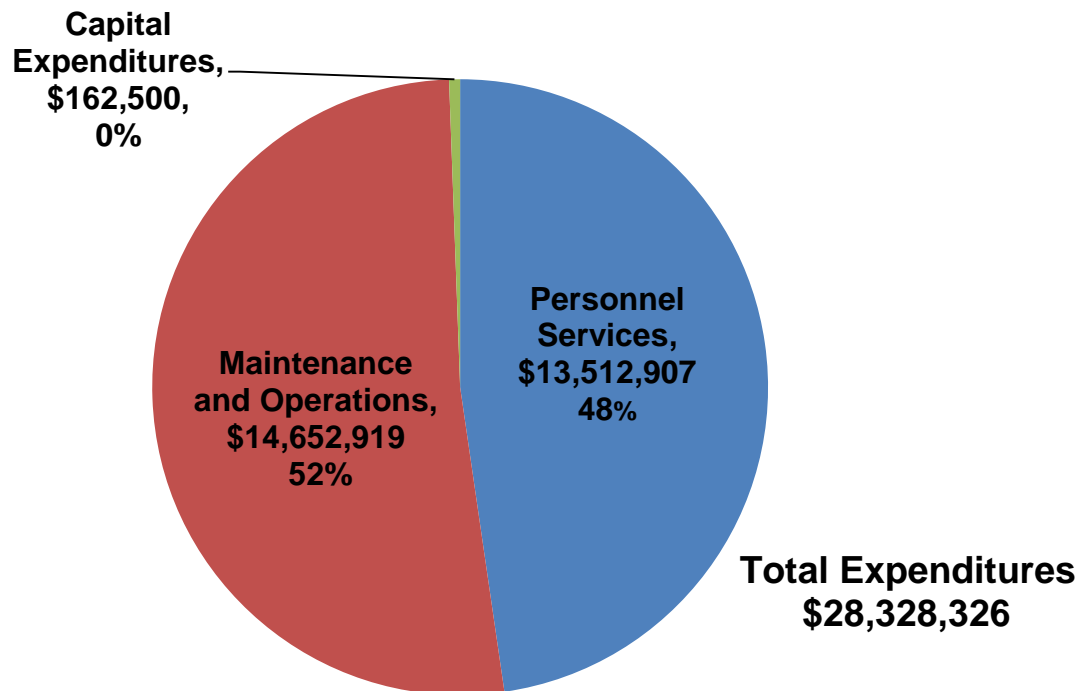


City Department	Budget	Percentage
City Council Department	139,623	1%
Administration Department	2,795,278	10%
Legal and Risk Management Department	2,300,000	8%
Community Development Department	1,574,901	6%
Public Works Department	5,564,757	20%
Community Services Department	2,639,019	9%
Police Department	10,560,252	37%
Fire Department	2,754,496	9%
Total	28,328,326	100%

Figure 22
General Fund Expenditure Summary
By Expenditure Category

Accounting Fund	Personnel Services	Maintenance and Operations	Capital Expenditures	Debt Service	Total
City Council Department	53,023	86,600	0	0	139,623
Administration Department	1,559,549	1,235,729	0	0	2,795,278
Legal and Risk Management Department	0	2,300,000	0	0	2,300,000
Community Development Department	762,842	797,059	15,000	0	1,574,901
Public Works Department					
Engineering Division	245,903	3,870,970	15,000	0	4,131,873
Street Maintenance Division	196,184	1,236,700	0	0	1,432,884
Community Services Department					
Grounds and Streets Maintenance Division	1,360,870	572,050	0	0	1,932,920
Community Recreation Center Division	360,024	163,250	0	0	523,274
Senior Citizens Division	98,043	9,300	0	0	107,343
Swimming Pool Division	38,682	34,300	2,500	0	75,482
Police Department					
Police Operations Division	7,064,286	1,389,500	130,000	0	8,583,786
Support Services Division	1,254,978	0	0	0	1,254,978
Animal Control Division	417,503	202,965	0	0	620,468
Code Enforcement Division	101,020	0	0	0	101,020
Fire Department	0	2,754,496	0	0	2,754,496
Total	13,512,907	14,652,919	162,500	0	28,328,326

General Fund Expenditures By Category



Notes and Explanations Regarding General Fund Revenues

Property Tax Explanation. The property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the state. The California property tax is ad valorem, based on the value of the property rather than on a fixed amount or benefit to the property or persons. Intangible assets and rights are not subject to taxation except to the extent that they are necessary to put real property interests to beneficial or productive use. Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls, which are primarily maintained by the Riverside County Assessor. Tax rolls contain an entry for each parcel of land, including parcel number, owner's name and value.

The amount of the tax is based on an annually determined assessed valuation. The property tax is paid to the county tax collector and allocated to local tax agencies. The property tax is guaranteed by placing a lien on the real property. For this reason, types of properties are distinguished as secured or unsecured.

Secured Property. Secured property includes real property and personal property located upon that property of the same owner. Personal property not located upon the real property of the same owner may additionally be classified as secured if: (1) it is located in the same county, and (2) the taxpayer certifies the real property is sufficient to secure the payment of the tax. Secured roll taxes are paid in two installments, due on December 10 and April 10.

Property taxes are levied in equal installments on November 1 and February 1. They become delinquent respectively on December 10 and April 10. The lien date is March 1 of each year. Property taxes are accounted for in the City of Beaumont General Fund. The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum of \$1.00 per \$100 of full cash value.

Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after the end of the fiscal year. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year-end accrual. Taxes on individual pieces of property may be delinquent up to five years before the property is sold for delinquent taxes.

Full or Partially Exempt Properties. Certain special exemptions to the standard assessment rules are provided in the State Constitution and state law. The following kinds of property are generally exempt from the ad valorem property tax:

- **Federal and State owned property.**
- **Municipal owned property except property outside the legal boundaries of the agency.**
- **Homeowners property tax exemption.** The California Constitution provides for a partial property tax exemption of \$7,000 of the assessed valuation for every owner-occupied residence.
- **Property owned, irrevocably dedicated to, and used for religious, hospital, scientific, and/or charitable purposes.** This exemption includes libraries, museums, hospitals, cemeteries and schools, the California Air Patrol.
- **Williamson Act.** Under the Williamson Act land owners may enter into contracts with participating cities and counties to restrict their lands to agricultural or open-space uses in return for reduced property tax assessments. The contract must be for a minimum term of 10 years, and contracts are automatically renewed each year unless action is taken to terminate the contract. In exchange for a land owner's commitment to open-space use of his or her land, the land and any living improvements (trees and vines) are valued according to their income-earning ability. The law provides that each year, the property will be assessed at the lowest of the factored base year value, the Williamson Act value or the current fair market value. The state reimburses local agencies for property tax revenues lost due to Williamson Act reductions.
- **Disabled Veterans.** Veterans with specified disabilities or, if deceased, their unmarried surviving spouses are entitled to a basic exemption of \$100,000 (inflation adjusted) on the principal place of residence. This exemption may be raised to \$150,000 (inflation adjusted) if the veteran meets the income limit of \$40,000, adjusted annually for inflation.

- **Other Exemptions.** Other exemptions include household furniture and other personal effects; business inventories; intangible property (such as intellectual property like copyrights and patents); timber, motor vehicles, freight and passenger vessels over a certain size; private railroad cars; growing crops and orchards for the first four years after planting and vineyards for the first three years after planting; and low-value property (generating a tax amount of less than \$25, or \$50 in the case of certain mobile home accessories).

Proposition 13. Proposition 13 (Article XIII A of the State Constitution) limits the real property tax rate to one percent of a property's assessed value, plus rates imposed to fund indebtedness approved by the voters. Article XIII A also prohibits the enactment of any additional ad valorem property tax, transaction tax or sales tax on the sale of real property.

Change in Ownership. Property is reassessed to current full value immediately upon a change in ownership. Thereafter, the assessed value increased annually by the change in the Consumer Price Index (CPI) not to exceed 2%. However, state law and various voter approved Constitutional amendments provide exemptions to this rule. Revaluation of real property is not required for:

- **Transfer of Bare Legal Title.** Transfer of bare legal title takes place in a situation where a property owner pays off the mortgage held by a bank.
- **Leases of Less than 35 Years.**
- **Transfers of Partnership Interests.** Transfer of partnership interest is exempt from property reevaluation unless a controlling interest is acquired.
- **Transfer into a Trust if the Transferor is the Beneficiary or the Trust is Revocable.**
- **Joint Tenancies.** Transfers of joint tenancies that do not result in changes of beneficial ownership.
- **Intra-Family Transfers.** Transfers between spouses including those made in divorce settlements. Transfers of a principal residence plus up to \$1 million of other property between parents and children. Transfers between grandparents and grandchildren if the parents of those grandchildren are deceased.
- **Mobile Home Conversion to Tenant Ownership.**

Education Revenue Augmentation Fund (ERAF). In 1992, struggling to balance its budget, the State of California instructed county auditors to shift local property tax revenues from cities, counties and non-education special districts to the Educational Revenue Augmentation Fund (ERAF) to support schools. By ordering these property tax transfers to schools, the State saved many billions of dollars per year in State General Fund payments and did so at local governments' expense.

The State Legislature adopted and the Governor signed Senate Bill 1096 in FY2005. This legislation shifted for a third time property taxes from cities and counties to the Education Revenue Augmentation Fund (ERAF) for schools and community colleges. This property tax shift was commonly called "ERAF III." This property tax shift only occurred in FY2005 and FY2006. The total amount of ERAF shift state-wide for each year was \$350 million to be paid in two installments annually to the State. Each county's property tax loss to the State was identified in Senate Bill 1096. Each jurisdiction's loss in the county was determined using VLF/Sales Tax/Property Tax weights to develop a percentage for each jurisdiction. It was determined that supplemental taxes were not to be offset by ERAF III due to the fact that the shift was a fixed amount annually for each jurisdiction, and did not require additional shifts from supplemental payments. The calculation does take into account ERAF I and ERAF II calculations since they are currently considered in developing the apportionment factors. The formula also uses the Property Tax for vehicle license fee (VLF) swap, which is considered to be an increase in property taxes.

Unsecured Property Taxes. Unsecured property taxes are taxes on property that, in the opinion of the assessor, do not constitute sufficient "permanence" or have other intrinsic qualities to guarantee payment of taxes levied against it.

SB813 Supplemental Property Taxes. State law requires the County Assessor to reappraise property upon change in ownership and completion of new construction. The SB813 supplemental property tax assessment reflects the difference between the new value and the old value. The County Auditor-Controller calculates the supplemental property tax and then prorates it, based upon the number of months remaining in the fiscal year in which the event occurred.

The Homeowners Property Tax Relief Reimbursement. The Homeowners Property Tax Relief Reimbursement is revenue to offset city loss of property tax for state imposed \$7,000 per dwelling homeowner exemption. California Constitution Article XIII Section 3(k) state grants homeowners an exemption of \$7,000 from the taxable assessed value of their owner-occupied principal resident. Pursuant to Article XIII, Section 25 of the State Constitution, the State must

reimburse local governments for the homeowners' exemption and includes single family dwellings, condominiums, cooperatives and multiple residence dwellings. The exemption does not extend to property that is rented, vacant or under construction on the January 1 lien date, nor does it apply to vacation or second homes, or to a dwelling on which an owner receives a veterans' exemption. Nearly 5.5 million California homeowners receive this exemption.

The California Constitution allows the Legislature to increase the amount of the homeowners' exemption with the following conditions:

- The Legislature must also increase the rate of state taxes in an amount sufficient to pay for the increased cost of state subventions to local governments; and
- The Legislature must provide a comparable increase in benefits to renters (i.e. the renters' income tax credit).

Delinquent Property Taxes—Teeter Plan. Delinquent property tax collections are low because the City of Beaumont receives almost all of its property tax due because it is participating in the Teeter Plan. The standard method for distributing property tax receipts to all participating agencies was based on actual collections. In 1949 the Teeter Plan was enacted. The plan was designated to streamline the process by allowing counties to calculate and distribute the actual amount of property tax revenues due each participating agency during the current fiscal period. The county then retains the late payments and penalties on delinquent tax assessments. Teeter Plan participation may be revoked in any year by a vote of the Board of Supervisors (BOS) or by resolution from two-thirds of the governing bodies of the participating agencies.

Property Tax in Lieu of Vehicle License Fees (VLF). In FY2005 the State Legislature permanently reduced the vehicle license fees (VLF), commonly called the "car tax" from 2% to 0.65% of the vehicle's value. The vehicle license fee (VLF) backfill to cities and counties (approximately \$4.4 billion annually) was eliminated and replaced with a like amount of property taxes, dollar for dollar. Subsequent to the FY2003-2004 base year, each city's and county's property tax in lieu of the vehicle license fee (VLF) or "VLF adjustment amount" increases annually in proportion to the growth in gross assessed valuation. The 0.65% vehicle license fee (VLF) dedicated to local governments became constitutionally protected when Proposition 1A passed on November 2, 2004. The State of California promised to replace City vehicle license fees (VLF) with property taxes, less Beaumont's share of the \$1.3 billion contribution by city governments to state government. for FY2005 and FY2006. This exchange of vehicle license fees for property tax is commonly called the "VLF Swap."

Real Property Transfer Tax. The real property transfer tax is an excise tax imposed on documents recorded in the transfer of ownership of real estate. The tax is in proportion to the consideration or value of the property or interest conveyed. The Documentary Transfer Tax Act (Revenue and Tax Code Section 11911 et. seq.) authorizes cities and counties to impose a tax based on the transfer of ownership in real estate with a value exceeding \$100. Counties are authorized to levy the tax at a rate of 55 cents per \$500 of the property value, exclusive of any lien or encumbrance remaining at the time of sale. Once a county has enacted the tax, a City is authorized to levy a tax at one-half the county rate. The tax does not apply to furnishings, personal effects, business inventories, etc. transferred with the property.

- **Exemptions.** Exemptions to this tax include most government-owned property; properties of non-profit organizations; cemetery lots; transfers of certain partnership properties; certain reorganizations of corporations under the Federal Bankruptcy Act; recipients of foreclosed properties; the division of property between spouses under dissolution of marriage; transfers between entities where the "underlying" ownership remains unchanged. Cities are exempt from documentary transfer taxes when acquiring real property.
- **Real Property Transfer Tax Rate.** The documentary transfer tax is collected at a rate of \$1.10 per \$1,000 by Riverside County. Beaumont's documentary transfer tax rate is \$0.275 per \$500 and is levied pursuant to Title 3 Chapter 20 of the Beaumont Municipal Code.

Utility Unitary Tax. The utility unitary tax is a property tax on state-assessed property completed by the California Board of Equalization (BOE). State assessed properties include railroads, power substations, power lines, natural gas lines and other utilities. The rate imposed is the local rate of the jurisdiction in which the property is located.

Sales Taxes. California sales tax is imposed on retailers for the privilege of selling tangible personal property. A portion of the tax is a state tax and a portion is locally imposed. The tax base for the sales tax is the retail price of tangible personal property. Tangible personal property is any material asset, such as household goods and business equipment, which is readily movable and not permanently attached to real property. Sales tax applies to a transaction if (1) the seller's registered place of business in California participates in the sale and (2) title to the goods passes to the customer within the state. If both conditions are not met, the applicable tax is the use tax.

- **Constitutional Protection:** Proposition 1A of 2004: Proposition 1A prohibits the state from reducing sales tax rate or changing the method in which sales tax revenues are distributed.

- **Internet, Telephone and Mail-Order Sales.** Retailers located in California are required to pay sales tax for made over the internet, telephone or mail-order sales just as other taxable sales.

- **Allocations.** Under the Bradley-Burns Uniform Local Sales and Use Tax Law, most retail sales are deemed to occur at the seller's California place of business where the sale is negotiated, regardless of the physical location of the property that is sold. (Exceptions may include auctioneers, vending machine operators and construction contractors). If the retailer has more than one place of business in California, the sale is deemed to occur at the location where the principal negotiations take place. Generally, the local sales tax portion of the statewide 7.25% sales and use tax is allocated to the jurisdiction where the retailer's place of business is located.

Sales Tax exemptions include:

- **Real Property Sales.** Sales of real property, such as land and buildings, are not subject to the sales tax. Since the sales tax is imposed on retail transactions, resale and wholesale sales are excluded from the tax. Also exempt are the following, which are not considered tangible personal property.

- **Food Sales.** Food sold for human consumption except prepared foods and food consumed at or on the seller's facilities. Candy and confectionery, snack foods and bottled water. Food sold through vending machines (partial exemption). Animal life, feed, seeds, plants, fertilizer, drugs, medicines and purchases paid with food stamps.

- **Health Related Sales.** Food products served to residents and patients of a health care or retirement facility including blood storage units. Other exemptions include prescription medicines, vehicle modifications for handicapped persons, medical oxygen delivery systems, medical identification tags, health and safety education materials and various medical supplies, appliances and devices including wheelchairs, crutches, canes and walkers.

- **Household Related Sales.** Gas, electricity and water are exempt from sales taxes if delivered through mains, lines or pipes. Telephone and telegraph lines, electrical transmission and distribution lines, and the related poles, towers and conduit.

- **Alternative Energy Sales.** Cogeneration technology and fuel from organic products and waste by-products.

- **Museums and Public Art Sales.** Original works of art, if such works of art are purchased to become a part of a permanent collection of a museum.

- **Transportation Industry Related Sales.** Interstate sales of vessels and aircraft, aircraft fuel used during international flights and hot prepared food sold to air carriers for passenger consumption. This exemption also includes component parts of railroad equipment.

- **Lease of Motion Pictures Sales.** Leases of motion pictures and television films and tapes.

- **Manufactured Housing and Buildings Sales**

- **Custom Computer Programs Sales.**

Use Taxes. The use tax complements the sales tax. It is imposed on the storage or use, or other consumption in California of property purchased from a retailer in cases where the sales tax is not collected. While the sales tax is imposed on the seller, the use tax is imposed on the purchaser and at the same rates as the sales tax. The common example of use tax is the purchase of goods from an out-of-state retailer for use in California. If the retailer has a physical presence (nexus) in California, they are considered to be engaged in business in this state and must collect the use tax when goods are delivered to purchasers in this State.

The use tax was first imposed in 1935, in order to discourage buying from out of state solely for the purpose of avoiding State sales tax, and thereby placing California retailers at a competitive disadvantage.

Sales and use taxes are collected by the state Board of Equalization (BOE) and remitted to the City quarterly. Sales and use taxes are recorded as revenues when received by the state Board of Equalization.

Historically, the state's use tax collection efforts focused on purchases of goods by California businesses and on purchases of vehicles, with no attempt to collect use tax on most out-of-state purchases by individual customers. However, many out-of-state mail-order houses are now required to collect use tax on purchases by Californians. In addition, the Board of Equalization now bills many returning travelers for use tax on foreign purchases identified on their customs declarations.

Out-of-state retailers doing business in California are now required to report to the Board of Equalization the jurisdiction to which sold items were delivered. However, out-of-state retailers who earn less than \$10,000 in less than seven days at a convention or trade show are exempt from sales and use tax as long as they have no other nexus within California.

- **Constitutional Protection:** Proposition 1A of 2004: Proposition 1A prohibits the state from reducing use tax rate or changing the method in which use tax revenues are distributed. The measure prevents the state from restricting city or county authority to impose optional transactions and use taxes as provided in state law as of November 3, 2004.
- **Internet, Telephone and Mail-Order Sales.** Use tax applies to purchases over the Internet and from telephone or mail-order sales from out-of-state retailers.
- **Allocations.** Use taxes are not allocated to the “point of sale” but to the place of use. For most retail transactions occurring in California, this is the location of the retail transaction. But if the item is delivered, the place of use is the jurisdiction where the product is shipped. A substantial portion of local use tax collections are allocated through a countywide pool to the local jurisdictions in the county where the property is put to its first functional use. Under the pool system, the tax is reported by the taxpayer to the countywide pool of use and then distributed to each jurisdiction in that county on a pro-rata share of taxable sales.

State law provides various special allocation procedures for use taxes collected on certain products. Generally, these special allocation rules allow use tax revenue that would otherwise be shared via the countywide and statewide pools to be directly allocated to the jurisdiction of use. These include:

- **Jet Fuel.** If both of the following conditions are met, the place of sale or purchase of jet fuel is the city, county or city and county where the fuel is delivered to the aircraft (wing-tip): (1) the principal negotiations of jet fuel are conducted in this state, and (2) the retailer has more than one place of business in this state. Regulation 1802 provides specific details regarding the proper allocation of the sales tax on jet fuel.
- **Long Term Leases of Motor Vehicles (Greater than Four Months).** Where the vehicle is either purchased from a California dealer or is leased by a California dealer-lessor, the tax is allocated to the place of business of the dealer or lessor. Where the lease is from someone other than a California new motor vehicle dealer, the revenues are allocated to the lessee's place of registration.
- **Auctioneers Conducting Auction Events at Locations Other than their regular place of Businesses when the Taxable Sales total \$500,000 or more.** The local tax is to be allocated to the jurisdiction in which the auction occurs.
- **Construction Contracts Equal to or Greater than \$5,000,000.** The local tax on materials consumed and fixtures furnished and installed to the local jurisdiction of the construction site may be allocated directly to the jurisdiction in which the jobsite is located rather than an indirect allocation through the countywide pool.
- **Sales and Purchases of \$500,000 or More Subject to Use Tax.** Use tax from transactions by out-of-State retailers who are engaged in business in California is allocated to the jurisdiction in which the first functional use of the property occurs. This generally is deemed to be the jurisdiction to which the goods are shipped.

Proposition 172 One-Half Cent Sales Tax (California Constitution Article XIII Section 35). In 1992, the California Legislature and Governor Wilson instructed Count Auditors to shift the allocation of local property tax revenues from local government to “Educational Revenue Augmentation Funds” (ERAF's), directing that specified amounts of city, county and other local agency property taxes be deposited into these funds to support schools. School funding from the state General Fund was reduced by a commensurate amount. To cushion the impact of the ERAF shifts, the California Legislature and Governor Wilson submitted to the voters a proposal for a new one-half cent sales tax to be dedicated to local public safety, including sheriff, police, fire, county district attorneys, and corrections. Proposition 172, the Local Public Safety Protection and Improvement Act of 1993, was approved by 58% of the voters.

- **Public Safety Services Funded by Proposition 172.** A city or County that receives Proposition 172 funds must place the revenues in a special revenue fund to be expended only on public safety services as defined in Government Code Section 30052. Eligible services include sheriffs, police, fire, county district attorneys, corrections and ocean life guards. Government Code Section 30056 contains “maintenance of effort” provisions concerning Proposition 172 funds requiring cities and counties to maintain funding levels to public safety functions which receive Proposition 172. These provisions ensure that Proposition 172 funds are spent on public safety services as defined by the statute.

- **Allocation of Proposition 172 Funds.** The one-half cent sales tax imposed by Proposition 172 is collected by the State Board of Equalization and apportioned to each County based on its proportionate share of statewide sales. Each County is required to deposit this revenue in a Public Safety Augmentation Fund (PSAF) to be allocated by the County Auditor to the County and cities within the County.
- **How Much Mitigation Does Proposition 172 Provide for ERAF?** Cities contribute 14% of ERAF funds, counties 77%, and special districts 7% annually. Proposition 172 mitigates about 19% of the annual statewide ERAF property tax loss for cities, an about 61% of the state wide ERAF property tax losses for counties.

Transient Occupancy Tax (TOT). Cities may impose the transient occupancy tax (TOT) on persons staying 30 days or less in a hotel, inn, motel, tourist home, non-membership campground or their lodging facility. Cities may also levy a tax on the privilege of renting a mobile home located outside a mobile home park, unless such occupancy is for more than 30 days or unless the tenant is an employee of the owner. Under certain conditions a redevelopment agency may impose the tax. Rates are set at the City's discretion and may include a specific amount as well as a percentage.

Exemptions include owners of timeshare property and owners of membership camping contracts. Some cities provide exemptions for federal and state government employees traveling on official business; this exemption is not required for Amtrak employees. If a facility provides a complimentary meal as part of the price of lodging, the transient occupancy tax (TOT) may not be imposed on the cost of the meal as long as the meal is subject to sales tax. It is the responsibility of the hotel/motel to provide the breakdown of lodging and food costs. If that data is not provided, a city or county can impose the TOT on the entire cost of the lodging. In August 1996, the Board of Equalization (BOE) ruled that meals that do not exceed 10% of the price of lodging are not subject to sales tax. Cities can impose a transient occupancy tax (TOT) on complimentary meals that do not exceed 10% of the price of lodging.

The Beaumont City Council imposed a transient occupancy tax (TOT) in 1968, and is codified in Title 3 Chapter 28 of the Beaumont Municipal Code. The current transient occupancy tax is 10%.

Electric Franchise Fees. Beaumont has entered into an electric power franchise agreement with Southern California Edison. The franchise fee is three percent (3%) of gross annual receipts arising from the use, operation, or possession of franchise,

Cable Television Franchise Fees. Under California law effective January 1, 2007, the California Public Utilities Commission (PUC) has the authority to grant State video franchises. The City of Beaumont acquired certain rights and responsibilities with respect to State video franchise holders. Any State video franchise holder ("State Franchisee") operating within the boundaries of the City of Beaumont shall pay a fee to the City equal to five percent (5%) of the gross revenue of the State franchisee. On November 2, 2004, the Beaumont City Council approved Resolution No. 2004-67 granting a cable television franchise to Verizon. Section Seven of the Franchise Agreement requires Verizon to pay a franchise fee of 5% of gross revenues to the City of Beaumont.

Natural Gas Franchise Fees. The City of Beaumont has granted to Southern California Gas a franchise to use pipes and appurtenances for transmitting and distributing natural gas for any and all purposes under, along, across or upon the public streets, ways, alleys and places. The franchise agreement outlined in the ordinance provides that Southern California Gas Company shall pay the City of Beaumont a sum annually which shall be equivalent to 3% of the gross annual receipts of the grantee arising from the use, operation or possession of said franchise.

Solid Waste Franchise Fees. The City Council approved a solid waste franchise agreement with Allied Waste Services, Inc. on November 20, 2007. The City collects a 12% franchise fee on solid waste gross receipts and a 2% AB939 fee on gross receipts earned from solid waste collections. In addition, beginning in January 2008, the solid waste contractor began making an annual payment of \$50,000 for wear and tear to City streets and alleys and pays the City 50% of net revenues earned on the sale of recyclable materials.

Business License Fees. With certain exceptions, cities may license, for revenue and regulation, every kind of lawful business transacted in the City. Limitations on local government regulatory licensing include:

- **License Taxes Versus Regulatory Licenses.** Although Government Code Section 37101 authorizes business licensing for "revenue-raising" as well as "regulatory" purposes, the distinction between the two is important. Local governments may not use the guise of revenue-raising to regulate an area pre-empted by state law.
- **Regulatory Fees Limited to Costs.** When a business license is imposed as a regulatory fee, the rate is limited to covering the cost of the regulatory program. It does not matter if a fee does not benefit those charged as long as the fee is commensurate with the burden imposed by the activity of those charged.

- **Commerce Clause.** U.S. Constitution Article 1 Section 8 Clause 3 stipulates that only Congress has the power to “regulate commerce with foreign nations, and among the several states, and with the Indian tribes.” In addition to being an affirmative grant of authority to Congress, the commerce clause also prohibits state and local regulations that unduly interfere with interstate commerce.
- **First Amendment.** Certain businesses have First Amendment protection and therefore cannot be singled out for regulation or taxation.
- **Exemption and Pre-emption in State Law.** Cities and counties are limited in their ability to regulate certain categories of business.

Business licenses in Beaumont are governed by Title 5 Beaumont Municipal Code. The ordinance is old and needs to be updated.

Motor Vehicle License Fees (VLF) (Motor Vehicle In-Lieu Taxes). The vehicle license fee (VLF), also called the “motor vehicle in-lieu tax,” is a tax on the ownership of a registered vehicle in place of taxing vehicles as personal property. The VLF is paid annually upon vehicle registration in addition to other fees, such as the vehicle registration fee, air quality fee and commercial vehicle weight fees all of which fund specific state programs. The vehicle license fee funds city and County services. The vehicle license fee (VLF) is applied based on the current value of a vehicle as estimated by a depreciation schedule set in State law.

- **Exempt Vehicles.** Vehicles are required to register, but that are exempt from the vehicle license fees (VLF) include government-owned, diplomatic, civil air patrol, farm vehicles, privately owned school buses and vehicles owned by blind or amputee veterans. Various classes of specialized vehicles are exempt from the vehicle registration fee and the vehicle license fee (VLF), but are instead subject to the property tax. These include farm trailers, privately- owned firefighting vehicles and forklifts.
- **Vehicle Registration Fees.** In addition to the vehicle license fees (VLF), the state imposes a variety of regulatory fees to support various state programs and services including state highways, the California Department of Motor Vehicles (DMV) and the California Highway Patrol. In fact, less than one third of the fees and taxes paid with annual vehicle registration are allocated to cities and counties through the vehicle license fee (VLF).
- **Constitutional Protection.** Proposition 47 of 1986 requires that the vehicle license fee (VLF) be allocated to cities and counties. However, the Legislature may alter the tax rate and the allocation among cities and counties.
- **Vehicle License Fee Rate.** From 1948 through 2004, the vehicle license fee (VLF) rate was 2%. In 1998, Governor Pete Wilson signed a bill that began offsetting vehicle license fees and backfilling them with state General Fund revenue. Since its inception in 1998, the reduction in the vehicle license fees (VLF) rate and backing filling it with state General Fund revenues was structured as a local tax reduction, made possible by a state General Fund subsidy to local governments. Under the law, local governments were “backfilled” by the state General Fund for any loss of revenue due to vehicle license fee reductions. In 2004-2005, the backfill amounted to \$3.9 billion. From the initial vehicle license rate reductions in 1998, the law contained provisions that if state General Fund revenues are insufficient to fund the offsets, then they would be removed and the effective taxpayer rate would return to its 2% 1998 level. This provision was known as the “Trigger.” But ambiguities in the law led to sharp disagreements as to the process and conditions necessary for such action.

On June 19, 2003, the California State Controller’s Office and Director of Finance made findings of insufficient revenues and the effective vehicle license rate went from 0.65% to 2%. Due to administrative changes and notifications of taxpayers by the Department of Motor Vehicles, the new rate went into effect for taxpayers in October of 2003.

The FY2004 State budget deleted all funding for the vehicle license fee (VLF) backfill effective with the pulling of the trigger. Consequently, during the period June 20 through October 1, 2003, the reduced rate remained, but the backfill to local governments for the reduction was not funded. The “VLF backfill gap” totaled \$1.25 billion and was paid by the state in the FY2006 budget year.

Governor Gray Davis was recalled in a special election on October 7, 2003, proponents of the recall had characterized the vehicle license fee (VLF) rate increase as a tax hike. Following his inauguration in November 2003, as his first official act, Governor Arnold Schwarzenegger issued an executive order repealing the “VLF trigger,” restoring the reduction of the vehicle license fee from 2% to 0.65% and instructing that refunds be paid to anyone who had paid the higher rate. On December 17, 2003, Governor Schwarzenegger issued an executive order appropriating \$2.625 billion to provide backfill funding for city and county vehicle license fees (VLF). The \$2.625 billion covered the lost revenues to cities and counties for the FY2003-2004 fiscal year, except the “backfill gap.”

- **Vehicle License Fee for Property Tax Swap.** In FY2005 the State Legislature permanently reduced the vehicle license fees (VLF), commonly called the “car tax” from 2% to 0.65% of the vehicle’s value. The vehicle license fee (VLF) backfill to cities and counties (approximately \$4.4 billion) was eliminated and replaced with a like amount of property taxes, dollar for dollar. Subsequent to the FY2003-2004 base year, each city’s and county’s property tax in lieu of the vehicle license fee (VLF) or “VLF adjustment amount” increases annually in proportion to the growth in gross assessed valuation. The 0.65% vehicle license fee (VLF) dedicated to local governments became constitutionally protected when Proposition 1A passed on November 2, 2004. The State of California promised to replace City vehicle license fees (VLF) with property taxes, less Beaumont’s share of the \$1.3 billion contribution by city governments to state government for FY2005 and FY2006. This exchange of vehicle license fees (VLF) for property tax is commonly called the “VLF Swap.”

Animal Licenses. A city’s police power allows it to regulate animals in accordance with the health, safety and welfare of the general public. This includes maintaining sanitary conditions within the city and collecting fees sufficient to continue providing animal control services. State law governs the regulation and licensing of animals and mandates certain holding periods and procedural requirements related to strays. Fees charged for animal licensing are limited to covering the cost of the regulatory program (including animal shelters and control programs).

Building Permit Fees. Building Codes adopted by the City Council are contained in Title 15 of the Beaumont Municipal Code. Building permit fees are adopted by the City Council. Building valuations for building permit fees are established by the Beaumont City Council.

Interest Revenue. State law permits a city with idle cash in its treasury to make investments. Earnings from the prudent investment of idle cash can be an important source of municipal revenue. In authorizing cities to invest funds, the California Government Code (CG) also limits the type of investments that can be made, primarily to protect the safety of taxpayer’s money.

State Mandated Cost Reimbursement. Proposition 4 (1979) requires the state to reimburse local governments (cities, counties, special districts, schools, and community colleges) for new programs or services that the state requires them to provide (known as “state mandates”).

- **State Law Prescribes a Process to Identify Reimbursable Mandates.** State law establishes the mandate determination process, which has three phases. In the first phase, a local government files a test claim with the Commission on State Mandates (CSM) alleging that a new state law or regulation creates a reimbursable mandate and the CSM holds hearings to determine whether or not a reimbursable state mandate exists. If the CSM determines that a reimbursable state mandate exists, the process moves into the second phase, in which the CSM—with input from the local government claimant, Department of Finance (DOF), and other interested parties—adopts a methodology for local governments to follow in claiming state reimbursement. During the final phase, which occurs at least six months after completion of the second, local governments submit initial claims for reimbursement. Because this process, typically takes several years to complete, mandate claims usually include costs for multiple years, beginning with the fiscal year preceding the filing date of the initial test claim. These claims serve as the basis for the statewide cost estimate that the CSM reports to the Legislature.
- **Payment Plan Established for Mandate Claims Predating 2004-05.** In the early 2000s, the state deferred mandate reimbursements to cities, counties, and special districts due to budget problems and, by 2004, owed these local governments about \$1 billion. Proposition 1A (2004) requires the state to either (1) pay these local governments the costs of all outstanding claims for a mandate in the annual state budget or (2) suspend or repeal the mandate. (This prompt repayment requirement does not apply to certain employee relations mandates, obligations incurred before 2004, or to school and community college mandates.) Proposition 1A also allowed the state to establish a multiyear plan to pay all outstanding mandate claims incurred prior to 2004-05 (known as pre-2004 mandate claims). Pursuant to this authority the Legislature enacted a “15-year payment plan,” which pays pre-2004 mandate claims over a 15-year period, beginning in 2006-07 and ending in 2020-21. The Legislature appropriated funding for the plan during its first years, but has not appropriated funding for it since 2007-08. The state currently owes about \$900 million for pre-2004 mandate claims.
- **No Plan to Address Mandate Claims After 2004-05.** Since 2004, the state has suspended and repealed many mandates to avoid paying reimbursements. Despite these suspensions and repeals, the state currently owes about \$1 billion for post-2004 mandate claims. The magnitude of this liability reflects two factors related to the timing of mandate reimbursements. First, the state reimburses local government mandate costs two years after the costs are incurred. As a result, local governments continue to submit claims for two years after a mandate is suspended or repealed. Second, as discussed above, it often takes a test claim multiple years to go through the CSM process. During this time, local governments must comply with the mandate. Consequently, when the Legislature makes the initial decision to fund, suspend, or repeal a mandate, local governments often have already incurred costs for multiple years for which the state owes reimbursement. No plan has been established to pay this \$1 billion for post-2004 mandate claims.

Utility Users Tax. The Utility User Tax (UUT) may be imposed by a City on the consumption of utility services, including (but not limited to) electricity, gas, water, sewer, telephone (including cell phone and long distance), sanitation and cable television. A county may levy a UUT on the consumption of electricity, gas, water, sewer, telephone, telegraph and cable television services in the unincorporated area.

The rate of the tax and the use of its revenues are determined by the local agency. The tax is levied by the city or county on the consumer of the utility services, collected by the utility as a part of its regular billing procedure, and then remitted to the city or county. Beaumont levied a Utility User Tax (UTT) of 3%. (Beaumont Municipal Code Section 13.14.010.)

Most of the cities and counties with UUTs adopted the taxes prior to 1986 by vote of the city council (or in the case of a county UUT, the county board of supervisors). Any increase or extension of a local tax now requires voter approval. Currently, all city UUT levies in California are general taxes. Statewide, city and county utility user taxes generate nearly \$2 billion per year.

- **Exemptions.** State and federal government agencies, and gas and water used by utility companies to generate electricity are exempt from utility user taxes.
- **UUTs on Telephony.** The application of utility user taxes to certain telephone services has been a topic of substantial legal and legislative turmoil due to changes in technology and federal law.
- **UUTs and the FET.** Many Utility User Taxes in California include reference to the Federal Excise Tax ("FET")i commonly limiting the application of the utility user taxes to charges that are "subject to" the FET. Telephone calls which are not charged based on both time and distance — such as those paid by coin in phone booths — are exempt from the FET. By reference, these types of calls are also exempt from some local UUT ordinances. Many cell phone bills are based upon a package which provides a mix of local and long distance calling for a flat rate. In 2007, several federal courts and the IRS ruled that telephone service packages which provide a mix of local and long-distance calling for a flat rate or a fixed fee are based on neither time nor distance and are therefore not subject to the FET. The IRS subsequently adopted a regulation incorporating these rulings. That meant that if a city wished to continue to impose its UUT on cell phone or other telephone calls which are not charged on both time and distance, it must amend its ordinance to remove the reference to this exemption to the FET. A number of cities have amended their UUT ordinances to clarify that they did not wish to adopt the IRS' new practice, but rather wished to continue to impose their UUTs as they had historically been imposed (i.e. on charges based on time or distance). At the time of this writing, several localities are challenging the right of local taxing authorities to amend their ordinances without voter approval, or to continue to collect this revenue without amendment. The lawsuits argue that an amendment to an ordinance to bring it into conformity with the FET ruling is an "increase" subject to voter approval under Proposition 218.
- **UUTs and the MTSA.** Prior to the adoption of the Mobile Telecommunications Sourcing Act of 2000 (MTSA)vi by Congress, cellular carriers had argued that the federal Constitution forbade the application of a utility user tax to telephone calls which neither originated nor terminated within the taxing agency. The MTSA expanded the permissible nexus for taxation to all cellular telephone charges for accounts with a primary place of use in the jurisdiction. However, carriers have argued in the courts that the California Constitution Article XIIC prohibits cities and counties from applying the MTSA nexus rules without voter approval.

City Council Department

Department Mission

The mission of the City Council is to (1) protect the health, safety and welfare of the residents, (2) maintain, promote and improve the quality of life for Beaumont residents by adopting legislation, (3) approve the annual budget and (4) provide policy direction for the City organization through the City Manager.

Department Description

The City of Beaumont was incorporated on November 18, 1912, under the laws of the State of California. The City is a general law City and draws its authority from the California Constitution and the laws of the State of California enacted by the State Legislature. The City has a Council-Manager form of government. Under this municipal form of government, the citizens elect five members of the City Council to four-year overlapping terms. City Council members choose the Mayor and Mayor Pro Tem from among themselves each year. The Mayor presides at meetings of the City Council, signs documents, executes agreements and acts as the official representative of the City.

Regular meetings of the City Council are held at 6:00 p.m. on the first and third Tuesday of the month in the City Council Chambers. All meetings of the City Council are open to the public, except closed sessions as needed and allowed by State law.

The City Council is responsible for strategic planning, City legislation, policy development and legislative oversight of the City Manager. It provides policy direction for the City Manager and adopts the annual City budget and establishes goals, objectives, and performance measures for the City Manager. The goal of the City Council is to provide a unified, well-informed and effective Council working and governing to produce the best services to the residents of Beaumont.

The City Council takes the primary lead in intergovernmental relations and sits on regional boards, commissions and committees to advance and protect the interests of the City of Beaumont. They represent the City at community ceremonies, meetings and other functions. The City Council attempts to be responsive to citizen concerns and enact legislation that reflects the needs, wishes and priorities of the residents of Beaumont.

The City Manager is appointed by the five-member City Council by majority vote and serves at the "pleasure" of the governing body. He acts as the City's chief executive officer as well as its budget and financial officer. He is also the Executive Director of the Successor Agency to the Former Beaumont Community Redevelopment Agency.

The City Manager implements the legislative policies of the City Council, manages the day-to-day operations of the City and is responsible for efficient and effective delivery of municipal services. In this capacity, he or she works with the City Council on strategic planning, policy development, ordinance preparation and goals and objectives for the organization. He implements the decisions of the City Council and is responsible for all aspects of the City's financial administration and personnel administration. The City Manager oversees the work of all staff members, consultants and City departments.

City services include administration, police, fire, emergency medical, community development, economic development, code enforcement, wastewater collection and treatment, storm water management, solid waste collection, street construction and maintenance, transit, building inspection, animal control, senior programs, and parks and recreation services to the citizens of Beaumont.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Work with the public, staff, facilitator and City Manager to develop a Workout Plan to address the City's financial and service insolvency. The Workout Plan will be the City's Strategic Plan for FY2017.
2. Consider adopting a Strategic Planning, Implementation and Evaluation Decision-Making Process to guide legislation and administrative decisions.
3. Review, refine, develop and amend (as appropriate) the City's Community Values statements and Community Vision statements to guide the future development of the City of Beaumont.
4. Establish policies, priorities, strategies, goals and objectives for the City to ensure that services are delivered effectively and efficiently, and to ensure that the community grows in accordance with the Community Vision established by the City Council.
5. Review and adopt an annual budget with fund and department mission statements, department descriptions, goals and objectives, revenue assumptions and department line-item budgets.
6. Review and adopt a Five-Year Capital Improvements Plan (CIP) that will serve as a multi-year guide to the construction and maintenance of community improvements such as roads, bridges, gutters, sidewalks, wastewater system improvements, storm water system improvements, park facilities and other capital improvements needed to deliver municipal services.
7. Review wastewater system feasibility study and determine if the City should expand the current wastewater treatment plant or enter into an agreement with the Yucaipa Valley Wastewater District.
8. Review and adopt a new wastewater system master plan to define current conditions, determine the infrastructure and capital needs and construction priority of wastewater system improvements.
9. Review and adopt Proposition 218 wastewater study to determine appropriate wastewater rates to support operating and capital expenditures of the City's wastewater system.
10. Conduct City Council meetings in accordance with the highest standards of decorum and respect for the citizens, staff and one another.
11. Review Proposition 26 study, prepared by the Community Development Department and Public Works Department, and adopt revised planning, engineering and public works fees.

City Council Department Expenditures

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1050-3010-000	Salaries	26,614	30,508	25,931	25,200
01-1050-3020-000	Medical Insurance	49,900	26,682	13,188	23,908
01-1050-3021-000	Dental Insurance	4,169	2,102	959	0
01-1050-3022-000	Workers Compensation	175	0	2,444	2,720
01-1050-3024-000	PERS	0	0	0	350
01-1050-3026-000	Deferred Compensation	331	21,407	11,462	0
01-1050-3027-000	Vision Care	478	287	152	0
01-1050-3028-000	Life Insurance	192	160	42	480
01-1050-3034-000	Medicare	1,695	462	712	365
01-1050-3035-000	FICA	331	348	0	0
	Total Personnel Services	83,885	81,956	54,890	53,023

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1050-4015-000	Telephone	634	568	135	700
01-1050-4027-000	Health and Fitness Reimbursement	0	2,450	0	0
01-1050-4025-000	Office Supplies	336	245	74	400
01-1050-4035-000	Travel and Training	9,812	12,233	1,420	5,000
01-1050-4060-000	Contractual Services	5,000	32,666	77,917	80,500
01-1050-4070-000	Special Department Supplies	163	0	0	0
	Total Maintenance and Operations	15,945	48,162	79,546	86,600

Total City Council Department Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total City Council Department Expenditures	99,830	130,118	134,436	139,623

Administration Department

Department Mission

The mission of the Administration Department is to (1) carry out the policies of the City Council; (2) manage the day-to-day operations of the City within the policies, parameters and budgets established by the City Council, (3) ensure municipal services are delivered efficiently to the public and (4) protect the health, safety and welfare of the residents.

Department Description

City Manager's Office

The City Manager's Office, under the leadership of the City Manager, coordinates the activities of the City's departments to ensure that the policies of the City Council are implemented efficiently and effectively and that City services are delivered in accordance with the highest standard of excellence within the parameters set by the City Council. The City Manager is the chief executive officer of the City and manages the day-to-day operations of the City. He or she implements the City Council's strategic plan, directs administrative operations, appoints department heads, prepares and submits a proposed balanced budget to the City Council and advises the governing body on policy matters impacting the community. He or she ensures that City departments provide municipal services in an ethical, responsive and cost-effective manner, and oversees the work of all staff members, consultants and volunteers. The City Manager is appointed by the five-member City Council "wholly on the basis of his administrative and executive ability and qualifications"¹ by majority vote and serves at the "pleasure" of the City Council. He or she is accountable for the performance of all City departments.

City Clerk's Office

The City Clerk is an elected official that serves a four-year term². He or she is assisted by a full-time Deputy City Clerk. The City Clerk is the custodian of and is responsible for the security of all official City records, including documents, and publications City Council minutes, ordinances, resolutions, contracts, agreements, leases, deeds, easements and all other official City records. The City Clerk also maintains the records of various boards, commissions and committees appointed by the City Council.

The City Clerk provides access to official public records in compliance with the Public Records Act (PRA). He or she facilitates compliance with the open meeting law encompassed in the California Brown Act through timely posting of regular and special meetings of the City Council and the Successor Agency to the Beaumont Community Redevelopment Agency. He or she prepares and distributes City Council agendas, takes minutes at City Council meetings and prepares drafts for City Council approval. The City Clerk is responsible for the integrity of the election process, coordinates with Riverside County to ensure fair and neutral City elections, and is the filing officer for campaign disclosure forms required under the Political Reform Act. He or she is responsible for filings of Statements of Economic Interests with the Fair Political Practices Commission (FPPC) by City elected officials, appointed officials and candidates for City

¹ Beaumont Municipal Code Section 2.12.010.

² Beaumont Municipal Code Section 2.08.020.

Council. The City Clerk administers and files oaths of office and countersigns official documents signed by the Mayor or City Manager.

The City Clerk is responsible for the codification of City ordinances in the Beaumont Municipal Code, preparing legal notices, receiving bids and requests for proposals (RFP) and receiving subpoenas, claims and lawsuits.

Human Resources

The Administration Department provides the full-range of human resource and personnel functions including recruitment, selection, classification, compensation, labor relations, and training development with a dedicated focus on hiring, training, and retaining high quality personnel. Staff administers the City's workers' compensation program, short-term disability program, long-term disability program, employee health insurance program, deferred compensation and retirement programs for the City. Other duties include ensuring compliance with State and Federal laws and Regulations and developing and recommending appropriate human policies and guidelines to the City Manager and City Council.

Finance Division

The Financial Services Department provides timely, trustworthy, accurate, clear and complete financial information to the public, City departments, City Manager, the City Council and other internal and external customers; and manages the City's fiscal, financial, risk management, information technology functions and responsibilities of the City. **The Finance Division works in partnership with the elected City Treasurer.**

The Finance Division of the Administration Department provides revenue management, general accounting, budget administration, financial reporting, debt management, risk management and information and technology services. Its role is to safeguard the City's assets, assure timely payments to vendors and employees, administer internal financial controls, prepare accurate and timely municipal service bills, provide information services and complete the preparation of City's annual Comprehensive Annual Financial Report (CAFRA) and coordinate the annual audit by the City's independent certified public accountants. The Financial Services Department develops and maintains financial records and reports in accordance with generally accepted accounting principles (GAAP) and in compliance with State and Federal Laws. Its staff performs various accounting functions including accounts receivable, accounts payable, payroll, general ledger and other general accounting functions. It protects City personnel and property by managing risk through safety programs, training, and purchase of insurance. The Financial Services Department serves as the City's central cashier, invests the City's idle cash, oversees the collection of business license fees, issues business licenses and provides high quality customer service to residents and patrons.

Information Systems

The Finance Division of the Administration Department is responsible for all telephone, information systems and deployment of technology in all City departments. Telephone services include traditional phone service, cellular service pay phones, long-distance service, and voice mail. The department through a contract with a private contractor provides information and technology services to all City departments including server, desktop, network, Internet and software application support.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

City Manager's Office

1. Implement the City Council policies by developing and implementing a City Manager work plan that contains the goals, objectives and issues of the City Council that are contained in the new Workout Plan, annual budget and as directed from time-to-time throughout the year.
2. Manage the day-to-day operations of the City to ensure that municipal services are delivered efficiently, effectively and transparently.
3. Work with the public, staff, facilitator and City Council to develop a Workout Plan to address the City's financial and service insolvency. The Workout Plan will be the City's Strategic Plan.
4. Evaluate the City government organization and make appropriate changes to provide higher levels of municipal services, greater efficiency, better management, higher transparency and close the gap between City revenues and expenditures.
5. Work with the City Attorney and federal and State regulatory and law enforcement officials to gather records to assist the FBI, District Attorney (DA), Securities and Exchange Commission (SEC) and other law enforcement and regulatory authorities in their investigations.
6. Prepare a budget for City Council consideration that meets national budget document standards published by the Government Finance Officers Association of the United States and Canada (GFOA).
7. Qualify the City to receive the Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada (GFOA). This is nationally the highest form of recognition in the area of governmental budgeting. To receive this award the City must submit its budget document for review by a panel of independent budget experts. Using extensive criterion, the reviewers evaluate the effectiveness of the City's budget as a policy document, an operations guide, a financial plan and a communications device.
8. Work with City Engineer to prepare for City Council consideration a Five-Year Capital Improvements Plan (CIP) that will serve as a multi-year guide to the construction and maintenance of community improvements such as roads, bridges, gutters, sidewalks, wastewater system improvements, storm water system improvements, park facilities and other capital improvements needed to deliver municipal services.
9. Prepare for City Council consideration amendments to the City's Financial Management Policy and new policies in the areas of accounting, investment and fixed assets.
10. Work with the Finance Division to complete the FY2014-2015 independent financial audit.
11. Work with the Finance Division to complete the FY2015-2016 independent financial audit.
12. Work with Urban Futures to complete the Mitigation Fund reconciliation and report findings to the Mayor, City Council and public.
13. Work with Urban Futures to complete the Community Facilities District (CFD) reconciliation and report findings to the Mayor, City Council and public.

14. Work with the City's CFD consultant and City Attorney to compiled a list of CFD area and subarea issues and work to resolve them.
15. Take action to correct the findings of the City of Beaumont Administrative and Internal Accounting Controls prepared by the California State Controller.
16. Hire an independent accounting firm to complete a cost allocation study to examine transfers to the General Fund from other Funds and determine an appropriate cost allocation formula and amount that can be transferred into the General Fund.
17. Work with the Public Works Director and Finance Division to complete an infrastructure inventory so that the City's infrastructure can be capitalized and placed in the financial system and on the financial statements in accordance with GASB 34.
18. Evaluate City's hardware and software systems and initiate upgrades where needed.
19. Recruit and appoint a City Finance Director.
20. Work to reduce the number and cost of outside City consultants.
21. Work with Public Works Director to complete a wastewater feasibility study to determine whether the City should expand its current wastewater treatment plant or pursue a regional solution.
22. Oversee and review preparation of a new Proposition 218 wastewater and solid waste study.
23. Monitor and oversee City revenues and expenditures to promote sound financial practices and procedures.
24. Monitor legislation during U.S. Congressional sessions and the California State Legislative sessions and take appropriate actions to protect the interest of the people and City of Beaumont.

Human Resources

1. Recruit, select and appoint City qualified employees based on merit in accordance with State laws, City ordinances and Beaumont Personnel Rules and Regulations.
2. Work with the City Manager to negotiate an amendment to the Police Officers Association Memorandum of Understanding that addresses the K-9 issues.
3. Review and consider revisions of City personnel practices, policies and procedures.

City Clerks Office

1. Evaluate and study the operations of the City Clerk's Office to provide higher levels of customer service; enhance the security of City official records; provide greater organization of documents, publications and records; and give greater public access and transparency to official information.
2. Transcribe City Council meeting minutes and prepare them for approval at the following City Council meeting.

3. Respond to all Public Records Act (PRA) in accordance with the law.
4. Review and submit appropriate changes to the City's Public Records Act (PRA) process. Prepare revised public records policy and submit it to the City Council for consideration.
5. Upgrade Laserfiche software to provide word search and other enhance record-keeping capabilities.
6. Inventory and reorganize as appropriate the records stored in the City records vault.
7. Update the Beaumont Municipal Code to reflect ordinances adopted by the City Council.
8. Review and make recommendations to update the Beaumont Records Retention Policy.
9. Work with the City Manager and federal and State regulatory and law enforcement officials to gather records to assist the FBI, District Attorney, Securities and Exchange Commission and other law enforcement and regulatory authorities in their investigations.
10. Ensure that all City Council ordinances, resolutions and contracts have been scanned into Laserfiche.
11. Ensure that all indexes of City Council ordinances, resolutions, contracts and other records are up to date.
12. Maintain attendance records of members of City boards, commissions and committees.
13. Review and scan, where appropriate, City records in records storage.
14. File Form 700 by April 1, 2017, with the Fair Political Practices Commission (FPPC).
15. File campaign disclosure reports with the Fair Political Practices Commission (FPPC) in accordance with the law.

Finance Division

1. Install the Incode financial accounting and reporting software to replace the current inadequate and antiquated system.
2. Work with the independent financial auditors to complete the FY2014-2015 independent financial audit.
3. Work with the independent financial auditors to complete the FY2015-2016 independent financial audit.
4. Work with City Manager to take action to correct the findings of the City of Beaumont Administrative and Internal Accounting Controls prepared by the California State Controller.
5. Work with the City Manager and Public Works Director to complete an infrastructure inventory so that the City's infrastructure can be capitalized and placed in the financial system and on the financial statements in accordance with GASB 34.
6. Monitor decisions of the California Commission on State Mandates and recover funds for any claims filed in previous years by the City of Beaumont.

7. Comply with all bond covenants, Security and Exchange Commission (SEC) regulations and Internal Revenue Service (IRS) regulations as it relates to the expenditure of Community Development District (CFD) bond proceeds.
8. Work with the City Manager and federal and State regulatory and law enforcement officials to gather records to assist the FBI, District Attorney, Securities and Exchange Commission and other law enforcement and regulatory authorities in their investigations.
9. Invest City's idle cash in investments approved by the City's Investment Policy and in accordance with State law.
10. Process cash receipts, accounts payable and issue petty cash in accordance with Generally Accepted Accounting Principles (GAAP) and the City's financial policies and procedures.

Administration Department Expenditures

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1200-3010-000	Salaries	1,254,535	1,299,403	979,831	1,106,206
01-1200-3012-000	Overtime	1,392	2,067	8,092	3,500
01-1200-3013-000	Sick Leave	31,624	77,937	184,759	0
01-1200-3014-000	Holiday	27,346	38,866	67,062	0
01-1200-3015-000	Vacation	35,830	70,477	77,694	0
01-1200-3016-000	Compensatory Time	1,588	45	112	8,445
01-1200-3020-000	Medical Insurance	178,083	173,573	149,949	172,157
01-1200-3021-000	Dental Insurance	7,964	17,236	25,642	0
01-1200-3022-000	Workers Compensation	10,568	759,368	54,414	31,025
01-1200-3023-000	Disability	3,564	7,862	7,412	6,825
01-1200-3024-000	PERS Retirement	349,875	349,064	213,882	208,143
01-1200-3026-000	Deferred Compensation	83,821	97,117	52,139	0
01-1200-3027-000	Vision Care	(1,067)	1,981	2,690	0
01-1200-3028-000	Life insurance	(1,484)	1,504	1,323	1,251
01-1200-3034-000	Medicare	19,564	21,070	20,025	15,997
01-1200-3035-000	FICA	22	22	0	0
01-1200-3036-000	Uniforms	0	0	0	6,000
	Total Personnel Services	2,003,224	2,917,592	1,845,026	1,559,549

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1200-4010-000	Utilities	0	31,708	58,571	60,000
01-1200-4015-000	Telephone	7,409	42,482	30,665	40,000
01-1200-4020-000	Advertising	4,190	5,445	2,992	4,700
01-1200-4025-000	Office Supplies	31,715	25,799	23,338	20,250
01-1200-4027-000	Health and Fitness	0	0	9,646	0
01-1200-4030-000	Dues and Subscriptions	18,727	13,322	11,078	8,800
01-1200-4035-000	Travel, Training and Meetings	(3,246)	3,005	1,299	4,000
01-1200-4040-000	Interest and Penalties	0	0	2,050	2,100
01-1200-4045-000	Credit Card Fees	0	0	46,146	46,500
01-1200-4050-000	Fuel	400	727	3,022	2,400
01-1200-4060-000	Contractual Services	361,864	679,785	342,282	0
	IT Contractual Services	0	0	163,118	205,750
	Special Project Consulting	0	0	384,847	50,000
01-1200-4065-000	Uniforms	6,407	4,100	838	0
01-1200-4066-000	Education Expenses	707	1,703	1,061	3,000
01-1200-4070-000	Special Department Supplies	6,851	24,849	2,586	3,000
	Software Costs	0	0	0	56,500
01-1200-4072-000	Computer Supplies	0	0	1,673	3,000
01-1200-4075-000	Equipment Rental	0	18,629	17,569	18,000
01-1200-4085-000	Building Supplies and Maintenance	214	1,078	14,937	11,250
01-1200-4096-000	Special Occasions	2,088	10,498	0	0
	Contingency	0	0	285,140	696,479
	Total Maintenance and Operations	3,677,514	5,007,908	3,849,598	1,235,729

Total Administration Department Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Administration Department Expenditures	5,680,738	7,925,500	5,694,624	2,795,278

Legal and Risk Management Department

Department Mission

The mission of the Legal and Risk Management Department is to provide timely, efficient and high-quality legal services, advice and support to the City Council and City Administration through the City Attorney's Office. The City Attorney advances, supports and defends the legal interests of the City while adhering to the principles of professionalism, ethical behavior and accountability.

The Department's mission is also to protect the resources including personnel, facilities, assets and real property from accidental loss and insure the City's ability to deliver essential services is not impaired following a loss.

Department Description

City Attorney

John O. Pinkney, partner in the law firm of Slovak, Baron, Empey, Murphy and Pinkney, is the City Attorney and provides legal counsel in all aspects of municipal law. The City Attorney's Office prepares and reviews legal opinions, ordinances, resolutions, contracts, leases, and other legal documents requested by the City Council, City Manager or other departments of the City. It is responsible for implementing the legal aspects of policies and programs established by the City Council. The City Attorney's Office serves as legal counsel and represents the City before trial and appellate courts as well as State and Federal boards, commissions and agencies in civil and administrative proceedings. The City Attorney advises when to prosecute, compromise or dismiss civil litigation and is responsible for certain criminal litigation as part of the Office's code enforcement responsibilities. The City Attorney's Office reviews legislation and State and Federal regulations in coordination with other staff members to determine their impact on the City. It monitors cases assigned to contract legal counsel and ensures timely reporting to the City Council on these cases as well as those handled in-house.

Risk Management and Insurance

Risk management is the process of identifying and evaluating the risks associated with activities and operations of an organization and developing and financing a means to control, reduce or eliminate those risks. These risks include errors and omissions, natural disasters, illnesses, injury and loss of property resulting from unsafe practices and conditions as well as the financial costs of these losses. City of Beaumont attempts to eliminate or control these risks through hazard identification and correction, accident prevention, training, installation of life safety systems in buildings, fire protection systems, crime prevention other various measures. It finances these risks through insurance or transfers the risk to others by contract or through the establishment of insurance reserves to pay self-insured claims or claims within deductibles.

Individually, risk management is the effort by each employee to make the fullest use of personal capabilities to eliminate or reduce hazards in his or her work environment.

Insurance Coverages

The City is a member of the Exclusive Risk Management Authority of California (ERMAC), a Joint Powers Insurance Authority created on July 1, 2003, pursuant to California Government Code Section 6500 et. seq. The authority provides risk sharing and group purchase programs for the cities of Beaumont, Laguna Hills, Hayward and Santa Maria. The Authority is a separate public entity with a governing board comprised of four voting members. The Board appoints a General Manager to handle day-to-day operations. The General Manager is assisted by a claims administrator (Car Warren Company). The City has the following coverages:

- **General Liability**: Effective July 1, 2013, Catlin Bermuda began providing \$500,000 of reinsurance for each and every loss in excess of ERMAC's retained layer of \$250,000 excess of the individual member's self-insured retention. This reinsurance treaty renews July 1, 2016. The renewal process is expected to be difficult due to the recent large losses suffered by multiple members of the Authority. The Catlin coverage mimics the ERMAC coverage but does not provide for EPL coverage. The Authority purchases excess coverage from the California State Association of Counties Excess Insurance Authority (CSAC EIA) GL II program on an annual basis that provides coverage for claims in excess of \$1 million up to \$25 million. The ERMAC Memorandum of Coverage follows form with the CSAC EIA MOC to avoid differences in conditions.
- **Optional Excess Liability (OEL)**: Effective July 1, 2014, the Authority began purchasing OEL for all members through the CSAC EIA. These limits extend general liability limits from \$25 million per occurrence to \$50 million per occurrence.
- **Property**: The property program provides coverage limits of \$1 billion per incident subject to an aggregate of \$1,050,000,000 with varying sub-limits for particular loss types through the Alliant Public Entity Property Insurance Program (PEPIP). Deductibles vary based upon the type of loss. This group purchase program is serviced by multiple property carriers and has proven over time to reduce member costs.
- **Boiler and Machinery**: This coverage provides up to \$100 million with varying deductibles and subject to various sub-limits based upon the type of loss, the size of the equipment involved and the square footage serviced. This coverage is provided through the PEPIP program described above.
- **Crime**: This program provides \$15 million of fiduciary coverage with a \$2,500 deductible for public employees insuring against employee theft including faithful performance of duty; forgery or alteration including credit, debit or charge card forgery; inside premises – theft of money and securities; inside premises – robbery or safe burglary of other property; computer fraud and funds transfer fraud; and, issues relating to money orders and counterfeit paper currency.
- **Extended Pollution**: This environmental group purchase program offered through CSAC provides public entities coverage includes bodily injury, property damage, and cleanup costs caused by pollution conditions at scheduled owned or leased sites or rising from certain operations. The program provides policy limits of \$10 million for most covered losses subject to various sub-limits for specific forms of loss with a \$100 million aggregate for all members participating in this group program provided over a \$75,000 deductible that drops to \$50,000 upon erosion of the group's aggregate deductible of \$1 million.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Provide legal advice to the City Council, City Manager and City departments related to the establishment, implementation and enforcement of City policies.
2. Review and prepare legal documents, including ordinances, resolutions, regulations, and contracts.
3. Represent and defend the City's interests in negotiations, administrative proceedings and civil litigation in State and Federal Court.
4. Evaluate and address legal issues arising out of the City's decisions and activities to minimize the risk of liability.
5. Achieve cost effective and expeditious disposition of claims and litigation by promptly identifying issues and either negotiating a resolution or providing an aggressive litigation defense.
6. Adjust and negotiate a resolution to existing and newly incurred workers' compensation, property and liability claims within the constraints of applicable state, federal and local laws, statutes and regulations.
7. Apply customary insurance industry practices to resolve each claim in the most efficient, fair and advantageous manner possible.
8. Procure and monitor insurance policies that protect City assets that are too valuable to self-insure. This includes continuous evaluation of loss exposure to City assets with the goal of identifying alternative risk financing solutions that are economically advantageous to the City.
9. Insure compliance with COBRA, HIPPA, Section 125, ODHS, ADA, and other Federal, State and local rules, regulations and standards.
10. Provide safety resources and training to ensure the well-being of City employees while on the job with the goal of reducing and/or eliminating exposures to disease, injury and death.
11. Develop extensive in-house training to provide city-wide safety instruction at a reasonable cost.
12. Solicit participation of City employees in supporting safe work practices and a safe work environment.

Legal and Risk Management **Department Expenditures**

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1300-3010-000	Salaries	173,339	186,892	0	0
01-1300-3023-000	Disability	702	828	0	0
01-1300-3024-000	PERS Retirement	43,310	44,517	0	0
01-1300-3027-000	Vision Care	248	263	0	0
01-1300-3028-000	Life Insurance	96	96	0	0
01-1300-3034-000	Medicare	2,523	2,534	0	0
	Total Personnel Services	220,218	235,130	0	0

Maintenance and Operation

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1300-4025-000	Office Supplies	(392)	0	5	0
	Travel, Training and Meetings	1,654	0	0	0
01-1300-4060-000	Contractual Services	195,222	1,089,927	1,027,788	75,000
	Department of Finance RDA Assessment	0	0	300,000	300,000
	Legal Services	0	0	0	1,500,000
	Investigation Costs	0	0	0	0
	Settlement Costs (Significant Cases)	0	0	0	0
01-1300-4070-000	Special Department Supplies	0	400	0	0
01-1300-4080-000	Insurance	0	379,881	398,594	425,000
	Total Maintenance and Operation	196,484	1,470,208	1,726,387	2,300,000

Total Legal and Risk Management Department Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Legal and Risk Management Department Expenditures	416,702	1,705,338	1,726,387	2,300,000

Community Development Department

Department Mission

The mission of the Community Development Department is to (1) implement the City's General Plan; (2) conduct planning studies and prepare long-range plans; (3) provide professional residential, commercial and industrial planning services to City applicants, the Planning Commission and City Council; and (4) conduct plan checks, issue building permits and inspect buildings and other public structures.

The mission of the Community Development Department also encompasses administering the City's Community Development Block Grant (CDBG) Program and to account for all activities, revenues and expenditures related to this program administered by the U.S. Department of Housing and Urban Development (HUD).

Department Description

Planning

The Community Development Department reviews all residential, commercial and industrial development proposals made by developers to the City of Beaumont. It processes all requests for annexations, rezonings, and land use entitlements such as conditional use permits (CUP), subdivision maps and commercial and industrial site plans. The department coordinates recommendations from the City Engineer, City Attorney, Public Works Director, Building Official, Battalion Fire Chief, Police Chief, other staff members, utility companies and other stakeholders and interested parties. Planning Office personnel serve as staff members to the City Council, Planning Commission and various citizens' advisory committees. They make written and verbal recommendations to these decision-making bodies at public meetings.

The Community Development Department is also responsible for long-range and advanced planning in the City. Staff prepares reports and studies for the Planning Commission and City Council on long-range planning issues in the areas of land use, circulation, parks, open space, beautification, housing, historic preservation, conservation, streets, roads and many other community development issues. Planning Office personnel also make recommendations to the Planning Commission and City Council concerning updates to the General Plan, City Sphere of Influence (SOI) Municipal Services Plan, Five-Year Capital Improvements Plan (CIP) and state-mandated environmental impact reports.

Building and Safety

The Building and Safety Office conducts plan checks, issues building permits and inspects residential, commercial and industrial structures under construction. Staff enforces the California Building Code and other building codes adopted by the City. They also investigate and respond to complaints and building code violations. Plan checks are being conducted under contract by CSG Consultants and Scott Fazekas, who has a one-year contract with the City.

The Building and Safety Office also maintains a telephone-based inspection request system that provides next-day inspection service. In FY2017, the Department will go to a web-based inspection where

residents, contractors and business owners may request an inspection online. Personnel also provide same-day inspections where an inspection is urgently needed and inspectors are available. In unusual cases, where there is a serious and urgent life-safety concern, inspections are provided as needed including nights, weekends and holidays.

Economic Development

The Community Development Department is a one-stop office for current businesses and potential investors. Department staff provide guidance, site selection, and fast-track approval to new and existing businesses. It maintains demographics and updates marketing materials on a regular basis to provide accurate information to potential investors.

The Community Development Department works closely with other agencies that promote economic development. The department is actively involved with several non-profit organizations and Economic Development Agencies. It identifies opportunities for additional exposure and increased return on marketing dollars by partnering with those agencies to participate in events and trade shows. Staff coordinates with the Beaumont Chamber of Commerce and individual businesses to strengthen the business climate, encourage investment in the City and to provide joint presentations on information concerning local businesses. The Community Development Department works with the State of California Community Development Block Grant (CDBG) office to be able to offer economic development loans and other over-the-counter (OTC) business assistance. It also serves as Beaumont's "One Stop Office" for workforce development assistance to new and existing businesses.

The Community Development Department coordinates the activities of the Economic Development Committee and develops and carries out plans, subject to the approval of the City Council, for promoting and improving the economic climate of the Beaumont area.

Community Development Block Grant (CDBG) Program

The Community Development Department oversees the City's Community Development Block Grant (CDBG) program. The Federal Community Development Block Grant (CDBG) Program is administered by the U.S. Department of Housing and Urban Development (HUD) to achieve "national objectives" that include (1) assisting low-and-moderate income people, (2) eliminating urban blight or (3) meeting urgent needs. Beaumont is not an "entitled" City and must compete state-wide each year for Community Development Block Grant (CDBG) funds. The Federal Omnibus Budget Reconciliation Act of 1981 provides for State of California administration of the Federal Community Development Block Grant (CDBG) Non-entitlement Program. These regulations set forth the policies and procedures governing the state's management and use of these funds. In addition to these requirements, program participants must comply with Federal regulations contained in Title 24 of the Code of Federal Regulations, Part 570, Subpart I. In the event that Congress or the State Legislature add or amend any requirements concerning the use or management of these funds, grantees must comply with such requirements upon receipt of notice.

Business Licenses

Beaumont Municipal Code Section 5.04.010 requires "any person, persons, firms or corporations that transact, engage in, run, maintain, carry on or conduct, within the City, any business, trade, profession, exhibition, or occupation in his, her or its name, or as agent or agents for any other person, persons, firms or corporations" shall obtain a license or permit. The Community Development Department takes

business license applications, coordinates the review of each application by other City departments and issues business licenses in accordance with the Beaumont Municipal Code. Staff follows up with the help of the Police Department Quality of Life Officers to enforce City business license ordinances and regulations.

Geographic Information System (GIS)

The Community Development Department is responsible for the City's Geographic Information System. (GIS) and to oversee the work of GIS professionals. Staff ensures that GIS system base maps are maintained and updated annually from aerial photos taken by Eagle Aerial, and at least quarterly from the County GIS Data Base. They work with developers and their planners and engineers to obtain electronic versions of all engineering, planning, surveying and other information from new developments.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Implement a web-based inspection management system that will maintain inspection records and permit the tracking and management of building inspections online.
2. Implement a web-based permitting and land management system to track and manage the processing of land entitlements and keep track of other Public Works permits such as grading permits and encroachment permits.
3. Implement a web-based business licensing and regulatory permitting system that will help staff manage business licensing and code enforcement issues.
4. Implement a web-based geographic information system (GIS) that will allow the public, staff and City Council to access GIS information. The system will have an interface system that will tie General Plan, zoning ordinance, and all other regulatory permits and infrastructure information such as utilities, street lights and fire hydrants to a parcel of property.
5. Begin the process of updating the City's General Plan. Current General Plan was adopted over ten years ago and is out of date.
6. Negotiate a lease agreement and process a permit for a cell phone tower on the sewer lift station in Fairway Canyon.
7. Negotiate and lease agreement and process a permit for the cell phone tower to be built at the Albert H. Chatney Community Center.
8. Mail out business license renewals by May 1, 2017, for renewals that will take place on July 1, 2017.
9. Work with the Police Department Quality of Life Officers to enforce the City's business license regulations.
10. Complete Proposition 26 fee and rate study, in conjunction with the Public Works Department, to determine the appropriate fees that should be charged for planning, engineering and building inspection services.

11. Work with the Economic Development Committee to develop a work plan with goals, objectives and strategies to attract and retain and businesses in the City of Beaumont.

Community Development Department Expenditures

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1350-3010-000	Salaries	567,086	503,970	507,084	535,310
01-1350-3012-000	Overtime	0	0	1,028	500
01-1350-3013-000	Sick Leave	12,183	31,360	51,882	0
01-1350-3014-000	Holiday	19,581	20,419	26,826	0
01-1350-3015-000	Vacation	38,885	39,711	45,529	0
01-1350-3020-000	Medical Insurance	103,459	96,185	107,700	87,120
01-1350-3021-000	Dental Insurance	6,469	6,394	6,374	0
01-1350-3022-000	Workers Compensation	10,124	0	21,188	21,770
01-1350-3023-000	Disability	3,114	3,388	3,217	3,690
01-1350-3024-000	PERS Retirement	154,020	142,302	128,199	102,507
01-1350-3026-000	Deferred Compensation	26,367	22,827	20,324	0
01-1350-3027-000	Vision Care	995	1,114	1,019	0
01-1350-3028-000	Life insurance	672	624	433	576
01-1350-3034-000	Medicare	9,203	5,879	9,231	7,769
01-1350-3035-000	FICA	35	41	0	0
01-1350-3036-000	Uniforms	0	0	256	3,600
	Total Personnel Services	952,193	874,214	930,290	762,842

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1350-4015-000	Telephone	713	629	371	3,000
01-1350-4020-000	Advertising	4,723	3,299	2,234	3,000
01-1350-4025-000	Office Supplies	1,363	680	620	2,350
01-1350-4027-000	Health and Fitness	8,945	13,320	9,877	0
01-1350-4030-000	Dues and Subscriptions	1,643	2,179	1,207	1,350
01-1350-4035-000	Travel, Training and Meetings	4,906	8,269	3,533	11,500
	Vehicle Maintenance	3,672	5,866	3,240	4,500
01-1350-4050-000	Fuel	8,990	9,162	7,032	6,480
01-1350-4060-000	Contractual Services	1,302,572	1,128,314	256,057	56,000
	Plan Checking and Consulting	61,384	118,005	186,285	300,000
	Special Project Consulting	0	0	0	261,504
	Software and Technology	0	0	0	130,000
01-1350-4065-000	Uniforms	3,923	5,752	3,827	1,000
01-1350-4070-000	Special Department Supplies	9,315	1,163	18,980	16,375
	Total Maintenance and Operations	1,412,149	1,296,638	493,263	797,059

Capital Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Equipment	0	0	0	15,000
	Total Capital Expenditures	0	0	0	15,000

Total Community Development Department Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Community Development Department Expenditures	2,364,342	2,170,852	1,423,553	1,574,901

Public Works Department

Department Mission

The mission of the Public Works Department is to construct, improve, expand, maintain and repair Beaumont's public infrastructure including the wastewater system, storm drain system, streets and road system, and oversee the collection of solid waste and recyclable materials in the community. This mission is accomplished through the prudent use of resources, technology, innovations, teamwork, and coordination with other service providers in the City.

Department Description

Engineering Division

The Engineering Division performs the following functions: review and approval of land subdivisions and improvement plans including review of tentative and final maps, water quality management plans, lot-line adjustments, grant deeds, grant easements, and conditional use permits; prepares plans and specifications and administers specific capital improvement projects; oversees City consultants and manages technical studies focusing on wastewater, streets, storm drainage, parks and public buildings; manages inspection services for all construction projects; coordinates all infrastructure projects between different public and private entities including utility companies, government agencies and commercial and industrial businesses; and manages implementation of the City's Municipal National Pollution Discharge Elimination System (NPDES) storm water compliance programs.

Street Division

The Public Works Department is responsible for maintaining City streets, roads, sidewalks, alleys, street lights and traffic control devices. The City's street sweeping program removes dirt and debris from City streets to provide a healthy, safe and attractive environment for the citizens of Beaumont. More than 300 miles of curb are swept with each occurrence. Staff removes graffiti, repairs potholes and street lights, and removes debris from storm water catch basins and City-owned channels.



Wastewater Division

Beaumont operates its own wastewater collection and treatment system. The current collection system consists of 140 miles of 6-inch through 27-inch diameter sewer pipe. Due to topography, most sewer lines have been constructed at minimum slopes and the interceptors are relatively deep, some as much as 20 feet. A series of small pump stations have also been constructed to provide service to new developments.

The Beaumont wastewater treatment plant, located off 4th Street, has a capacity of processing 4 million gallons per day. The plant is currently processing approximately 3 million gallons per day, using a seven step process. Approximately 1.8 million gallons per day of treated wastewater is fed into Cooper's Creek to preserve riparian habitat.

The plant is operated under contract with a service provider. The Wastewater Division is responsible for providing regulatory compliance, including all required reporting under the City's permits with the Regional Water Quality Control Board for the treatment and collection system.

Solid Waste Collection and Recycling

The City has contracted with Waste Management to provide solid waste collection services for residential, commercial and industrial customers. The City provides in-house billing for residential customers. Other services provided under the contract include bulky item pickup and recyclable and green waste collection. The City also offers periodic City-wide clean up events and a dedicated recycling container at the Community Recreation Center.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

Engineering Division

1. Review and adopt a Five-Year Capital Improvements Plan (CIP) that will serve as a multi-year guide to the construction and maintenance of community improvements such as roads, bridges, gutters, sidewalks, wastewater system improvements, storm water system improvements, park facilities and other capital improvements needed to deliver municipal services.
2. Create and implement a permit management system for City right-of-way encroachment permits.
3. Work with the City Manager and Finance Division to complete an infrastructure inventory so that the City's infrastructure can be capitalized and placed in the financial system and on the financial statements in accordance with GASB 34.
4. Complete Proposition 26 fee and rate study in conjunction with the Community Development Department to determine the appropriate fees that should be charged for planning, engineering and building inspection services.
5. Review and determine if current plan check and inspection service contracts should be renewed.
6. Retain a traffic engineer to conduct and update a speed survey and make recommendations for other traffic control enhancements.
7. Assist the Community Development Department with entitlement applications, plans and permits.
8. Complete scanning of improvement plans into the City Geographic Information System (GIS).
9. Complete update City engineering standards and standard drawings and submit them to City Council for review and adoption.

Streets Division

1. Complete design of a two-part project leading to a new \$65 million interchange for the Potero

Boulevard ByPass on Highway 60. The project will connect Oak Valley Parkway to Highway 60 and Fourth Street to Highway 60 and I-10.

2. Retain with City Council approval a contractor to repair and maintain City traffic signals and street lights.
3. Continue City street sweeping in conformance with the National Pollutant Discharge Elimination System (NPDES) requirements.
4. Implement a City tree trimming program.
5. Establish a sidewalk replacement program to eliminate sidewalk trip-and-fall hazards.
6. Establish a program for re-establishing pavement markers, striping and replacement of street signs.

Wastewater Division

1. Complete and submit to the City Council a wastewater system feasibility study to determine if the City should expand the current wastewater treatment plant or enter into an agreement with the Yucaipa Valley Wastewater District.
2. Review and submit to the City Council a new wastewater system master plan to determine current conditions, determine the future infrastructure and capital needs and construction priority of wastewater system improvements.
3. Review and submit to the City Council Proposition 218 wastewater study to determine appropriate wastewater rates to support operating and capital expenditures of the City's wastewater system.
4. Review and potentially send out Request for Proposals for the operation of the wastewater treatment plant.
5. Review the operations of the wastewater treatment plant for regulatory compliance.
5. Complete paving of the parking area and access roads at the wastewater treatment plant.
6. Replace fencing at the wastewater treatment plant.
7. Repair and replace broken aeration pipes at the wastewater treatment plant.
8. Remove excess sludge from the ponds at the wastewater treatment plant.

Solid Waste Collection

1. Prepare a Request-for-Proposal to solicit bids from solid waste collection contractors.
2. Comply with Assembly Bill 939 and all State regulations regarding recycling.

Public Works Department **Engineering Division Expenditures**

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-3100-3010-000	Salaries	0	19,881	0	152,203
01-3100-3020-000	Medical Insurance	0	0	0	43,560
01-3100-3022-000	Workers Compensation	0	0	0	16,325
01-3100-3023-000	Disability	0	0	0	1,038
01-3100-3024-000	PERS Retirement	0	0	0	27,882
01-3100-3028-000	Life insurance	0	0	0	288
01-3100-3034-000	Medicare				2,207
01-3100-3036-000	Uniforms	0	0	0	2,400
	Total Personnel Services	0	19,881	0	245,903

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-3100-4015-000	Telephone	0	0	0	2,500
01-3100-4025-000	Office Supplies	0	0	400	4,000
01-3100-4030-000	Dues and Subscriptions	0	0	500	500
01-3100-4035-000	Travel, Training and Meetings	0	15	0	1,250
	Vehicle Maintenance	0	0	0	0
01-3100-4050-000	Fuel	0	0	16,902	6,720
01-3100-4060-000	Contractual Services	0	0	1,125,457	150,000
	Contractual Service—Plan Check	0	0	0	1,000,000
	Refuse Cost	3,240,190	4,144,778	2,446,740	2,600,000
01-3100-4070-000	Special Department Supplies	0	0	0	4,500
	Equipment Maintenance	0	0	0	1,500
	Traffic Signal Maintenance	0	0	0	100,000
	Total Maintenance and Operations	3,240,190	4,144,793	3,589,599	3,870,970

Capital Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Equipment	0	0	0	15,000
	Total Capital Expenditures	0	0	0	15,000

Total Public Works Department Engineering Division Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Public Works Department Engineering Division Expenditures	3,240,190	4,164,674	3,589,599	4,131,873

Public Works Department **Street Maintenance Division Expenditures**

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-3250-3010-0000	Salaries	209,939	208,188	171,318	111,595
01-3250-3012-0000	Overtime	8,196	4,079	1,850	4,000
01-3250-3013-0000	Sick Leave	10,206	8,343	13,342	0
01-3250-3014-0000	Holiday	20,205	11,307	14,834	0
01-3250-3015-00000	Vacation	28,639	18,424	12,277	0
01-3250-3015-0000	Compensatory Time	629	2,164	1,541	1,685
01-3250-3020-0000	Medical Insurance	77,341	46,717	45,277	29,040
01-3250-3021-0000	Dental Insurance	4,674	4,021	2,579	0
01-3250-3022-0000	Workers Compensation	30,153	1,730	14,663	21,770
01-3250-3023-0000	Disability	1,210	1,384	1,260	758
01-3250-3024-0000	PERS Retirement	61,808	56,275	46,571	25,468
01-3250-3026-0000	Deferred Compensation	10,046	14,195	9,748	0
01-3250-3027-0000	Vision Care	828	719	506	0
01-3250-3028-0000	Life insurance	460	392	265	192
01-3250-3034-0000	Medicare	3,164	3,363	2,927	1,676
	Total Personnel Services	467,498	381,301	338,958	196,184

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-3250-4010-0000	Utilities	861,090	637,026	640,953	660,000
01-3250-4015-0000	Telephone	724	1,200	645	1,500
01-3250-4027-0000	Health and Fitness	5,944	3,847	6,247	0
01-3250-4035-0000	Travel, Training and Meetings	0	0	0	500
	Vehicle Maintenance	4,979	759	6,447	47,000
01-3250-4050-0000	Fuel	24,723	19,345	16,380	7,200
01-3250-4060-0000	Contractual Services	400,065	204,273	232,905	285,000
01-3250-4065-0000	Uniforms	0	0	2,558	2,500
01-3250-4070-0000	Special Department Supplies	42,109	17,506	21,880	232,000
	Equipment Maintenance	0	0	0	1,000
	Total Maintenance and Operations	1,339,634	883,956	928,015	1,236,700

Total Public Works Department Streets Division Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Public Works Department Streets Division Expenditures	1,807,132	1,265,257	1,266,973	1,432,884

Total Public Works Department Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Public Works Department Expenditures	5,047,322	5,429,931	4,856,572	5,564,757

Community Services Department

Department Mission

The Community Services Department is committed to providing quality services, activities, programs, and facilities for all those who live, learn, work and play in the City of Beaumont.

Department Description

The Community Services Department creates and enriches the City of Beaumont through people, programs and partnerships with community stakeholders and organizations. Department employees work each day to (1) deliver services with honesty, excellence and integrity; (2) foster lifelong learning and personal development; (3) cultivate joy, delight and wonder; (4) embrace diversity and offer equal access to services and programs; (5) incorporate innovation and adopt new technologies to extend, expand and enhance services; (6) be responsible stewards of City resources and (7) provide opportunities for civic participation and contribution.

The Community Services Department is housed at the Community Recreation Center (CRC) and is responsible for grounds maintenance, including all parks and parkways; street maintenance, including repairing pot holes, maintaining street lights, cleaning storm drains, striping streets; building maintenance, including the swimming pool and all City facilities; senior services, day camp and City-wide special events.

The Community Services Department is divided into three divisions: Grounds and Street Maintenance Division, Community Recreation Center (CRC) Division and Senior Citizen Services Division.

Grounds and Street Maintenance Division

The Grounds and Street Maintenance Division maintains 300 acres of parks and parkways and completes repairs of City streets, City-owned street lights and City buildings and facilities. It is responsible for the maintenance of City Hall, the Albert A. Chatigny Community Center, Police Department building, Transit Department building and maintains the pool year round. The Division hires seasonal employees to operate the pool and run the day camp for children ages 5 years to 14.

The Grounds and Street Maintenance Division installs and replaces damaged and stolen street signs; repairs potholes, stripes streets, crosswalks and legends throughout the City; cleans storm drains and storm channels; oversees yearly weed abatement program and builds and installs new bus stops.

Community Recreation Center (CRC) Division

The Customer Service Coordinators at the Community Recreation Center (CRC) oversee the day-to-day operations of the front counter, City Day Camp and generate customer service requests. They assist the Grounds and Streets Maintenance Division by printing out, updating and resolving work orders from the

Ask Beaumont website; uploading graffiti pictures on to the Graffiti Tracker website; and creating monthly calendars. They also schedule all rooms at all City facilities and parks, and write the Monthly Outlook newsletter. The Community Recreation Center Division assists the Beaumont Community Youth Basketball (BCYB) with registration.

The CRC Division plans and coordinates special events including the Cherry Festival, parades, Bicycle Classic, and Relay for Life. It operates the After-School Day Camp for children ages kindergarten through the 5th grade, to have fun and a safe place to go after school. The program is conducted at the Albert A. Chatigny Community Center and offers arts and crafts, a computer lab, play structures and grassy areas for recreation. The Community Services Department operates a Teen Center for grades 6-12, where youths can socialize, play games, and do homework in a safe environment.

Senior Citizens Services Division

The Community Services Department employees serve the senior citizens of the Beaumont and Cherry Valley area with senior programs and activities, offering information services, various support services, numerous exercise programs and recreational activities.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Maintain City parks, parkways and garden areas in an attractive and visually pleasant manner.
2. Install and repair City irrigation systems.
3. Work with the CDF Prisoner Work Program and the Riverside County Sheriff Department to use inmates and/or people on probation for City maintenance and projects.
4. Respond in a timely manner to resident requests on City's Ask Beaumont system to fix and remedy citizen concerns. Report back to requester.
5. Remove graffiti on City property and local businesses within 24 hours.
6. Work closely with local youth sports agencies at sports facilities.
7. Restripe all crosswalks, streets and legends throughout the City each year.
8. Continue the City's sidewalk repair program.
9. Respond to all pothole complaints.
10. Clean all storm drains and channels each year.
11. Control weeds on empty lots through annual weed abatement program.
12. Continue to offer swimming, aquatics classes and special events at the community swimming pool.
13. Coordinate City-wide events including the Cherry Festival, parades, Bicycle Classic, Relay for Life and other community events.

14. Continue to operate the City Day Camp for children ages 5 to 14 at the Community Recreation Center (CRC).
15. Continue to operate the Teen Center at the Community Recreation Center (CRC).
16. Continue to provide and coordinate senior citizen services, including financial services, paralegal services, bereavement group services, kin care, second harvest and other related services.
17. Continue to provide and coordinate senior recreation activities including fit after 50, walking, yoga, pickle ball, aerobics, Tai-chi, bingo, movies, knitting and crocheting, and garden club.

Community Services Department

Grounds and Street Maintenance Division Expenditures

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-6050-3010-000	Salaries	832,924	787,295	716,127	838,922
01-6050-3012-000	Overtime	21,897	41,725	4,860	26,000
01-6050-3013-000	Sick Leave	66,693	62,749	75,061	0
01-6050-3014-000	Holiday	45,994	46,513	53,832	0
01-6050-3015-000	Vacation	52,654	46,114	39,962	0
01-6050-3016-000	Compensatory Time	20,772	13,234	5,464	12,600
01-6050-3020-000	Medical Insurance	277,117	269,394	273,425	232,321
01-6050-3021-000	Dental Insurance	16,261	18,728	16,050	0
01-6050-3022-000	Workers Compensation	112,158	0	48,877	43,540
01-6050-3023-000	Disability	6,130	5,979	5,621	5,737
01-6050-3024-000	PERS Retirement	223,286	239,220	203,698	187,673
01-6050-3026-000	Deferred Compensation	58,145	61,298	50,574	0
01-6050-3027-000	Vision Care	3,132	3,591	3,349	0
01-6050-3028-000	Life insurance	1,832	1,816	1,296	1,536
01-6050-3029-000	Workers Compensation	1,072	27,356	30,799	0
01-6050-3034-000	Medicare	15,279	14,214	13,047	12,541
	Total Personnel Services	1,755,346	1,639,226	1,542,042	1,360,870

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-6050-4010-0000	Utilities	279,171	227,428	274,502	275,000
01-1200-4015-0000	Telephone	3,781	3,835	3,489	5,050
01-6050-4015-0000	Telephone—Sports Park	906	669	0	0
01-6050-4027-0000	Health and Fitness	19,572	19,112	22,079	0
01-6050-4037-0000	Vehicle Maintenance	26,757	31,387	20,445	31,000
01-6050-4050-0000	Fuel	41,690	40,442	42,830	48,000
01-6050-4060-0000	Contractual Services	59,037	63,302	60,616	70,000
01-6050-4060-6501	Contractual Services—Parks	35,734	44,075	0	0
01-6050-4060-6503	Contractual Services—Stewart Park	11,896	14,574	0	0
01-6050-4060-6504	Contractual Services—Rangel Park	10,188	7,024	0	0
01-6050-4060-6505	Contractual Services—Oak Valley Park	32,134	25,438	0	0
01-6050-4060-6506	Contractual Services—Three Rings Ranch Park	19,342	20,650	0	0
01-6050-4060-6507	Contractual Services—Crystal Springs Park	641	6,062	0	0
01-6050-4060-6508	Contractual Services—Seneca Springs Parkway	45,254	18,899	0	0
01-6050-4060-6509	Contractual Services—Starlight Parkway	103,959	57,378	0	0
01-6050-4060-6510	Contractual Services—Country Crossing Park	15,864	12,547	0	0
01-6050-4060-6511	Contractual Services—Cougar Ranch Park	46,078	37,804	0	0
01-6050-4060-6512	Contractual Services—Trevino Park	8,572	13,962	0	0
01-6050-4060-6513	Contractual Services—Palmer Park	8,310	4,643	0	0
01-6050-4060-6514	Contractual Services—Stetson Park	23,185	29,777	0	0
01-6050-4060-6515	Contractual Services—Sunny Hills Park	30,257	32,390	0	0
01-6050-4060-6516	Contractual Services—Shadow Creek Park	18,842	15,609	0	0
01-6050-4060-6517	Contractual Services—Tournament Hills Park	34,026	26,551	0	0
01-6050-4060-6518	Contractual Services—Lemon Avenue Parkway	19,600	17,216	0	0
01-6050-4050-6519	Contractual Services—Golf Club Drive	42,027	46,325	0	0
01-6050-4065-0000	Uniforms	7,158	8,051	11,505	13,000
01-6050-4066-0000	Educational Expenses	0	968	501	0
01-6050-4070-0000	Special Department Supplies	8,406	37,235	122,449	125,000
01-6050-4070-6501	General City Parks	4,000	528	0	0
01-6050-6505-6505	Parks—Oak Valley	15,800	12,800	0	0
01-6050-4070-6506	Parks—Three Rings Ranch	8,532	3,375	0	0
01-6050-4070-6508	Parks—Seneca Springs Parkway	30,161	22,545	0	0
01-6050-4070-6509	Parks—Sundance Park	27,586	30,020	0	0
01-6050-4070-6510	Parks—Country Crossing	6,000	4,500	0	0
01-6050-4070-6511	Parks—Cougar Ranch	9,812	9,421	0	0
01-6050-4070-6513	Parks—Palmer Park	0	959	0	0
01-6050-4070-6514	Parks—Stetson Park	215	(664)	0	0
01-6050-4070-6518	Parks—Victoria Homes	4,000	0	0	0
01-6050-4085-6501	Buildings, Supplies and Maintenance	888	4,383	268	5,000
01-6050-4090-0000	Equipment, Supplies and Maintenance	428	184	30	0
	Total Maintenance and Operations	1,059,809	951,418	558,714	572,050

Total Grounds and Street Maintenance Division Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Grounds and Street Maintenance Division Expenditures	2,815,155	2,590,644	2,100,756	1,932,920

Community Services Department

Community Recreation Center (CRC) Division Expenditures

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1550-3010-0000	Salaries	355,973	300,735	273,157	236,458
01-1550-3012-0000	Overtime	976	518	387	500
01-1550-3013-0000	Sick Leave	13,135	8,890	4,005	0
01-1550-3014-0000	Holiday	88,931	9,890	10,480	0
01-1550-3015-0000	Vacation	21,153	10,847	12,317	0
01-1550-3020-0000	Medical Insurance	30,529	20,898	24,616	72,600
01-1550-3021-0000	Dental Insurance	2,865	1,876	2,103	0
01-1550-3022-0000	Workers Compensation	2,826	0	12,122	8,710
01-1550-3023-0000	Disability	1,560	1,341	1,331	1,199
01-1550-3024-0000	PERS Retirement	76,284	54,307	38,736	35,729
01-1550-3026-0000	Deferred Compensation	12,681	12,594	8,780	0
01-1550-3027-0000	Vision Care	429	538	256	0
01-1550-3028-0000	Life insurance	384	0	216	192
01-1550-3034-0000	Medicare	5,812	6,697	4,767	3,436
01-1550-3035-0000	FICA	740	1,075	0	0
01-1550-3036-0000	Uniforms	0	0	0	1,200
	Total Personnel Services	614,278	430,206	393,273	360,024

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-1550-4010-000	Utilities	58,045	53,145	56,515	60,000
01-1550-4015-000	Telephone	8,991	6,851	7,831	9,000
01-1550-4025-000	Office Supplies	3,792	6,012	998	2,000
01-1550-4027-000	Health and Fitness	3,104	7,963	2,401	0
01-1550-4030-000	Dues and Subscriptions	1,103	1,012	220	1,300
01-1550-4037-0000	Vehicle Maintenance	770	454	0	1,200
01-1550-4040-0000	Recreation Programs	270,442	231,446	47,803	40,000
01-1550-4049-0000	Special Community Events	2,500	0	0	0
01-1550-4050-000	Fuel	15,758	16,129	7,471	8,400
01-1550-4060-000	Contractual Services	56,513	17,259	11,735	19,000
01-1550-4065-000	Uniforms	116	915	327	350
01-1550-4070-000	Special Department Supplies	3,372	3,307	1,296	2,000
01-1550-4075-000	Equipment Rental	0	0	701	0
01-1550-4085-000	Building Supplies and Maintenance	23,347	16,820	16,090	20,000
	Total Maintenance and Operations	447,853	361,313	153,388	163,250

Capital Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Equipment	304	6,995	0	0
	Total Capital Expenditures	304	6,995	0	0

Total Community Recreation Center (CRC) Division Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Community Recreation Center (CRC) Division Expenditures	1,062,435	798,514	546,661	523,274

Community Services Department Senior Citizens Division Expenditures

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-6100-3010-0000	Salaries	54,951	128,295	89,551	66,146
01-6100-3012-0000	Overtime	1,280	829	303	0
01-6100-3013-0000	Sick Leave	2,075	904	45	0
01-6100-3014-0000	Holiday	3,245	5,847	2,689	0
01-6100-3015-0000	Vacation	1,821	7,758	4,977	0
01-6100-3020-0000	Medical Insurance	5,600	13,211	9,359	14,520
01-6100-3021-0000	Dental Insurance	562	2,005	1,370	0
01-6100-3022-0000	Workers Compensation	529	0	4,888	2,720
01-6100-3023-0000	Disability	258	884	668	434
01-6100-3024-0000	PERS Retirement	13,950	37,217	19,637	11,968
01-6100-3026-0000	Deferred Compensation	1,036	9,313	5,148	0
01-6100-3027-0000	Vision Care	85	307	217	0
01-6100-3028-0000	Life insurance	88	184	96	96
01-6100-3034-0000	Medicare	857	7,780	1,415	959
01-6100-3036-0000	Uniforms	0	0	0	1,200
	Total Personnel Services	86,337	214,534	140,363	98,043

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-6100-4010-000	Utilities	0	0	300	0
01-6100-4015-000	Telephone	2,270	1,276	1,780	2,800
01-6100-4025-000	Office Supplies	2,005	2,978	2,012	2,000
01-6100-4027-000	Health and Fitness	274	5,328	912	0
01-6100-4060-000	Contractual Services	1,655	1,115	500	2,000
01-6100-4070-000	Special Department Supplies	2,347	1,174	1,200	2,500
	Total Maintenance and Operations	8,551	11,871	6,704	9,300

Total Senior Citizen Division Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Senior Citizens Expenditures	94,888	226,405	147,067	107,343

Community Services Department **Swimming Pool Division Expenditures**

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-6150-3010-0000	Salaries	23,434	16,483	31,626	29,700
01-6150-3022-0000	Workers Compensation	1,211	0	7,332	8,165
01-6150-3024-0000	PERS Retirement	0	0	0	386
01-6150-3034-0000	Medicare	339	182	1,026	431
01-6150-3036-0000	FI CA	288	174	0	0
	Total Personnel Services	25,272	16,839	39,984	38,682

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-6150-4015-000	Telephone	347	494	406	1,000
01-6150-4020-0000	Advertising	672	0	0	1,000
01-6150-4025-000	Office Supplies	0	48	43	0
01-6150-4035-0000	Travel, Training and Meetings	0	75	2,000	2,000
01-6150-4060-000	Contractual Services	3,006	2,032	45	0
01-6150-4070-000	Special Department Supplies	15,842	6,242	6,089	11,300
01-6150-4085-0000	Buildings, Supplies and Maintenance	16,758	6,776	15,013	19,000
	Total Maintenance and Operations	36,625	15,667	23,596	34,300

Capital Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-6150-4085-000	Equipment	106	1,757	0	2,500
	Total Capital Expenditures	106	1,757	0	2,500

Total Swimming Pool Division Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Swimming Pool Division Expenditures	62,003	34,263	63,580	75,482

Community Services Department **Expenditure Summary**

Expenditure Summary

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Grounds and Street Maintenance Division	2,815,155	2,590,644	2,100,756	1,932,920
	Community Recreation Center (CRC) Division	1,062,435	798,514	546,661	523,274
	Senior Citizens Division	94,888	226,405	147,067	107,343
	Swimming Pool Division	62,003	34,263	63,580	75,482
	Total Community Services Department Expenditure Summary	4,034,481	3,649,826	2,858,064	2,639,019

Total Community Services Department Expenditures

Account Number	Account Description	Actual FY2013	Actual FY2014	Estimated FY2015	Adopted FY2016
	Total Community Services Department Expenditures	4,034,481	3,649,826	2,858,064	2,639,019

Police Department

Department Mission

The mission of the Beaumont Police Department is to provide the highest quality law enforcement service in the most effective and efficient manner possible.

Department Description

Law Enforcement Functions

The Beaumont Police Department is responsible for the enforcement of local, state, and federal laws, and with providing 24-hour protection of the lives and property of the public. The Police Department functions as an instrument of public service and as a tool for the distribution of information, guidance, and direction.

The Beaumont Police Department takes a proactive approach to combating crime, traffic concerns, and other law enforcement issues, while recognizing the vital importance of remaining connected to our unique community. The Beaumont Police Department uses a variety of social media platforms including Facebook and Nextdoor to help connect with the community. Officers are also involved in neighborhood associations, school functions, and participate in community events. The Beaumont Police Department values the partnerships and relationships it has formed as the heart of its success.

Operations Division

The Operations Division is the largest and most visible division of the Beaumont Police Department. Patrol officers are responsible for policing Beaumont 24/7, 365 days per year. Patrol officers respond to calls for service, including emergency calls, and are also responsible for initiating contacts with citizens, enforcing criminal laws and traffic violations, training new officers, and attending various community events. In most circumstances, patrol officers handle the initial investigation into crimes and other incidents and conduct follow up investigations as necessary. Each patrol team is supervised by a patrol Watch Commander.

- **Volunteer Services:** Many functions of the police department are supplemented by Beaumont residents who volunteer in the police department to serve their community. The Volunteer Services Program is coordinated by the Operations Commander.
- **Citizen Volunteer Patrol (CVP):** Citizen Volunteers are proud representatives of the community. They are highly visible while on patrol. The primary objectives for the volunteers are to prevent crime by mere presence and to identify public hazards. Volunteers act as the eyes and ears of the Beaumont Police Department by identifying suspicious activities, crimes in progress, or dangerous circumstances. The volunteers do not take action themselves but notify the proper authorities for handling.
- **Chaplain Program:** Police chaplains serve in a wide variety of ways. They may be called upon to assist in death notifications, assist and support victims in times of crisis, respond to suicide

incidents, and serve as part of a crisis response team. They are called upon to deliver the invocation or benediction at public ceremonies as representatives of the police department. They also are on hand to serve inside the police department.

- **Explorer Program:** Law Enforcement Exploring is the preeminent career orientation and experience program for young people contemplating a career in law enforcement or a related field in the criminal justice system. Its mission is to offer young adults who have finished eighth grade, ages 14 through 20, a personal awareness of the criminal justice system through training, practical experiences, competition, and other activities.

Support Services Division

Support Services Department provides a vital link between the community and its police officers. Support Services personnel interpret an individual's needs and coordinate the appropriate services to meet those needs.

- **Dispatch:** Dispatch is responsible for providing assistance to callers on six incoming telephone lines which include 911 emergency lines and additional business lines. Dispatch personnel are also tasked with dispatching calls via radio and the Computer Aided Dispatch System (CADS) 24 hours a day, 7 days a week.
- **Evidence/Property:** The Evidence/Property Division is responsible for the maintaining of custody of all property recovered by the Police Department from a crime scene, found property reported from a citizen, or property taken as safekeeping.
- **Records:** Records Division is responsible for compiling, maintaining, and disseminating copies of Department records concerning crimes, arrests, pawned articles, traffic, property, firearms, vehicles, boats and missing persons to law enforcement agencies, authorized outside agencies and citizens.

Animal Control Division and Code Enforcement Division

Beaumont's Animal Control Officers and Code Enforcement Officers are responsible for the enforcement of the Beaumont Municipal Code within the city.

- **Code Enforcement:** Code Enforcement Officers work to ensure that properties within the city comply with all municipal, zoning, and building codes. They also assist with the understanding of city codes and issues, such as health and safety and property maintenance, as it relates to the quality of life.
- **Animal Control:** The City of Beaumont provides the City's animal control services. On July 1, 2010, Beaumont extended animal control services to include the neighboring communities of Banning, Calimesa and a limited partnership with the Morongo Band of Mission Indians.

Investigations Division

The Beaumont Police Department Detective Division is charged with the responsibility of the investigations of felony and misdemeanor crimes occurring within its jurisdiction. The Division is responsible for the identification, apprehension, interrogation, prosecution of offenders, case clearance

and the processing of stolen and recovered property. Detectives also investigate noncriminal activity, such as missing persons and juvenile related matters. Within the Investigations Division are many-high functioning teams that conduct specialized investigations.

- **PACT:** The primary responsibility is to conduct compliance checks on individuals who have been released from prison under AB109 to ensure that they are complying with their terms of release.
- **Riverside County Gang Task Force:** The Beaumont Police Department has one detective assigned to the Riverside County Gang Task Force, San Geronio Pass Area. Participating agencies include the Riverside Sheriff's Department, Riverside County District Attorney's Office, Riverside County Probation, Banning Police Department, Beaumont Police Department, California Highway Patrol and State Parole.
- **MET Team:** The MET team is a valuable resource for the Detective and Patrol divisions. They are utilized to conduct surveillance, serve high-risk search and arrest warrants, search for wanted felons, and collect intelligence regarding drugs, gangs, and other criminal activity. MET often participates in special enforcement programs that target specific or immediate crime trends or problems and work with other local, state, and federal law enforcement agencies.
- **K-9:** The Beaumont Police Department is adding a K-9 Detection Program to its Investigations Division. There is no match for a well-trained K-9 detection team. This program has the potential to prevent the loss of life, save man hours for police officers and reduce narcotic activity in the community. It provides a valuable training asset to local schools by assisting in drug prevention programs and demonstrations.

COPPS Team

Community-Oriented Policing and Problem Solving, or COPPS, is a policing philosophy that promotes and supports organizational strategies to address the causes and reduce the fear of crime and social disorder through problem-solving tactics and community-police partnerships. Community policing brings police and citizens together to prevent crime and solve neighborhood problems. With community policing, the emphasis is on preventing crime instead of responding to calls after a crime occurs. Community policing gives citizens more control over the quality of life in their community.

- **Neighborhood Watch:** By working together the Beaumont Police Department and neighborhoods can help deter crime in the most effective way—before it begins. Beaumont Officers go into the community to meet with the Neighborhood Watch groups to get neighbors to discuss community issues and give ideas and tips on how they can prevent crime. Beaumont currently has nine active Neighborhood Watch blocks with more on the way.
- **Active Shooter Training:** The Beaumont Police Department has worked in collaboration with Banning Police, Riverside County Sheriff, and California Highway Patrol officers to train school district personnel. The primary focus of the training for school staff and students is to:
 - Offer strategies to prevent and prepare for a potential active shooter incident.
 - Provide options to enhance survival when confronted with an active shooter.
 - Describe actions needed to safely interact with the responding police officers.
- **Office of Emergency Services (OES):** The Office of Emergency Services (OES) provides emergency management services citywide in cooperation with County agencies and special districts. During an active incident such as a fire or flood requiring emergency sheltering, OES helps to facilitate the resources necessary for first responders to protect the community.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Acquire and train the K-9 and deploy this resource to law enforcement and search and rescue activities in the Beaumont Police Department.
2. Open the Fairway Canyon Police Department substation to create a location officers can use to decrease response times, as well as provide a more visible presence to the neighborhoods on the west side of the City.

Police Department **Operations Division Expenditures**

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-2050-3010-000	Salaries	3,517,838	3,229,958	2,999,010	4,172,296
01-2050-3012-000	Overtime	166,188	171,616	243,908	188,811
01-2050-3013-000	Sick Leave	332,726	203,733	303,861	0
01-2050-3014-000	Holiday	269,461	212,359	144,887	0
01-2050-3015-000	Vacation	440,459	299,366	310,251	0
01-2050-3016-000	Compensatory Time	176,552	90,792	85,910	64,740
01-2050-3020-000	Medical Insurance	773,356	614,404	648,297	566,282
01-2050-3021-000	Dental Insurance	70,848	72,102	63,304	0
01-2050-3022-000	Workers Compensation	345,019	25,116	509,333	571,455
01-2050-3023-000	Disability	22,276	0	23,007	27,395
01-2050-3024-000	PERS Retirement	1,842,252	1,775,163	1,451,266	1,405,120
01-2050-3026-000	Deferred Compensation	159,070	159,607	102,078	0
01-2050-3027-000	Vision Care	8,551	8,214	6,688	0
01-2050-3028-000	Life insurance	4,576	3,963	2,584	3,744
01-2050-3029-0000	Workers Compensation	313,453	243,481	262,925	0
01-2050-3034-000	Medicare	77,433	64,689	61,698	64,443
	Total Personnel Services	8,520,058	7,174,563	7,219,007	7,064,286

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-2050-4010-0000	Utilities	93,807	49,599	63,858	65,000
01-2050-4015-0000	Telephone	99,973	111,922	68,313	100,000
01-2050-4025-000	Office Supplies	38,749	31,159	23,508	27,000
01-2050-4027-000	Health and Fitness	52,514	36,953	39,924	0
01-2050-4030-000	Dues and Subscriptions	23,193	24,518	14,862	10,000
01-2050-4031-0000	Live Scan—Finger Printing	10,831	7,755	14,678	12,000
01-2050-4035-000	Travel, Training and Meetings	78,641	47,137	11,346	40,000
	Vehicle Maintenance	224,649	232,731	176,345	175,000
01-2050-4050-000	Fuel	175,083	156,691	152,152	150,000
01-2050-4055-0000	Building Maintenance	75,223	4,696	0	0
01-2050-4057-0000	"ERICA"	466,478	177,711	207,513	204,000
01-2050-4058-0000	CLETS System	23,555	25,067	25,729	30,000
01-2050-4060-000	Contractual Services	175,208	222,473	347,364	350,000
01-2050-4065-000	Uniforms	74,716	58,234	52,082	25,000
01-2050-4066-0000	Educational Expenses	36,060	15,351	32,122	0
01-2050-4070-000	Special Department Supplies	16,240	27,519	26,671	35,500
	Equipment Rental	0	0	1,904	0
10-2050-4072-0000	Computer Supplies and Maintenance	12,428	67,381	12,548	30,000
01-2050-4074-0000	Audio Visual Support and Maintenance	10	642	0	0
01-2050-4085-0000	Buildings Supplies and Maintenance	44,984	100,076	36,374	45,000
01-2050-4090-0000	Equipment Repairs and Maintenance	51,863	30,531	24,605	50,000
01-2050-4091-0000	CAL-ID	37,454	39,773	40,876	41,000
	Total Maintenance and Operations	1,811,659	1,467,919	1,372,774	1,389,500

Capital Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
10-2050-6040-0000	Equipment	41,168	75,839	2,020	130,000
	Total Capital Expenditures	41,168	75,839	2,020	130,000

Total Police Department Operations Division Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Police Department Operations Division Expenditures	10,372,885	8,718,321	8,593,801	8,583,786

Police Department **Support Services Division Expenditures**

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-2090-3010-000	Salaries	1,016,870	1,003,224	775,674	837,680
01-2090-3012-000	Overtime	16,298	33,713	99,936	22,500
01-2090-3013-000	Sick Leave	55,457	99,878	33,282	0
01-2090-3014-000	Holiday	57,314	57,870	45,377	0
01-2090-3015-000	Vacation	93,861	81,633	66,436	0
01-2090-3016-000	Compensatory Time	12,115	14,857	7,499	12,530
01-2090-3020-000	Medical Insurance	297,498	233,678	213,238	188,761
01-2090-3021-000	Dental Insurance	24,516	25,778	17,514	0
01-2090-3022-000	Workers Compensation	8,207	0	32,259	33,200
01-2090-3023-000	Disability	6,160	6,864	5,514	5,391
01-2090-3024-000	PERS Retirement	285,174	274,656	181,582	141,291
01-2090-3026-000	Deferred Compensation	36,224	46,113	27,739	0
01-2090-3027-000	Vision Care	3,046	2,984	2,196	0
01-2090-3028-000	Life insurance	1,706	1,584	935	1,152
01-2090-3034-000	Medicare	18,355	18,337	15,537	12,473
01-2090-3035-0000	FICA	518	537	0	0
01-2090-3036-0000	Uniforms	16,570	14,690	14,550	0
	Total Personnel Services	1,949,889	1,916,396	1,539,268	1,254,978

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-2090-4015-0000	Telephone	0	0	(650)	0
01-2090-4027-0000	Health and Fitness	0	875	8,695	0
01-2090-4035-0000	Travel, Training and Meetings	0	0	500	0
01-2090-4030-0000	Dues and Subscriptions	45	0	0	0
01-2090-4065-0000	Uniforms	0	1,016	282	0
01-2090-4066-0000	Educational Expenses	0	1,306	7,460	0
01-2090-4070-0000	Special Department Supplies	35	0	0	0
	Total Maintenance and Operations	80	3,197	16,287	0

Total Police Department Support Services Division Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Police Department Support Services Division Expenditures	1,949,969	1,919,593	1,555,555	1,254,978

Police Department **Animal Control Division Expenditures**

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-2000-3010-000	Salaries	265,558	277,694	326,089	279,641
01-2000-3012-000	Overtime	630	84	5,468	3,000
01-2000-3013-000	Sick Leave	10,497	25,573	13,536	0
01-2000-3014-000	Holiday	19,129	17,278	20,435	0
01-2000-3015-000	Vacation	17,762	14,267	44,188	0
01-2000-3016-000	Compensatory Time	1,567	825	0	0
01-2000-3020-000	Medical Insurance	64,874	55,688	69,524	58,080
01-2000-3021-000	Dental Insurance	5,778	4,919	4,146	0
01-2000-3022-000	Workers Compensation	2,073	81	14,663	13,605
01-2000-3023-000	Disability	1,623	1,974	1,976	1,935
01-2000-3024-000	PERS Retirement	76,058	84,151	66,779	55,560
01-2000-3026-000	Deferred Compensation	16,594	14,664	17,279	0
01-2000-3027-000	Vision Care	674	634	500	0
01-2000-3028-000	Life insurance	480	480	353	384
01-2000-3034-000	Medicare	4,614	4,732	5,904	4,098
01-2000-3036-0000	Uniforms	0	0	0	1,200
	Total Personnel Services	487,911	503,044	590,840	417,503

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-2090-4015-0000	Telephone	481	260	195	0
01-2000-4025-0000	Office Supplies	192	85	221	250
01-2090-4027-0000	Health and Fitness	11,275	5,385	4,146	0
01-2090-4035-0000	Travel, Training and Meetings	458	0	0	0
01-2000-4037-0000	Vehicle Maintenance	396	889	471	700
01-2000-4050-0000	Fuel	15,931	13,579	14,999	18,840
01-2000-4055-0000	Building Maintenance	0	0	0	0
01-2000-4060-0000	Contractual Services	106,011	92,738	111,810	175,0000
01-2000-4065-0000	Uniforms	3,957	4,441	3,736	4,000
01-2090-4070-0000	Special Department Supplies	4,197	9,056	710	4,175
	Total Maintenance and Operations	142,897	126,433	136,288	202,965

Total Police Department Animal Control Division Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Police Department Animal Control Division Expenditures	630,808	629,477	727,128	620,468

Police Department **Code Enforcement Division Expenditures**

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-2000-3010-000	Salaries	0	0	0	67,748
01-2000-3012-000	Overtime	0	0	0	1,000
01-2000-3020-000	Medical Insurance	0	0	0	14,520
01-2000-3022-000	Workers Compensation	0	0	0	2,725
01-2000-3023-000	Disability	0	0	0	479
01-2000-3024-000	PERS Retirement	0	0	0	13,455
01-2000-3028-000	Life insurance	0	0	0	96
01-2000-3034-000	Medicare	0	0	0	997
	Total Personnel Services	0	0	0	101,020

Total Police Department Code Enforcement Division Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Police Department Code Enforcement Division Expenditures	0	0	0	101,020

Total Police Department Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Police Department Expenditures	12,953,662	11,267,391	10,876,484	10,560,252

Police Department Expenditure Summary

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Police Operations Division	10,372,885	8,718,321	8,593,801	8,583,786
	Police Support Services Division	1,949,969	1,919,593	1,555,555	1,254,978
	Police Animal Control Services Division	630,808	629,477	727,128	620,468
	Police Code Enforcement Division	0	0	0	101,020
	Total	12,953,662	11,267,391	10,876,484	10,560,252

Fire Department California Department of Forestry and Fire Protection (CAL FIRE)

Department Mission

The CAL FIRE/Riverside County Fire Department is a public safety agency dedicated to protecting life, property and the environment through professionalism, integrity and efficiency.

Department Description

The City of Beaumont has participated in a partner agreement with the CAL FIRE/Riverside County Fire Department since 1978. The CAL FIRE/Riverside County Fire department safeguards the health, safety and welfare of residents, visitors and business owners of Beaumont by responding to fires, medical emergencies, vehicle accidents, hazardous materials incidents and other emergencies. CAL FIRE/Riverside County Firefighters conduct fire-safety education programs, commercial fire inspections, and defensible space inspections. In 2014, CAL FIRE/Riverside County Firefighters responded to 2,774 emergency incidents in Beaumont and arrived in fewer than 5 minutes, 79.4% of the time.

The City of Beaumont is served directly by two fire stations. Station 66, located at 650 Maple Avenue houses a single engine company staffed by a Company Officer (Captain or Engineer), a Firefighter and a Firefighter/Paramedic. The station also houses a reserve fire engine and a squad.

Station 20, located at 1550 East Sixth Street houses an engine company staffed by a Company Officer (Captain or Engineer), a Firefighter and a Firefighter/Paramedic. Funding for Engine 20 is shared equally between the Cities of Beaumont and Banning, and the County of Riverside. The station is operated by the State of California and its costs of operation are borne by the state. In addition to Engine 20, two state-funded fire engine companies are housed at the station and are available to the city based on California's system of mutual aid. This unique arrangement provides cost effective fire protection and emergency medical response services to the city by capitalizing on the integrated, regionalized, cooperative response model embraced by the CAL FIRE/Riverside County Fire Department.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Work closely with CAL FIRE to provide excellent fire suppression, emergency medical, hazardous materials response and fire education to protect life and property in the City of Beaumont.
2. Respond to all fire and emergency medical incidents in less than five minutes.
3. Conduct coordination meetings between CAL FIRE and the City Police Department and other Departments in the City to enhance cooperation.

4. Ensure that the provisions of the fire contract between CAL FIRE and the City are carried out to protect the health, safety welfare of the people of Beaumont.
5. Work with CAL FIRE to prepare education materials and programs for the City of Beaumont.

Fire Department **California Department of Forestry and** **Fire Protection (CAL FIRE) Expenditures**

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
01-2100-4010-000	Utilities	6,576	4,790	7,964	8,000
01-2100-4015-000	Telephone	731	418	126	700
01-2100-4020-000	Advertising	78	0	0	0
01-2100-4025-000	Office Supplies	160	0	0	0
01-2100-4027-000	Health and Fitness	0	0	715	0
01-2100-4030-000	Dues and Subscriptions	1,097	315	456	0
01-2100-4037-0000	Vehicle Maintenance	989	2,127	0	0
01-2100-4050-000	Fuel	1,419	965	2,046	0
01-2100-4055-0000	Building Maintenance	7,481	3,269	2,445	3,000
01-2100-4060-000	Contractual Services	1,964,742	2,059,194	0	0
	CAL FIRE Contract	0	0	2,500,000	2,740,796
01-2100-4065-000	Uniforms	100	170	0	0
01-2100-4070-000	Special Department Supplies	11,929	1,521	2,000	0
01-2100-4073-000	Medic Program Supplies	9,190	0	0	0
01-2100-4075-000	Equipment Repairs and Maintenance	119	361	1,684	2000
	Total Maintenance and Operations	2,004,611	2,073,130	2,517,436	2,754,496

Total Fire Department--California Department of Forestry and Fire Protection (CAL FIRE) Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Fire Department—California Department of Forestry and Fire Protection (CAL FIRE) Expenditures	2,004,611	2,073,130	2,517,436	2,754,496



SECTION 7

ENTERPRISE FUNDS, SPECIAL REVENUE FUNDS AND CAPITAL PROJECT FUNDS BUDGETS



Beaumont High School Football Team Having Fun with Classmates—1950's

Wastewater Enterprise Fund

Fund Mission

The mission of the Wastewater Enterprise Fund is to account for all of the activities, revenues, expenditures, assets and liabilities related in the collection and treatment of wastewater generated in the City of Beaumont. Included in this mission statement are operating costs and the construction, upgrade and improvement of the City's wastewater treatment plant, facilities and collection system.

Fund Description

Beaumont operates its own wastewater collection and treatment system. The current collection system consists of 140 miles of 6-inch through 27-inch diameter sewer pipe. Due to topography, most sewer lines have been constructed at minimum slopes and the interceptors are relatively deep, some as much as 20 feet. A series of small pump stations have also been constructed to provide service to new developments.

The Beaumont wastewater treatment plant, located off 4th Street, has a capacity of processing 4 million gallons per day. The plant is currently processing approximately 3 million gallons per day, using a seven step process. Approximately 1.8 million gallons per day of treated wastewater is fed into Cooper's Creek to preserve riparian habitat.

The plant is operated under contract with a service provider. The Wastewater Division is responsible for providing regulatory compliance, including all required reporting under the City's permits with the Regional Water Quality Control Board for the treatment and collection system.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Complete and submit to the City Council a wastewater system feasibility study to determine if the City should expand the current wastewater treatment plant or enter into an agreement with the Yucaipa Valley Wastewater District.
2. Review and submit to the City Council a new wastewater system master plan to determine current conditions, determine the future infrastructure and capital needs and construction priority of wastewater system improvements.
3. Review and submit to the City Council Proposition 218 wastewater study to determine appropriate wastewater rates to support operating and capital expenditures of the City's wastewater system.
4. Review and potentially send out Request for Proposals for the operation of the wastewater treatment plant.
5. Review the operations of the wastewater treatment plant for regulatory compliance.

6. Complete paving of the parking area and access roads at the wastewater treatment plant.
7. Replace fencing at the wastewater treatment plant.
8. Repair and replace broken aeration pipes at the wastewater treatment plant.
9. Remove excess sludge from the ponds at the wastewater treatment plant.

Revenue Assumptions

FY2017 revenues are projected to be \$8,040,600, including \$7,005,000 from wastewater service fees, \$8,700 from wastewater permits, \$955,000 from wastewater connection fees, \$70,000 in standby fees and \$1,900 in interest revenue. Expenses include \$483,036 in personnel costs, \$3,038,250 in maintenance and operations expenditures, \$15,000 in equipment costs and a \$600,000 transfer to the General Fund for overhead expenses. Total expenditures are projected to be \$4,136,286. The difference between operating revenues and expenditures of \$3,904,314 will be placed in reserve to pay the future cost of infrastructure system upgrades, finance salt mitigation improvements mandate by the State, and provide funding for the upgrade and expansion of the Beaumont wastewater treatment plant or infrastructure required to transport City wastewater to the Yucaipa Valley Wastewater District wastewater treatment plant. The City Council approved the consulting services agreement to complete this feasibility study on June 7, 2016.

Other important wastewater initiatives included in the FY2017 budget are a new wastewater system master plan to determine the future infrastructure and capital needs of wastewater improvements, a Proposition 218 wastewater study to determine appropriate wastewater rates to support operating and capital expenditures of the system. Funds will also be used for sludge removal, paving of the roads and parking area and replacing fencing and broken aeration pipes at the wastewater treatment plant.

Wastewater Enterprise Fund Revenues

Wastewater Enterprise Fund Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Wastewater Service Fees	6,104,365	6,606,060	7,006,013	7,005,000
	Wastewater Permits	11,500	9,175	8,625	8,700
	Wastewater Connection Fees	1,139,519	1,008,104	958,010	955,000
	Stand By Fees	77,742	73,572	66,109	70,000
	Interest Revenues	55,666	43,995	1,841	1,900
	Contributions	0	5,069,508	0	0
	Cost Recovery	0	0	2,618	0
	Total Wastewater Enterprise Fund Revenues	7,388,792	12,810,414	8,043,216	8,040,600

Total Wastewater Enterprise Fund Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Wastewater Enterprise Fund Revenues	7,388,792	12,810,414	8,043,216	8,040,600

Wastewater Enterprise Fund Expenditures

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
10-4050-3010-000	Salaries	0	0	0	401,600
10-4050-3024-000	PERS Retirement	0	0	0	75,620
10-4050-3034-000	Medicare	0	0	0	5,816
	Total Personnel Services	0	0	0	483,036

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
10-4010-4010-000	Utilities	598,531	592,202	725,843	859,400
10-4010-4015-000	Telephone	0	112	9,350	2,500
10-4010-4020-000	Advertising	51	180	0	0
10-4010-4025-000	Office Supplies	644	13,335	627	4,000
10-4050-4030-000	Dues and Subscriptions	0	0	6,768	500
10-4010-4035-000	Travel, Training and Meetings	0	0	0	1,250
10-4010-4037-000	Vehicle Maintenance	81	185	0	14,600
10-4010-4050-000	Fuel and Oil	5,408	2,515	968	0
10-4010-4060-000	Contractual Services	2,386,695	3,454,502	3,723,625	2,070,000
10-4010-4070-000	Supplies	150	106,437	1,047	4,500
	Software	0	0	0	65,000
	Debt Service	4,152	859,531	0	0
10-4050-4085-000	Building Supplies and Maintenance	0	0	3,905	0
10-4050-4090-000	Equipment Repair and Maintenance	170	0	468	16,500
	Total Maintenance and Operations	2,995,881	5,028,999	4,472,601	3,038,250

Capital Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
40-7000-6040-000	Equipment	0	0	0	15,000
	Total Capital Expenditures	0	0	0	15,000

Transfers to Other Funds

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Transfer to General Fund	600,000	847,000	615,000	600,000
	Total Transfers to Other Funds	600,000	847,000	615,000	600,000

Total Wastewater Enterprise Fund Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Wastewater Enterprise Fund Expenditures	3,595,881	5,875,999	5,087,601	4,136,286

Transit Enterprise Fund

Fund Mission

The mission of the Transit Enterprise Fund is to provide safe and dependable transportation for all passengers. The City's offers comfortable amenities, and excellent customer service while connecting passengers to places and other transit agencies at a reasonable fare.

Fund Description

Pass Transit is made up of two independent municipal transit agencies consisting of City of Beaumont (Beaumont Municipal Transit Agency) and City of Banning (Banning Municipal Transit Agency). Beaumont Transit operates nine fixed routes, one commuter link and three Dial A Ride (Demand Service). There are currently 18 buses in fleet, seven of which are CNG powered, ten are gasoline powered and one is diesel.

Service area includes the City of Beaumont, Banning, Calimesa, and unincorporated areas of Riverside County including Cherry Valley and Cabazon, and the commercial area of the Morongo Band of Mission Indians Reservation. The service area is approximately 40 square miles.

Beaumont Transit is funded by Local Transit Fund (LTF) and State Transit Assistance (STA) as budgeted through Riverside County Transportation Commission (RCTC). The Transit Department is not federally funded. Each year a Short Range Transit Plan (SRTP) is prepared and submitted for review and funding from RCTC. It is in this document that funding is requested and secured for the next fiscal year.

Department operations are funded by Local Transit Funds (LTF). LTF funds make up 90% of the operating budget where operating expenditures, including salaries, fuel, office supplies, utilities, etc., are budgeted. The remaining 10% of the operating budget is contributed by fare box recovery (fares placed in the fare box when riding the bus). Funds for capital purchases, such as buses, equipment and other capital purchases come primarily from State Transit Assistance (STA) funds.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Purchase two buses using State Transportation Assistance (STA) funds.
2. Use State Transportation Assistance (STA) funds to complete vehicle maintenance building improvements, including repaving the work area, purchasing a mobile bus lift and other tools.
3. Expand the bus yard parking lot into the North Magnolia parking lot of Building D, owned by the City of Beaumont. The Transit Department is applying for State Transportation Assistance (STA) to complete this project.

Revenue Assumptions

The Transit Department anticipates receiving \$2,308,000 in local transit funds (LTF) and \$734,008 in capital contributions and grants allocated by the Riverside County Transportation Commission (RCTC) from Transportation Development Act (TDA) funds. Interest revenues are projected to be \$139 for the next fiscal year. Patron charges to ride the bus, called the fare box recovery charges, are anticipated to be \$243,493. Total FY2017 Revenues are projected to be \$3,285,947. The Transit Department is budgeted to spend \$2,055,366 for personnel services and \$396,573 for maintenance and operations expenses, \$734,008 for vehicle and equipment purchases and \$100,000 in transfers to the General Fund to cover administrative overhead expenses. Total FY2017 expenditures are projected to be \$3,285,947.

Transit Enterprise Fund Revenues

Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
40-9400-8910-000	Operating Contributions and Grants	1,632,592	1,600,751	2,605,576	2,308,307
40-9400-8912-000	Capital Contributions and Grants	191,118	10,445	1,754,644	734,008
	Other Grants and Contributions	98,184	0	0	0
40-9400-8501-000	Charges for Service	217,529	236,771	225,787	243,493
40-9400-9510-000	Interest	307	124	0	139
40-9400-8921-000	Other	7,752	30	0	
	Total Transit Special Revenue Fund Revenues	2,147,482	1,848,121	4,586,007	3,285,947

Total Transit Enterprise Fund Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Transit Enterprise Fund Revenues	2,147,482	1,848,121	4,586,007	3,285,947

Transit Enterprise Fund Expenditures

Personnel Services

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
40-7000-3010-000	Salaries	757,839	728,929	879,101	1,399,091
40-7000-3012-000	Overtime	30,474	29,405	28,413	39,250
40-7000-3013-000	Sick Leave	28,813	74,864	19,020	0
40-7000-3014-000	Holiday	34,436	40,007	51,448	0
40-7000-3015-000	Vacation	55,434	52,209	41,605	0
	Cash Out Accrual Banks	29,906	1,441	228	0
40-7000-3026-000	Deferred Compensation	0	41,958	39,968	4,000
40-7000-3020-000	Medical Insurance	190,451	183,485	248,948	391,288
40-7000-3023-000	Disability	10,168	6,238	6,422	9,170
40-7000-3022-000	Workers Compensation	19,062	0	81,756	26,528
40-7000-3024-000	PERS Retirement	179,862	174,002	183,965	166,137
40-7000-3027-000	Vision Insurance	4,579	2,017	2,649	0
40-7000-3028-000	Life Insurance	4,556	1,632	1,661	2,416
40-7000-3034-000	Medicare	12,461	13,435	13,830	17,486
	Total Personnel Services	1,358,041	1,349,622	1,599,014	2,055,366

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
40-7000-4010-000	Utilities	5,177	3,987	4,923	5,430
40-7000-4015-000	Telephone	8,583	12,778	15,068	12,261
40-7000-4020-000	Advertising	169	494	0	500
40-7000-4025-000	Office Supplies	4,851	6,516	10,082	9,000
40-7000-4027-000	Health and Fitness	11,928	23,291	10,138	0
40-7000-4035-000	Travel, Training and Meetings	221	2,674	924	11,300
40-7000-4037-000	Vehicle Maintenance	68,973	108,432	115,540	107,612
40-7000-4050-000	Fuel and Oil	247,600	235,933	164,702	189,780
40-7000-4060-000	Contractual Services	55,647	23,949	24,186	50,490
40-7000-4070-000	Supplies	6,529	14,753	1,285	650
40-7000-4065-000	Uniforms	11,659	17,034	14,864	4,900
40-7000-4075-000	Equipment Rental	0	0	1,522	1,000
40-7000-4072-000	Computer Repair and Maintenance	0	0	0	1,050
40-7000-4085-000	Building Maintenance	2,216	995	1,081	500
40-7000-4090-000	Equipment Maintenance	1,805	2,529	3,123	2,100
	Total Maintenance and Operations	425,358	453,365	367,438	396,573

Capital Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
40-7000-6060-000	Vehicles	0	0	1,432,304	350,000
40-7000-6040-000	Equipment	0	15,132	322,340	384,008
	Total Capital Expenditures	0	15,132	1,754,644	734,008

Transfers to Other Funds

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Transfer to General Fund	74,782	30,000	98,000	100,000
	Total Transfers to Other Funds	74,782	30,000	98,000	100,000

Total Transit Enterprise Fund Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Transit Enterprise Fund Expenditures	1,855,181	1,848,119	3,819,096	3,285,947

Community Development Block Grant (CDBG) Special Revenue Fund

Fund Mission

The mission of the Community Development Block Grant (CDBG) Program Special Revenue Fund is to account for all activities, revenues and expenditures related to the receipt of Federal Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development.

Fund Description

The Community Development Department oversees the City's Community Development Block Grant (CDBG) program. This program is administered by the U.S. Department of Housing and Urban Development (HUD) to achieve "national objectives" that include (1) assisting low-and-moderate income people, (2) eliminating urban blight or (3) to meet urgent needs. Beaumont is not an "entitled" City and must compete state-wide each year for Community Development Block Grant (CDBG) funds. The Federal Omnibus Budget Reconciliation Act of 1981 provides for State of California administration of the Federal Community Development Block Grant (CDBG) Non-entitlement Program. These regulations set forth the policies and procedures governing the state's management and use of these funds. In addition to these requirements, program participants must comply with Federal regulations contained in Title 24 of the Code of Federal Regulations, Part 570, Subpart I. In the event that Congress or the State Legislature add or amend any requirements concerning the use or management of these funds, grantees must comply with such requirements upon receipt of notice.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Comply with 24 CFR 84 or 85, as applicable and adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.
2. Maintain all records required by the Federal regulations specified in 24 CFR 570.506, that are pertinent to the activities to be funded under the agreement with Riverside County for the use of Community Development Block Grant (CDBG). Such records shall include, but not be limited to:
 - A. Records providing full description of each activity undertaken.
 - B. Records demonstrating that each activity undertaken meets one of the national objectives of the Community Development Block Grant (CDBG) program.
 - C. Records required to determine the eligibility of activities.
 - D. Records required to document acquisition, improvement, use or disposition of real property acquired or improved with Community Development Block Grant (CDBG) assistance.

- E. Records documenting compliance with the fair housing and equal opportunity components of the Community Development Block Grant (CDBG) program.
- F. Financial records required by 24 CFR 570.502, and 24 CFR 84.21-28.
- G. Other records necessary to document compliance with program requirements.

- 3. Retain all financial records, supporting documents, statistical records and all other records pertinent to the Agreement for a period of five (5) years.
- 4. Make all records available to and successfully pass audits that may be conducted by Riverside County, U.S. Department of Housing and Urban Development, the Controller of the United States or any of their authorized representatives.

Revenue Assumptions

On May 17, 2016, the City entered into an amendment to the Supplemental Agreement, dated November 25, 2014, with Riverside County for the use of \$344,546 Community Development Block Grant (CDBG) funds. The agreement allocates \$10,000 for the Boys and Girls Club of the San Geronio Pass, \$10,000 for Habitat for Humanity and \$324,546 for street and sidewalk projects. The City will transfer \$20,000 to the General Fund for administrative costs in administering the program, leaving \$304,546 for street improvements along California, Orange, Beaumont and Cherry avenues, and 1st through 8th Streets to construct sidewalks to improve pedestrian safety and Americans for Disability Act (ADA) accessibility.

Community Development Block Grant (CDBG) Special Revenue Fund Revenues

Intergovernmental Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	CDBG Revenues	120,845	45,478	0	344,546
	Interest Revenues	0	0	0	0
	Total Community Development Block Grant (CDBG) Revenues	120,845	45,478	0	344,546

Total Community Development Block Grant (CDBG) Special Revenue Fund Revenues

Account Number	Account Description	Actual FY2013	Actual FY2014	Estimated FY2015	Adopted FY2016
	Total Community Development Block Grant (CDBG) Special Revenue Fund Revenues	120,845	45,478	0	344,546

Community Development Block Grant (CDBG) Special Revenue Fund Expenditures

Maintenance and Operations

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Boys and Girls Club of San Geronio Pass	0	0	0	10,000
	Habitat for Humanity	0	0	0	10,000
	Total Maintenance and Operations Expenditures	120,845	45,478	0	20,000

Capital Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Capital Projects	120,845	45,478	0	0
	Street and Road Projects	0	0	0	304,546
	Total Capital Project Expenditures	120,845	45,478	0	304,546

Transfer to Other Funds

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Transfer to General Fund for Program Administration Costs	0	0	0	20,000
	Total Transfers to Other Funds	0	0	0	20,000

Total Community Development Block Grant (CDBG) Special Revenue Fund Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Community Development Block Grant (CDBG) Expenditures				344,546

Highway Users Tax Allocation (HUTA) (Gas Tax) Special Revenue Fund

Fund Mission

The mission of the Highway Users Tax Allocation (HUTA) (Gas Tax) Special Revenue Fund is to construct, repair and maintain streets and roads within the City of Beaumont using gasoline taxes remitted to the City of Beaumont by the State of California.

Fund Description

The Highway Users Tax Allocation (HUTA) (Gas Tax) Special Revenue Fund is used to account for revenues and the related expenditures for a wide variety of highway and transportation purposes. Revenues are derived from Sections 2103, 2105, 2106, 2107 and 2107.5 of the California Streets and Highways Code. These revenues come from gasoline taxes placed on motor vehicle fuels. Gasoline tax allocations are generally distributed on the basis of population. Funds may be used for construction, repair and maintenance of streets and roads. In 1990 voters approved Proposition 111, which doubled gasoline taxes, raising the State tax rate by nine cents per gallon over four years. In 1993 the Federal government doubled its gas tax, raising it by another 9.4 cents per gallon. Gasoline taxes in California are allocated as follows:

- Pay transportation debt service.
- Divide funds with 44% going to the State Transportation Improvement Program (STIP), 12% to State Highway Operation and Protection Program (SHOP).
- The remaining 44% split evenly between the cities and the counties using the current Highway User Tax Allocation (HUTA).

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Comply with all legal and regulatory requirements to spend Highway Users Tax Allocation (HUTA) (Gas Tax) funds.
2. Successfully pass audits conducted by the State of California on the use of Highway Users Tax Allocation (HUTA) (Gas Tax) funds.
3. Complete all street repair, rehabilitation, and paving projects funded by the Highway Users Tax Allocation (HUTA) prior to June 30, 2017.
4. Complete street striping of all City streets by June 30, 2017.

5. Ensure that all traffic control devices are in compliance with the Manual on Uniform Traffic Control Devices published by the U.S. Department of Transportation.
6. Replace faded or damaged City street signs and traffic control devices.
7. Repair and maintain all bus shelters.

Revenue Assumptions

The Highway Users Tax (HUTA) (Gas Tax) revenues are projected to continue to decline from \$1,244,268 in FY2014 to \$870,000 during FY2017 due to the decline in gasoline prices. All revenues received will be transferred to the General Fund to cover expenses related to the maintenance, repair and improvement of streets, roads and bridges in the City of Beaumont.

Highway Users Tax Allocation (HUTA) **(Gas Tax) Special Revenue Fund Revenues**

Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
03-9030-7404-000	Highway Users Tax (HUTA) (Gas Tax) Revenues	1,244,268	1,152,746	923,216	870,000
03-9030-9510-000	Interest Revenues	24	0	0	0
	Total Highway Users Tax Allocation (HUTA) (Gas Tax) Revenues	1,244,312	1,152,746	923,216	870,000

Highway Users Tax Allocation (HUTA) **(Gas Tax) Special Revenue Fund Expenditures**

Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
03-9030-9903-000	Transfer to General Fund	1,379,884	497,732	1,011,500	870,000
	Total Highway Users Tax Allocation (HUTA) (Gas Tax) Expenditures	1,379,884	497,732	1,011,500	870,000

California Citizen Option for Public Safety Grant (COPS) Special Revenue Fund

Fund Mission

The mission of the Citizen Option for Public Safety Grant (COPS) program is to provide additional law enforcement resources from the State of California to fund front-line law enforcement in cities and counties.

Fund Description

Assembly Bill 1913 or California Citizen Option for Public Safety (COPS) program provides a minimum of \$100,000 to eligible front-line law enforcement agencies. To be eligible for allocations under the COPS program, a local jurisdiction must (1) submit an annual expenditure report to the State Controller as required by current law and (2) fully expend its allocation within 24 months of receipt. COPS funds cannot be used to replace existing City funding for the Police Department. Each county has an oversight committee from the District Attorney's Office that review the COPS expenditures of each law enforcement agency.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Comply with all requirements to spend Citizen Option for Public Safety (COPS) grants to provide additional resources from the State of California for the Beaumont Police Department.
2. Obtain approval from the District Attorney's Oversight Committee to use the FY2017 COPS grant to fund personnel and equipment for the Beaumont Police Department.
3. Submit annual report on expenditures of COPS grant funds to the State Controller's Office on time.

Revenue Assumptions

The Beaumont Police Department will receive a \$100,000 for front-line law enforcement services in the City. Funds will be transferred to the General Fund to underwrite personnel and equipment costs. Total expenditures during FY2017 will be \$100,000.

Citizen Option for Public Safety (COPS) **Grants Special Revenue Fund Revenues**

Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
55-9550-8255-000	COPS Grant Revenues	100,000	100,000	100,000	100,000
55-9550-9510-000	Interest Revenues	26	24	20	0
	Total COPS Special Revenue Fund Revenues	100,026	100,024	100,024	100,000

Citizen Option for Public Safety (COPS) **Grants Special Revenue Fund Expenditures**

Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
55-9550-9950-000	Transfer to General Fund	100,026	80,060	98,000	100,000
	Total COPS Special Revenue Fund Expenditures	100,026	80,060	98,000	100,000

AB 2766 Motor Vehicle Surcharge Subvention Special Revenue Fund

Fund Mission

The mission of the AB 2766 Motor Vehicle Surcharge Subvention Special Revenue Fund is to account for the revenues, expenditures, assets and liabilities related to the South Coast Air Quality Management District (SCAQMD) Mobile Emissions Reduction Program (MERP) to improve air quality in Southern California.

Fund Description

Since 1991, local governments have received AB 2766 funds to implement programs that reduce air pollution from motor vehicles. A Motor Vehicle Registration fee surcharge of \$6 per vehicle is collected by the Department of Motor Vehicles and subvented to the South Coast Air Quality Management District (SCAQMD) for disbursement. Four dollars of the registration fee is divided as follows: 40% of the funds go to local governments (subvented portion); 30% goes to the Mobile Source Air Pollution Reduction Review Committee (MRSC) (discretionary portion); 30% is allocated to the South Coast Air Quality Management District for its vehicle emission reduction programs. The remaining \$2 of the registration fee funds projects eligible for grants under the Carl Moyer Memorial Air Quality Standards Attainment Program.

The AB 2766 Subvention Program provides a funding source for cities and counties to meet requirements of federal and state Clean Air Acts, and for implementation of motor vehicle emission reduction measures in the South Coast Air Quality Management District (SCAQMD) Air Quality Management Plan (AQMP). The legislation creating this revenue source provides for oversight of the use of these monies by local governments. Air districts that receive AB 2766 monies report annually to the California Air Resource Board (CARB) on the use and results of the programs funded by the fees. Cities and counties under the South Coast Air Quality Management District (SCAQMD) jurisdiction provide annual program financial information to the District. This information is compiled by the District and is forwarded as an annual report to CARB. In addition, the South Coast Air Quality Management District (SCAQMD) works with an independent firm to conduct audits of AB 2766 fee recipients at least once every two years.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Comply with all requirements to spend grants given to the City by the South Coast Air Quality Management District (SCAQMD) to improve air quality.
2. Report annual program and provide information to the South Coast Air Quality Management District (SCAQMD).
3. Successfully pass audits conducted by the South Coast Air Quality Management District (SCAQMD) on the use of AB 2766 grants to improve air quality.

Revenue Assumptions

FY 2017 revenues from the South Coast Air Quality Management District (SCAQMD) to improve air quality is projected to be \$50,000. Beaumont will spend \$40,000 on capital projects to improve air quality and transfer \$10,000 to the General Fund to cover administrative expenses. Total expenditures during FY2017 will be \$50,000.

AB2766 Motor Vehicle Surcharge Subvention Special Revenue Fund Revenues

Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
04-9040-8220-000	AB2766 Motor Vehicle Surcharge Subventions	49,178	50,715	32,162	50,000
04-9040-9510-000	Interest Revenues	114	129	20	0
	Total AB2766 Motor Vehicle Surcharge Subvention Special Revenue Fund Revenues	49,292	50,844	32,182	50,000

AB2766 Motor Vehicle Surcharge Subvention Special Revenue Fund Expenditures

Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
04-9040-6060-000	Capital Projects	26,704	0	0	40,000
04-9040-6060-000	Transfer to General Fund	900	0	0	10,000
	Total AB2766 Motor Vehicle Surcharge Subvention Special Revenue Fund Expenditures	26,704	0	0	50,000

Public, Educational and Governmental (PEG) Channel Special Revenue Fund

Fund Mission

The mission of the Public, Educational and Governmental (PEG) Channel Special Revenue Fund is to account for all activities, revenues and expenditures associated with collecting and spending cable television franchise fees of 1% of gross revenues paid to cable television companies in support of public, educational and governmental purposes consistent with state and federal law.

Fund Description

The Digital Infrastructure and Video Competition Act of 2006 (DIVCA) became effective in California on March 1, 2007. This statute authorizes the Public Utilities Commission (PUC) to grant State cable television franchises in cities and counties throughout California. Beaumont and other cities in the State acquired certain rights and responsibilities with respect to State video franchise holders. These include the receipt of a franchise fee of up to 5% of annual gross revenues. The City is also entitled to an additional 1% franchise fee on gross receipts for public, educational and governmental (PEG) programming. The law also establishes enforcement penalties for violations of customer service rules. Funds can be used to acquire equipment, goods and services to broadcast City Council and other governmental meetings on the internet or on a public access cable channel.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Collect, record and spend cable television franchise fees in accordance with Federal and State law and regulations.
2. Use Public, educational and governmental (PEG) franchise fees to promote open and transparent government by broadcasting public meetings on the Internet and public access cable television channels.

Revenue Assumptions

FY 2017 revenues from the 1% franchise fee collected from gross cable television is projected to be \$25,000. All revenues will be transferred to the General Fund to defray the cost of public, educational and governmental (PEG) programming of City meetings, events and announcements on the Internet and cable public access channels.

Public, Educational and Governmental (PEG) **Special Revenue Fund Revenues**

Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
02-9020-7310-000	Cable Television Company Franchise Fee Payments	24, 293	32,630	14,480	25,000
02-9020-9510-000	Interest Revenues	128	86	10	0
	Total Public, Educational and Governmental (PEG) Channel Special Revenue Fund Revenues	24,421	32,716	14,490	25,000

Public, Educational and Governmental (PEG) **Special Revenue Fund Expenditures**

Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
02-9020-9950-000	Transfer to General Fund	0	62,500	10,500	25,000
	Total Public, Educational and Governmental (PEG) Channel Special Revenue Fund Expenditures	0	62,500	10,500	25,000

Community Facilities District (CFD) Special Revenue Fund

Fund Mission

The mission of the Community Facilities District (CFD) Special Revenue Fund is to account for all activities, programs, revenues, expenditures, assets and liabilities related to providing municipal services, constructing capital facilities, maintaining public improvements, making bond principal and interest payments and defraying administrative costs within the boundaries of each Area in the District.

Fund Description

In 1978 Californians enacted Proposition 13, which limited the ability of local public agencies to increase property taxes based on a property's assessed value. In 1982, the Mello-Roos Community Facilities Act of 1982 (Government Code §53311-53368.3) was created to provide an alternate method of financing needed improvements and services.

The Mello-Roos Community Facilities Act of 1982 allows any county, city, special district, school district or joint powers authority to establish a Mello-Roos Community Facilities District (a "CFD") which allows for financing of public improvements and services. The services and improvements that Mello-Roos CFDs can finance include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums and other cultural facilities. By law, the CFD is also entitled to recover expenses needed to form the CFD and administer the annual special taxes and bonded debt.

A CFD is created to finance public improvements and services. They are normally formed in undeveloped areas and are used to build roads and install water and sewer systems so that new homes or commercial space can be built. CFDs are also used in older areas to finance new schools or other additions to the community.

A CFD is created by a sponsoring local government agency. The proposed district will include all properties that will benefit from the improvements to be constructed or the services to be provided. A CFD cannot be formed without a two-thirds majority vote of residents living within the proposed boundaries. Or, if there are fewer than 12 residents, the vote is instead conducted of current landowners. In many cases, that may be a single owner or developer. Once approved, a special tax lien is placed against each property in the CFD. Property owners then pay a special tax each year. If the project cost is high, municipal bonds will be sold by the CFD to provide the large amount of money initially needed to build the improvements or fund the services.

The special CFD tax cannot be directly based on the value of the property by law (Proposition 13). special taxes instead are based on mathematical formulas that take into account property characteristics such as use of the property, square footage of the structure and lot size. The formula is defined at the time of formation and will include a maximum special tax amount and a percentage maximum annual increase.

For bonds issued by the CFD special taxes will be charged annually until the bonds are paid. Often a CFD will continue to charge a reduced fee to maintain the improvements after the bonds are retired.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Complete the reconciliation to determine how the Community Facilities District (CFD) funds were spent and the financial position of each Community Facilities District (CFD). Make findings available to the City Council and the community.
2. Determine what facilities and capital improvements have been constructed in each Community Facilities District (CFD) and what facilities remain to be constructed. Make findings available to the City Council and the community
3. Develop a Capital Improvements Plan (CIP) to construct additional capital facilities in the Community Facilities Districts (CFD) once the reconciliation is completed.
4. Make Community Facilities District (CFD) bond principal and interest payments in accordance with the requirements in the CFD bond documents.
5. Set up a budgeting, tracking and reporting system in the General Ledger to account for all revenues, expenditures, assets and liabilities related to each Community Facility District (CFD).
6. Monitor the expenditure of Community Facilities District (CFD) to ensure that funds are only spent in accordance with the bond documents and State laws and regulations.
7. Compile a quarterly Community Facilities District (CFD) report showing the financial status of each Community Facilities District (CFD).
8. Work with the City's CFD consultant and City Attorney to compiled a list of CFD area and subarea issues and work to resolve them.
9. Comply with all State laws and regulations relating to the formation and operation of Community Facilities Districts (CFD).
10. Engage and educate the public regarding the operation and financing of Community Facilities Districts (CFD).

Revenue Assumptions

The City has 59 improvement and sub-improvement areas in Community Facilities District (CFD) 93-1. Revenues from the tax roll levies for FY2017 are projected to be \$24,671,992 based on the amount that can be levied from the CFD formation documents, bond documents and other legal sources. In addition, the City projects that it will collect \$15,000 in interest payments from the investment of CFD funds. Total revenues are projected to be \$24,686,992 in FY2017.

FY2017 expenses include \$209,296 for delinquency reserves, \$16,597,166 for bond principles and interest payments and \$1,000,000 in contractual services to pay attorneys and other professionals in responding to the Securities and Exchange Commission investigation. Transfers to the General Fund include \$1,117,500 for administrative expenses and \$2,983,000 to cover service costs to residents and maintenance costs for facilities within the boundaries of the Community Facility District areas. The City

projects that it will have approximately \$2,272,587 for capital improvements within the boundaries of the Community Facility District (CFD) areas. However, no funds will be spent on capital facilities until the CFD reconciliation has been completed by Urban Futures and the independent financial audit has been completed for FY2014-2015.

Community Facilities District (CFD) **Special Revenue Fund Revenue Summary**

Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
14-1410-9951-000	Tax Roll Collection	6,293,104	23,429,868	23,912,434	24,671,992
14-1410-9510-000	Interest Revenues	15,352	14,681	15,000	15,000
	Total Community Facilities District (CFD) Special Revenue Revenues	6,308,456	23,444,549	23,927,434	24,686,992

Community Facilities District (CFD) **Special Revenue Fund Expenditure Summary**

Operating Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
14-1410-6020-000	Capital Projects ³	4,354,356	0	0	2,272,587
14-1410-6900-000	Debt Service Payments	0	0	15,055,777	17,104,509
14-1410-6900-000	Contractual Services ⁴	4,218,390	2,390,560	145,000	1,000,000
	Delinquencies	0	0	0	209,396
	Total Community Facilities District (CFD) Special Revenue Fund Operating Expenditures	8,572,746	2,390,560	15,200,777	20,586,492

³ The City projects that it will have approximately \$2,272,587 for capital improvements within the boundaries of the Community Facility District areas. **However, no funds will be spent on capital improvements until the CFD reconciliation has been completed by Urban Futures and the independent audit for FY2015-2016 has been completed.**

⁴The FY2017 budget contains a \$1,000,000 in contractual services is to pay attorneys and other professionals in responding to the Securities and Exchange Commission (SEC) investigation.

Transfers to Other Funds

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
14-1410-9950-000	Transfer to General Fund for Administration	1,500,000	750,000	3,840,000	1,117,500
14-1410-9950-000	Transfer to General Fund for Services & Maintenance	0	0	0	2,983,000
	Total Community Facilities District (CFD) Transfers to Other Funds	1,500,000	750,000	750,000	4,100,500

Total Community Facilities District (CFD) Special Revenue Fund Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Community Facilities District (CFD) Special Revenue Fund Expenditures	10,072,746	3,140,560	15,950,777	24,686,992

Community Facilities District 93-1 Inactive Improvement Area Summary

The following Improvement Areas have been formed but remain undeveloped and have not been actively levied to date and therefore have no FY2017 budget.

1. Improvement Area 7E
2. Improvement Area 8E
3. Improvement Area 8F
4. Improvement Area 21
5. Improvement Area 22
6. Improvement Area 24
7. Improvement Area 25

As development begins each of these Improvement Areas will have a budget prepared and a levy enrolled at a future date.

Community Facilities District No. 93-1

Improvement Area 1

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 1 was formed on June 29, 1993 as part of CFD No. 93-1.

Location

Improvement Area 1 is located east of Interstate 10 and south of Oak Valley Parkway.

Bonds

The 1994 Series AB Bonds in the amount of \$1,510,060 were issued February 9, 1994, with interest rates ranging from 5.75% to 7.25%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2023. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$917,240.

Facilities Budget

The following table contains the Fiscal Year 2016-17 Improvement Area budget summary for facilities:

Facilities Budget Summary

Item	Total
Estimated Revenue	\$181,679
Estimated Expenses	
Debt Service	\$152,728
Administrative Expenses	\$28,951
Delinquency Reserve	\$0
City Adjustment	\$0
Total Estimated Expenses	\$181,679

Services

Improvement Area 1 does not have a services component.

Community Facilities District No. 93-1

Improvement Area 2

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 2 was formed on June 29, 1993 as part of CFD No. 93-1.

Location

Improvement Area 2 is east of Interstate 10 and south of Oak Valley Parkway.

Bonds

The 1994 Series AB Bonds in the amount of \$149,193 were issued February 9, 1994 with interest rates ranging from 5.75% to 7.50%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2023. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$90,623.

Facilities Budget

The following table contains the Fiscal Year 2016-17 Improvement Area budget summary for facilities:

Facilities Budget Summary

Item	Total
Estimated Revenue	\$24,979
Estimated Expenses	
Debt Service	\$15,089
Administrative Expenses	\$9,899
Delinquency Reserve	\$0
City Adjustment	\$0
Total Estimated Expenses	\$24,979

Services

Improvement Area 2 does not have a services component.

Community Facilities District No. 93-1

Improvement Area 3

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 3 was formed on June 29, 1993 as part of CFD No. 93-1.

Location

Improvement Area 3 is within the master planned community of Three Rings Ranch in the City. The area is comprised of approximately 170.40 acres and is located adjacent to the north side of Interstate 10 and south of Oak Valley Parkway.

Bonds

The 2007 Series A Bonds in the amount of \$21,175,000 were issued January 31, 2007, with interest rates ranging from 3.50% to 5.75%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2037. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$16,620,000. There are no remaining unissued Bonds authorized for this Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$422,346
Estimated Expenses	
Debt Service	\$310,281
Administrative Expenses	\$30,000
Delinquency Reserve	\$2,475
City Adjustment	\$79,590
Total Estimated Expenses	\$422,436

Services

Improvement Area 3 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Services Budget Summary

Item	Total
Estimated Revenue	\$167,447
Estimated Expenses	
Service Maintenance Costs	\$150,702
Administrative Expenses	\$15,445
Delinquency Reserve	\$1,300
Total Estimated Expenses	\$167,447

Community Facilities District No. 93-1

Improvement Area 4

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 4 was formed on June 29, 1993 as part of CFD No. 93-1.

Location

Improvement Area 4 is located south of the 60 FWY and west of Veile Ave.

Bonds

The 1994 Series AB Bonds in the amount of \$2,560,000 were issued February 9, 1994, with interest rates ranging from 5.75% to 7.25%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2023. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$1,569,570.

Facilities Budget

The following table contains the Fiscal Year 2016-17 Improvement Area budget summary for facilities:

Facilities Budget Summary

Item	Total
Estimated Revenue	\$310,447
Estimated Expenses	
Debt Service	\$263,785
Administrative Expenses	\$30,000
Delinquency Reserve	\$0
City Adjustment	\$16,662
Total Estimated Expenses	\$310,447

Services

Improvement Area 4 does not have a services component.

Community Facilities District No. 93-1

Improvement Area 5

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 5 was formed on June 29, 1993 as part of CFD No. 93-1.

Location

Improvement Area 5 is located north of the 60 FWY and south of Oak Valley Pkwy.

Bonds

The **1994 Series AB** Bonds in the amount of \$2,345,669 were issued February 9, 1994, with interest rates ranging from 5.75% to 7.25%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2023. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$1,424,806.

The **1996 Series A** Bonds in the amount of \$350,000 were issued August 15, 1996, with interest rates ranging from 5.90% to 6.75%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2025. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$226,498.

The total combined principal outstanding for all bonds as of September 30, 2015 is \$1,651,304.

Facilities Budget

The following table contains the Fiscal Year 2016-17 Improvement Area budget summary for facilities:

Facilities Budget Summary

Item	Total
Estimated Revenue	\$319,575
Estimated Expenses	
Debt Service	\$269,123
Administrative Expenses	\$30,000
Delinquency Reserve	\$0
City Adjustment	\$20,451
Total Estimated Expenses	\$319,575

Services

Improvement Area 5 does not have a services component.

Community Facilities District No. 93-1

Improvement Area 6A

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 6A was formed on September 21, 2004 as part of CFD No. 93-1.

Location

Improvement Area 6A is a non-residential development located west of Highland Springs Ave and south of E 1st St.

Bonds

No bonds have been issued specifically for Improvement Area 6A. Tax proceeds from this Improvement Area a collected and applied to a portion of the original 1994 Series AB Bonds debt service.

Facilities Budget

The following table contains the Fiscal Year 2016-17 Improvement Area budget summary for facilities:

Facilities Budget Summary

Item	Total
Estimated Revenue	\$5,886
Estimated Expenses	
Debt Service	\$4,216
Administrative Expenses	\$1,670
Delinquency Reserve	\$0
City Adjustment	\$0
Total Estimated Expenses	\$5,886

Services

Improvement Area 6A does not have a services component.

Community Facilities District No. 93-1

Improvement Area 6A1

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 6A1 was formed on September 21, 2004 as part of CFD No. 93-1.

Location

Improvement Area 6A1 is within the master planned community of Seneca Springs in the City. The area is comprised of approximately 279.34 acres and is located west of Highland Springs Ave and south of E 1st Street.

Bonds

Improvement Area 6A1 currently has two bonds outstanding as described below:

The **2005 Series A** Bonds in the amount of \$18,325,000 were issued February 24, 2005, with interest rates ranging from 3.00% to 5.70%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2035. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$15,830,000.

The **2005 Series C** Bonds in the amount of \$19,155,000 were issued December 15, 2005, with interest rates ranging from 4.00% to 5.50%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2035. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$18,200,000.

The total combined principal outstanding for all bonds as of September 30, 2015 is \$34,030,000.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$2,798,258
Estimated Expenses	
Debt Service	\$2,638,965
Administrative Expenses	\$30,000
Delinquency Reserve	\$18,865
City Adjustment	\$110,428
Total Estimated Expenses	\$2,798,258

Service Budget Summary

Item	Total
Estimated Revenue	\$299,834
Estimated Expenses	
Service Maintenance Costs	\$269,851
Administrative Expenses	\$27,383
Delinquency Reserve	\$2,600
Total Estimated Expenses	\$299,834

Services

Improvement Area 6A1 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 6B

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 6B was formed on June 29, 1993 as part of CFD No. 93-1.

Location

Improvement Area 6B is located west of Highland Springs Ave, and north of E 1st St.

Bonds

The 1994 Series AB Bonds in the amount of \$219,219 were issued February 9, 1994, with interest rates ranging from 5.75% to 7.25%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2023. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$133,158.

Facilities Budget

The following table contains the Fiscal Year 2016-17 Improvement Area budget summary for facilities:

Facilities Budget Summary

Item	Total
Estimated Revenue	\$28,500
Estimated Expenses	
Debt Service	\$21,772
Administrative Expenses	\$6,728
Delinquency Reserve	\$0
City Adjustment	\$0
Total Estimated Expenses	\$28,500

Services

Improvement Area 6B does not have a services component.

Community Facilities District No. 93-1

Improvement Area 7A1

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 7A1 was formed on May 20, 2014 as part of CFD No. 93-1.

Location

Improvement Area 7A1 is within the master planned community of Four Seasons in the City. The area is comprised of approximately 152.3 acres and is located south of Interstate 10 and west of Highland Springs Boulevard.

Bonds

The 2015 Series A Bonds in the amount of \$11,110,000 were issued March 31, 2015, with interest rates ranging from 2.000% to 5.000%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2045. The principal amount of the Bonds Outstanding as of September 30, 2015 was \$10,870,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$755,667
Estimated Expenses	
Debt Service	\$673,825
Administrative Expenses	\$30,000
Delinquency Reserve	\$10,745
City Adjustment	\$41,098
Total Estimated Expenses	\$755,667

Service Budget Summary

Item	Total
Estimated Revenue	\$168,753
Estimated Expenses	
Service Maintenance Costs	\$151,878
Administrative Expenses	\$14,600
Delinquency Reserve	\$2,275
Total Estimated Expenses	\$168,753

Services

Improvement Area 7A1 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 7B

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 7B was formed on April 5, 2005 as part of CFD No. 93-1.

Location

Improvement Areas 7B is located within the master planned community of Four Seasons in the City. The areas are located south of Interstate 10 and west of Highland Springs Boulevard.

Bonds

The 2012 Series C Bonds in the amount of \$1,915,000 were issued June 7, 2012, with interest rates ranging from 1.50% to 5.25%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2039. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$1,875,000.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$425,548
Estimated Expenses	
Debt Service	\$117,731
Administrative Expenses	\$30,000
Delinquency Reserve	\$4,626
City Adjustment	\$273,191
Total Estimated Expenses	\$425,548

Service Budget Summary

Item	Total
Estimated Revenue	\$88,933
Estimated Expenses	
Service Maintenance Costs	\$80,040
Administrative Expenses	\$7,918
Delinquency Reserve	\$975
Total Estimated Expenses	\$88,933

Services

Improvement Area 7B also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 7C

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 7C was formed on April 5, 2005 as part of CFD No. 93-1.

Location

Improvement Area 7C is located within the master planned community of Four Seasons in the City. The areas are located south of Interstate 10 and west of Highland Springs Boulevard.

Bonds

The 2012 Series C Bonds in the amount of \$1,740,000 were issued June 7, 2012, with interest rates ranging from 1.50% to 5.25%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2039. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$1,700,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$153,513
Estimated Expenses	
Debt Service	\$104,106
Administrative Expenses	\$30,000
Delinquency Reserve	\$710
City Adjustment	\$18,697
Total Estimated Expenses	\$153,513

Service Budget Summary

Item	Total
Estimated Revenue	\$119,730
Estimated Expenses	
Service Maintenance Costs	\$107,757
Administrative Expenses	\$11,648
Delinquency Reserve	\$325
Total Estimated Expenses	\$119,730

Services

Improvement Area 7B also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 7D

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 7D was formed on April 5, 2005 as part of CFD No. 93-1.

Location

Improvement Areas 7D is located within the master planned community of Four Seasons in the City. The areas are located south of Interstate 10 and west of Highland Springs Boulevard.

Bonds

No bonds have been issued for Improvement Area 7D at this time.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$97,473
Estimated Expenses	
Debt Service	\$0
Administrative Expenses	\$30,000
Delinquency Reserve	\$0
City Adjustment	\$67,473
Total Estimated Expenses	\$97,473

Service Budget Summary

Item	Total
Estimated Revenue	\$35,228
Estimated Expenses	
Service Maintenance Costs	\$31,705
Administrative Expenses	\$3,523
Delinquency Reserve	\$0
Total Estimated Expenses	\$35,228

Services

Improvement Area 7D also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 8

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 8 was formed on February 5, 2002 as part of CFD No. 93-1.

Location

Improvement Area 8 is within the master planned community of Sundance in the City. The area is comprised of approximately 237.8 acres and is located north of I-10 between Highland Springs Avenue and Cherry Avenue.

Bonds

The 2007 Series B Bonds in the amount of \$11,615,000 were issued March 15, 2007, with interest rates ranging from 3.50% to 4.50%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2032. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$8,960,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$1,013,940
Estimated Expenses	
Debt Service	\$826,988
Administrative Expenses	\$30,000
Delinquency Reserve	\$10,978
City Adjustment	\$145,974
Total Estimated Expenses	\$1,013,940

Service Budget Summary

Item	Total
Estimated Revenue	\$305,117
Estimated Expenses	
Service Maintenance Costs	\$274,605
Administrative Expenses	\$26,287
Delinquency Reserve	\$4,225
Total Estimated Expenses	\$305,117

Services

Improvement Area 8 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 8A

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 8A was formed on October 19, 2004 as part of CFD No. 93-1.

Location

Improvement Area 8A is within the master planned community of Sundance in the City. The area is comprised of approximately 84.53 acres in two Tax Zones. Tax Zone 1 is located on the west side of Highland Springs Avenue and the north side of Oak Valley Parkway. Tax Zone 2 is located on the west side of Highland Springs Avenue and the north side of Eighth Street.

Bonds

The 2004 Series C Bonds in the amount of \$8,685,000 were issued February 10, 2005, with interest rates ranging from 3.00% to 5.50%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2035. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$7,455,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$772,305
Estimated Expenses	
Debt Service	\$620,944
Administrative Expenses	\$30,000
Delinquency Reserve	\$5,680
City Adjustment	\$115,681
Total Estimated Expenses	\$772,305

Service Budget Summary

Item	Total
Estimated Revenue	\$57,569
Estimated Expenses	
Service Maintenance Costs	\$51,812
Administrative Expenses	\$4,132
Delinquency Reserve	\$1,625
Total Estimated Expenses	\$57,569

Services

Improvement Area 8A also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 8B

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 8B was formed on June 6, 2006 as part of CFD No. 93-1.

Location

Improvement Area 8B is located at the southwest section of the master planned community of Sundance the City. The area is located north of I-10 between Highland Springs Avenue and Cherry Avenue.

Bonds

The 2006 Series B Bonds in the amount of \$7,110,000 were issued November 16, 2006, with interest rates ranging from 3.90% to 5.05%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2037. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$6,745,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$577,777
Estimated Expenses	
Debt Service	\$438,783
Administrative Expenses	\$30,000
Delinquency Reserve	\$6,518
City Adjustment	\$102,477
Total Estimated Expenses	\$577,777

Service Budget Summary

Item	Total
Estimated Revenue	\$61,926
Estimated Expenses	
Service Maintenance Costs	\$55,734
Administrative Expenses	\$5,543
Delinquency Reserve	\$650
Total Estimated Expenses	\$61,926

Services

Improvement Area 8B also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 8C

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 8C was formed on June 6, 2006 as part of CFD No. 93-1.

Location

Improvement Area 8C is within the master planned community of Sundance in the City. The area is comprised of approximately 96.57 acres and is located west of Highland Springs Avenue and north of E 8th Street.

Bonds

Improvement Area 8C currently has two bonds outstanding as described below:

The **2007 Series E** Bond in the amount of \$6,520,000 were issued December 13, 2007, with interest rates ranging from 4.75% to 6.25%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2038. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$6,360,000. There are no remaining unissued Bonds authorized for the Improvement Area.

The **2012 Series A** Bonds in the amount of \$5,650,000 were issued March 29, 2012, with interest rates ranging from 3.50% to 5.875%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2042. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$5,650,000.

The total combined principal outstanding for all bonds as of September 30, 2015 is \$12,010,000.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$1,526,545
Estimated Expenses	
Debt Service	\$786,779
Administrative Expenses	\$30,000
Delinquency Reserve	\$4,955
City Adjustment	\$704,811
Total Estimated Expenses	\$1,526,545

Service Budget Summary

Item	Total
Estimated Revenue	\$222,250
Estimated Expenses	
Service Maintenance Costs	\$200,025
Administrative Expenses	\$21,575
Delinquency Reserve	\$650
Total Estimated Expenses	\$222,250

Services

Improvement Area 8C also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 9

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 9 was formed on June 29, 1993 as part of CFD No. 93-1.

Location

Improvement Area 9 is comprised of approximately 14 acres and is located north of Cougar Way and west of Sunnyslope Avenue.

Bonds

The 2007 Series C & D Bonds in the amount of \$22,490,000 for Series C and \$1,105,000 for Series D, were issued May 10, 2007, with interest rates ranging from 4.00% to 5.00%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2033 for Series C and September 1, 2012 for Series D. The Series D Bonds have been redeemed entirely. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$18,910,000. There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$63,259
Estimated Expenses	
Debt Service	\$52,668
Administrative Expenses	\$9,710
Delinquency Reserve	\$881
City Adjustment	\$0
Total Estimated Expenses	\$63,259

Service Budget Summary

Item	Total
Estimated Revenue	\$13,700
Estimated Expenses	
Service Maintenance Costs	\$12,330
Administrative Expenses	\$1,045
Delinquency Reserve	\$325
Total Estimated Expenses	\$13,700

Services

Improvement Area 9 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 10

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 10 was formed on November 5, 2002 as part of CFD No. 93-1.

Location

Improvement Area 10 is comprised of approximately 40.11 acres and is located north of Cougar Way and east of Vasili Lane.

Bonds

The 2007 Series C & D Bonds in the amount of \$22,490,000 for Series C and \$1,105,000 for Series D, were issued May 10, 2007, with interest rates ranging from 4.00% to 5.00%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2033 for Series C and September 1, 2012 for Series D. The Series D Bonds have been redeemed entirely. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$18,910,000. There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$211,907
Estimated Expenses	
Debt Service	\$174,928
Administrative Expenses	\$30,000
Delinquency Reserve	\$698
City Adjustment	\$6,282
Total Estimated Expenses	\$211,907

Service Budget Summary

Item	Total
Estimated Revenue	\$29,186
Estimated Expenses	
Service Maintenance Costs	\$26,268
Administrative Expenses	\$2,594
Delinquency Reserve	\$325
Total Estimated Expenses	\$29,186

Services

Improvement Area 10 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 11

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 11 was formed on June 29, 1993 as part of CFD No. 93-1.

Location

Improvement Area 11 is within the master planned community of Mountain Meadows in the City. The area is comprised of approximately 34.04 acres and is located in the northern portion of the City south of Cougar Way and east of Beaumont Avenue.

Bonds

The 2007 Series A Bonds in the amount of \$21,175,000 were issued January 31, 2007, with interest rates ranging from 3.50% to 5.75%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2037. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$16,620,000. There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$201,746
Estimated Expenses	
Debt Service	\$120,250
Administrative Expenses	\$30,000
Delinquency Reserve	\$1,683
City Adjustment	\$49,813
Total Estimated Expenses	\$201,746

Service Budget Summary

Item	Total
Estimated Revenue	\$29,943
Estimated Expenses	
Service Maintenance Costs	\$26,949
Administrative Expenses	\$2,344
Delinquency Reserve	\$650
Total Estimated Expenses	\$29,943

Services

Improvement Area 11 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 12

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 12 was formed on November 5, 2002 as part of CFD No. 93-1.

Location

Improvement Area 12 is comprised of approximately 29.14 acres and is located south of Brookside Avenue and east of Lemon Avenue.

Bonds

The 2007 Series C & D Bonds in the amount of \$22,490,000 for Series C and \$1,105,000 for Series D, were issued May 10, 2007, with interest rates ranging from 4.00% to 5.00%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2033 for Series C and September 1, 2012 for Series D. The Series D Bonds have been redeemed entirely. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$18,910,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$147,253
Estimated Expenses	
Debt Service	\$107,673
Administrative Expenses	\$30,000
Delinquency Reserve	\$0
City Adjustment	\$9,581
Total Estimated Expenses	\$147,253

Service Budget Summary

Item	Total
Estimated Revenue	\$34,834
Estimated Expenses	
Service Maintenance Costs	\$31,350
Administrative Expenses	\$3,483
Delinquency Reserve	\$0
Total Estimated Expenses	\$34,834

Services

Improvement Area 12 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 13

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 13 was formed on May 31, 1995 as part of CFD No. 93-1.

Location

Improvement Area 13 is located south of Cougar way and west of Cherry Ave.

Bonds

Improvement Area 13 provides services only and is not authorized to issue bonds.

Services

Improvement Area 13 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Facilities Budget

The following table contains the Fiscal Year 2016-17 Improvement Area budget summary for services:

Services Budget Summary

Item	Total
Estimated Revenue	\$37,619
Estimated Expenses	
Service Maintenance Costs	\$33,857
Administrative Expenses	\$3,762
Delinquency Reserve	\$0
Total Estimated Expenses	\$37,619

Community Facilities District No. 93-1

Improvement Area 14

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 14 was formed on December 28, 1999 as part of CFD No. 93-1.

Location

Improvement Area 14 is within the master planned community of Oak Valley Greens in the City. The area is comprised of approximately 533 acres and is located northeasterly of the intersection of Interstate 10 and south of Brookside Avenue.

Bonds

The 2007 Series A Bonds in the amount of \$21,175,000 were issued January 31, 2007, with interest rates ranging from 3.50% to 5.75%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2037. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$16,620,000.

There are no remaining unissued Bonds authorized for any of the Improvement Areas.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$876,054
Estimated Expenses	
Debt Service	\$856,694
Administrative Expenses	\$4,274
Delinquency Reserve	\$15,086
City Adjustment	\$0
Total Estimated Expenses	\$876,054

Service Budget Summary

Item	Total
Estimated Revenue	\$565,837
Estimated Expenses	
Service Maintenance Costs	\$530,637
Administrative Expenses	\$30,000
Delinquency Reserve	\$5,200
Total Estimated Expenses	\$565,837

Services

Improvement Area 14 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 14A

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 14A was formed on November 5, 2002 as part of CFD No. 93-1.

Location

Improvement Area 14A is comprised of approximately 256.88 acres and is located entirely within portions of Improvement Area No. 14 which is located north of I-10 and south of Brookside Avenue.

Bonds

The 2007 Series C & D Bonds in the amount of \$22,490,000 for Series C and \$1,105,000 for Series D, were issued May 10, 2007, with interest rates ranging from 4.00% to 5.00%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2033 for Series C and September 1, 2012 for Series D. The Series D Bonds have been redeemed entirely. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$18,910,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$1,527,566
Estimated Expenses	
Debt Service	\$1,377,235
Administrative Expenses	\$30,000
Delinquency Reserve	\$11,550
City Adjustment	\$108,781
Total Estimated Expenses	\$1,527,566

Services

Services for Improvement Area 14A homes are included under the Improvement Area 14 Services section in the budget report.

Community Facilities District No. 93-1

Improvement Area 14B

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 14B was formed on November 5, 2002 as part of CFD No. 93-1.

Location

Improvement Area 14B is comprised of approximately 95.86 acres and is located entirely within portions of Improvement Area 14.

Bonds

The 2007 Series A Bonds in the amount of \$21,175,000 were issued January 31, 2007, with interest rates ranging from 3.50% to 5.75%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2037. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$16,620,000.

There are no remaining unissued Bonds authorized for any of the Improvement Areas.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$338,210
Estimated Expenses	
Debt Service	\$302,906
Administrative Expenses	\$30,000
Delinquency Reserve	\$2,400
City Adjustment	\$2,904
Total Estimated Expenses	\$338,210

Services

Services for Improvement Area 14B homes are included under the Improvement Area 14 Services section in the budget report.

Community Facilities District No. 93-1

Improvement Area 15

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 15 was formed on May 7, 2002 as part of CFD No. 93-1.

Location

Improvement Area 15 located south of Oak Valley Pkwy and west of Cherry Ave.

Bonds

Improvement Area 15 provides services only and is not authorized to issue bonds.

Services

Improvement Area 15 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Services Budget Summary

Item	Total
Estimated Revenue	\$24,218
Estimated Expenses	
Service Maintenance Costs	\$21,796
Administrative Expenses	\$2,422
Delinquency Reserve	\$0
Total Estimated Expenses	\$24,218

Community Facilities District No. 93-1

Improvement Area 16

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 16 was formed on June 15, 2004 as part of CFD No. 93-1.

Location

Improvement Area 16 is comprised of approximately 72.5 acres and is located north of Oak Valley Parkway and west of Interstate 10.

Bonds

The 2015 Series D Bonds in the amount of \$7,820,000 were issued June 18, 2015, with interest rates ranging from 2.000% to 4.250%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2034. The principal amount of the Bonds Outstanding as of September 30, 2015 was \$7,585,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$758,724
Estimated Expenses	
Debt Service	\$560,594
Administrative Expenses	\$30,000
Delinquency Reserve	\$8,538
City Adjustment	\$159,593
Total Estimated Expenses	\$758,724

Service Budget Summary

Item	Total
Estimated Revenue	\$75,735
Estimated Expenses	
Service Maintenance Costs	\$68,161
Administrative Expenses	\$6,598
Delinquency Reserve	\$975
Total Estimated Expenses	\$75,735

Services

Improvement Area 16 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 17A

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 17A was formed on November 4, 2003 as part of CFD No. 93-1.

Location

Improvement Area 17A is within the master planned community of the Oak Valley Specific Plan. The area is located south of the I-10 freeway and the City of Calimesa city limits and north of State Route 60.

Bonds

The 2013 Series B Bonds in the amount of \$10,875,000 were issued April 18, 2013, with interest rates ranging from 2.00% to 5.00%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2034. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$10,110,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$963,764
Estimated Expenses	
Debt Service	\$769,100
Administrative Expenses	\$30,000
Delinquency Reserve	\$1,185
City Adjustment	\$163,479
Total Estimated Expenses	\$963,764

Service Budget Summary

Item	Total
Estimated Revenue	\$153,355
Estimated Expenses	
Service Maintenance Costs	\$138,019
Administrative Expenses	\$15,010
Delinquency Reserve	\$325
Total Estimated Expenses	\$153,355

Services

Improvement Area 17A also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 17B

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 17B was formed on November 21, 2006 as part of CFD No. 93-1.

Location

Improvement Area 17B is within the master planned community of Tournament Hills in the City. The area is comprised of approximately 173.07 acres and is located north of Oak Valley Parkway and westerly of Desert Lawn Drive.

Bonds

The 2011 Series A Bonds in the amount of \$12,145,000 were issued December 22, 2011, with interest rates ranging from 3.50% to 6.375%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2042. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$12,135,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$924,701
Estimated Expenses	
Debt Service	\$790,188
Administrative Expenses	\$30,000
Delinquency Reserve	\$5,540
City Adjustment	\$98,973
Total Estimated Expenses	\$924,701

Service Budget Summary

Item	Total
Estimated Revenue	\$122,558
Estimated Expenses	
Service Maintenance Costs	\$110,302
Administrative Expenses	\$11,606
Delinquency Reserve	\$650
Total Estimated Expenses	\$122,558

Services

Improvement Area 17B also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 17C

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 17C was formed on July 2, 2012 as part of CFD No. 93-1.

Location

Improvement Area 17C is within the master planned community of Tournament Hills in the City. The area is comprised of approximately 36.52 acres and is located north of Oak Valley Parkway and westerly of Desert Lawn Drive.

Bonds

No bonds have been issued for Improvement Area 17C at this time.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$478,845
Estimated Expenses	
Debt Service	\$0
Administrative Expenses	\$30,000
Delinquency Reserve	\$0
City Adjustment	\$448,845
Total Estimated Expenses	\$478,845

Service Budget Summary

Item	Total
Estimated Revenue	\$71,007
Estimated Expenses	
Service Maintenance Costs	\$63,906
Administrative Expenses	\$7,101
Delinquency Reserve	\$0
Total Estimated Expenses	\$71,007

Services

Improvement Area 17C also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 18

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 18 was formed on January 20, 2004 as part of CFD No. 93-1.

Location

Improvement Area 18 is comprised of approximately 74.5 acres and is located south of Brookside Avenue and northwest of Interstate 10.

Bonds

The 2015 Series C Bonds in the amount of \$5,335,000 were issued June 3, 2015, with interest rates ranging from 2.000% to 4.125%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2034. The principal amount of the Bonds Outstanding as of September 30, 2015 was \$5,160,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$490,618
Estimated Expenses	
Debt Service	\$384,344
Administrative Expenses	\$30,000
Delinquency Reserve	\$2,867
City Adjustment	\$73,407
Total Estimated Expenses	\$490,618

Service Budget Summary

Item	Total
Estimated Revenue	\$60,965
Estimated Expenses	
Service Maintenance Costs	\$54,868
Administrative Expenses	\$5,771
Delinquency Reserve	\$325
Total Estimated Expenses	\$60,965

Services

Improvement Area 18 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 19A

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 19A was formed on November 16, 2004 as part of CFD No. 93-1.

Location

Improvement Area 19A is within the master planned community of Oak Valley in the City. The area is comprised of approximately 146.7 acres and is located south of Interstate 10 and west of Cherry Valley Boulevard.

Bonds

The 2015 Series B Bonds in the amount of \$20,095,000 were issued April 23, 2015, with interest rates ranging from 2.000% to 5.000%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2035. The principal amount of the Bonds Outstanding as of September 30, 2015 was \$19,840,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$1,929,164
Estimated Expenses	
Debt Service	\$1,502,425
Administrative Expenses	\$30,000
Delinquency Reserve	\$9,627
City Adjustment	\$387,112
Total Estimated Expenses	\$1,929,164

Service Budget Summary

Item	Total
Estimated Revenue	\$172,993
Estimated Expenses	
Service Maintenance Costs	\$155,694
Administrative Expenses	\$15,999
Delinquency Reserve	\$1,300
Total Estimated Expenses	\$172,993

Services

Improvement Area 19A also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 19C

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities. Improvement Area 19C was formed on November 16, 2004 as part of CFD No. 93-1.

Location

Improvement Area 19C is within the master planned community contained in the Oak Valley Specific Plan in the City. The area encompasses the second phase of the 987 acre master planned community and is located south of the I-10 freeway and the City of Calimesa city limits and north of the S-60 highway.

Bonds

Improvement Area 19C currently has three bonds outstanding as described below:

The **2006 Series A Bonds** in the amount of \$14,220,000 were issued June 8, 2006, with interest rates ranging from 4.125% to 5.35% Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2036. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$13,430,000.

The **2008 Series A Bonds** in the amount of \$4,090,000 were issued July 24, 2008, with interest rates ranging from 4.87% to 6.875%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2036. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$4,000,000.

The **2013 Series A Bonds** in the amount of \$8,810,000 were issued January 31, 2013, with interest rates ranging from 2.00% to 5.00%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2036. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$7,785,000. The total combined principal outstanding for all bonds as of September 30, 2015 is \$25,215,000. There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$2,375,873
Estimated Expenses	
Debt Service	\$2,048,725
Administrative Expenses	\$30,000
Delinquency Reserve	\$14,225
City Adjustment	\$282,924
Total Estimated Expenses	\$2,375,873

Service Budget Summary

Item	Total
Estimated Revenue	\$211,964
Estimated Expenses	
Service Maintenance Costs	\$190,768
Administrative Expenses	\$19,571
Delinquency Reserve	\$1,625
Total Estimated Expenses	\$211,964

Services

Improvement Area 19C also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 20

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 20 was formed on December 6, 2005 as part of CFD No. 93-1.

Location

Improvement Area 20 is within the master planned community of Aspen Creek in the City. The area is comprised of approximately 29.23 acres and is located south of First Street and west of Manzanita Park Road.

Bonds

The 2012 Series B Bonds in the amount of \$3,265,000 were issued April 26, 2012, with interest rates ranging from 3.50% to 5.95%. Interest is payable semi-annually on March 1 and September 1. The date for the final maturity of the Bonds is September 1, 2035. The principal amount of the Bonds Outstanding as of September 30, 2015 is \$3,215,000.

There are no remaining unissued Bonds authorized for the Improvement Area.

Facilities Budget Summary

Item	Total
Estimated Revenue	\$296,543
Estimated Expenses	
Debt Service	\$237,278
Administrative Expenses	\$30,000
Delinquency Reserve	\$0
City Adjustment	\$29,265
Total Estimated Expenses	\$296,543

Service Budget Summary

Item	Total
Estimated Revenue	\$33,585
Estimated Expenses	
Service Maintenance Costs	\$30,226
Administrative Expenses	\$3,358
Delinquency Reserve	\$0
Total Estimated Expenses	\$33,585

Services

Improvement Area 20 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Community Facilities District No. 93-1

Improvement Area 23

Project Description

Community Facilities District No. 93-1 (CFD No. 93-1) was originally formed on June 29, 1993 to finance the design, acquisition and construction of certain public facilities to benefit areas of land proposed for development within the boundaries of the City of Beaumont. Facilities include domestic and reclaimed water facilities, sewer facilities, schools, roadways, and flood control facilities.

Improvement Area 23 was formed on July 11, 2006 as part of CFD No. 93-1.

Location

Improvement Area 23 is located south of Cougar Way and west of Cherry Ave.

Bonds

Improvement Area 23 provides services only and is not authorized to issue bonds.

Services

Improvement Area 23 also includes a Services Tax. The services included are necessary for the maintenance of parks, slopes, trails, streets, parkways, drainage, lighting, and flood control facilities, to the extent authorized by the Mello-Roos Community Facilities Act of 1982, as amended.

Services Budget Summary

Item	Total
Estimated Revenue	\$23,660
Estimated Expenses	
Service Maintenance Costs	\$21,294
Administrative Expenses	\$2,366
Delinquency Reserve	\$0
Total Estimated Expenses	\$23,660

Mitigation (Development Impact) Fees Capital Projects Funds

Funds Mission

The mission of the Mitigation (Development Impact Fees) Capital Projects Funds is to account for development impact fee revenues, expenditures, assets and liabilities collected to pay for construction and improvements to buildings and facilities and to purchase equipment required for new development built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.) and Title 3 Chapter 32 of the Beaumont Municipal Code.

Funds Descriptions

The State Mitigation Act (Government Code Section 66000 et. seq.)

The State Mitigation Fee Act (Government Code Sections 66000 et. seq.) allows municipalities to impose development impact fees on new residential, commercial and industrial developments so that each development pays its proportionate share of the impact of these new developments on the community. A development impact fee is an exaction:

- In the form of a pre-determined monetary payment.
- Assessed as a condition to the issuance of a building permit, an occupancy permit, or subdivision map approval.
- Imposed pursuant to local government powers to regulate new growth and development and provide for adequate public facilities and services.
- Levied to fund public facilities and capital equipment purchases necessary to serve new developments.
- Levied in an amount proportion to the need for the public facilities and capital equipment purchases created by the new development.

State law allows development impact fees to be charged to pay for the cost of development of public facilities and make capital purchases required by new development, including but not limited to, streets and thoroughfares; law enforcement facilities and equipment; fire facilities and equipment; general city buildings and facilities; storm drainage facilities; wastewater collection and treatment facilities; water supply, distribution and storage facilities; and parks and recreation facilities and equipment. Development impact fees may not be used to fund salaries and benefits or to pay for ongoing maintenance and operation costs.

Beaumont Municipal Ordinances

The City Council has adopted mitigation (development impact fees) to make provision for assessing and collecting fees at the time of issuance of a building permit, reasonably necessary to finance the actual or estimated cost of public improvements, public services and community amenities required by new development.

No permits or extension permits are granted unless development impact fees have been paid to the City. If a previously issued permit or discretionary approval has expired, the applicant will be required to pay the amount of the development impact fees in effect at the time of issuance of the building permit, as a condition of the granting of any extension of time for such approval. In such cases wherein the permit or discretionary approval has expired, if the applicant has already paid an amount for development impact fees which is not the same as the current rate of development fees, the applicant is only be required to pay the difference in the amount of development impact fees between the old rate and the new rate of fees in order to get the extension of the permit.

Beaumont Development Impact Fees Capital Project Funds

1. Basic Facilities Development Impact Fees Capital Projects Fund. The mission of the Basic Facilities Development Impact Fees Capital Projects Fund is to account for all of the activities, revenues, expenditures, assets and liabilities for the construction and improvement of new public buildings and facilities pursuant to the State Mitigation Fee Act (Government Code Section 6600 et. seq.) Expenditures of basic facilities development impact fees can only be for the construction and improvement of public facilities needed for new development constructed in the City. They cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

2. Traffic Signal Development Impact Fees Capital Projects Fund. This Accounting Fund is used to track all of the activities, revenues, expenditures, assets, and liabilities of traffic signal development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.). Expenditures of traffic signal development impact fees can only be for the construction, improvement and upgrade of traffic signals and related intersection improvements needed for new development constructed in the City. Traffic signal development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

3. Railroad Crossing Development Impact Fees Capital Projects Fund. This Accounting Fund is used to track all of the activities, revenues, expenditures, assets, and liabilities of railroad crossing development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.) Expenditures of railroad crossing development impact fees can only be for the construction and improvement of railroad crossings for new development constructed in the City. Railroad Crossing development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

4. Fire Station Development Impact Fees Capital Projects Fund. The Fire Station Development Impact Fees Capital Project Fund is used to track all of the activities, revenues, expenditures, assets and liabilities pursuant to the State Mitigation Act (Government Code Section 66000 et. seq.). Expenditures of fire station development impact fees can only be for the construction of fire and emergency medical buildings and facilities as well as purchase of capital equipment needed to provide fire and emergency medical services to new developments built in the City. Fire station development impact fees cannot be used to fund employee salaries and benefits or to pay for

ongoing maintenance and operations expenses.

5. Emergency Preparedness Development Impact Fees Capital Projects Fund. The Emergency Preparedness Development Impact Fees Capital Project Fund is used to track all of the activities, revenues, expenditures, assets and liabilities pursuant to the State Mitigation Act (Government Code Section 66000 et. seq.). Expenditures of emergency preparedness development impact fees can only be for the construction of emergency preparedness buildings and facilities as well as purchase of capital equipment needed to provide emergency preparedness services to new developments built in the City. Emergency preparedness development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

6. Road and Bridge Development Impact Fees Capital Projects Fund. This Accounting Fund is used to track all of the activities, revenues, expenditures, assets, and liabilities of the City's road and bridge development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.). Expenditures of road and bridge development impact fees can only be for the construction, expansion, improvement and upgrade of the City's roads and bridges related improvements needed for new development constructed in the City. Road and bridge development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations expenses.

7. Regional Park Development Impact Fees Capital Projects Fund. The City of Beaumont uses this Accounting Fund to record the activities, revenues, expenditures and to account for assets and liabilities of park regional park development impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. Seq.). Expenditures of regional park development impact fees can only be for the construction and improvement of public parks, facilities, recreation centers, buildings as well as the purchasing of park equipment needed for new development constructed in the City. Regional Park development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations costs.

8. General Plan Development Impact Fees Capital Projects Fund. The mission of the General Fund Development Impact Fees Fund is to account for all of the activities, revenues, expenditures, assets and liabilities relating to the development, updating and amending of the City's General Plan, the elements of the General Plan, specific plans and capital improvements associated with the General Plan and other studies and analysis needed to keep the City's General Plan current to accommodate new development. This impact fee is collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.). Expenditures of general plan impact fees can be only used for the planning, construction and improvement of public infrastructure, buildings and facilities needed for new development. These development impact fees cannot be used to pay for ongoing maintenance and operations costs.

9. Recycled Water Development Impact Fees Capital Projects Fund. The City of Beaumont uses this Accounting Fund to record the activities, revenues, expenditures, assets and liabilities relating to the treatment, transport, distribution of recycled water and the construction of reservoirs, pipes, pumps and wells to convey recycled water to discharge point 8 and the golf course. This development impact fee is collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.). Expenditures of recycled water development impact fees can only be for the construction and improvement of infrastructure and the purchase of associated equipment for new development constructed in the City. Recycled water development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations costs.

10. Sewer Capacity Development Impact Fees Capital Projects Fund . This Accounting Fund is used to record the activities, revenues, expenditures, assets and liabilities relating to the collection, transportation, treatment and disposal of wastewater required for new development pursuant to the State Mitigation Fee Act (Government Code Section 66000 et. seq.). Expenditures of recycled water development impact fees can only be for the construction and improvement of the wastewater treatment plant, infrastructure, collection lines, other facilities or the purchase of associated equipment for new development constructed in the City. Sewer capacity development impact fees cannot be used to fund employee salaries and benefits or to pay for ongoing maintenance and operations costs.

Goals, Objectives and Performance Measures

(To Be Completed by June 30, 2017)

1. Complete the reconciliation to determine how Mitigation (Development Impact) fees were spent and the financial position of each Mitigation Fee.
2. Collect and properly account for all development impact fees and interest revenue from all new residential, commercial, industrial and institutional developments in accordance with State law during the fiscal year.
3. Set up a separate capital project Accounting Fund for each development impact fee and establish a system of budgeting, tracking and reporting for each development impact fee Accounting Fund.
4. Complete new or updated nexus studies for all development impact fees.
5. Include development impact fees in the City's Five-Year Capital Improvement Plan.
6. Spend all development impact fees and interest revenue from all new residential, commercial, industrial and institutional development in accordance with State law during the fiscal year.

Revenue Assumptions

The City estimates that its FY2017 development impact fee collections of \$5,019,806 will be close to the fees collection in FY2016. This includes \$143,000 in basic impact fees, \$14,474 in General Plan impact fees, \$52,126 in traffic signal impact fees, \$58,940 in railroad crossing impact fees, \$129,608 in fire station impact fees, \$916,807 sewer capacity impact fees, \$225,965 in recycled water impact fees, \$209,439 in emergency preparedness impact fees, \$180,161 regional park impact fees, \$66,522 in age-restricted regional park impact fees, \$1,533 in southern sewer truck main and \$3,700 in Calimesa agreement impact fees.

The City has budgeted \$100,000 to complete new or updated impact fee nexus studies during FY2017. **No funds will be spent on capital projects until the FY2014-2015 audit has been issued, work by the City's auditors and other financial professionals have been completed on the use of bond funds, a Five-Year Capital Improvements Plan has been approved by the City Council and a reconciliation of the development impact fees has been completed by the City's auditors and other financial professionals.**

Mitigation (Development Impact) Fees **Capital Projects Fund Revenue**

Revenues

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
35-9350-8502-000	Mitigation Fees (Combined)	3,138,300	4,313,388	0	0
25-6350-8503-000	Basic Impact Fees Facilities	0	0	141,500	143,000
35-9350-8501-000	General Plan Impact Fees	0	0	14,324	14,474
35-9350-8504-000	Traffic Signal Impact Fees	0	0	51,586	52,126
	Railroad Crossing Impact Fees	0	0	58,329	58,940
35-9350-8506-000	Fire Station Impact Fees	0	0	128,011	129,608
	Fair Share BRB Facilities Impact Fess	0	0	2,977,742	3,010,581
	Sewer Capacity Impact Fees	0	0	907,223	916,807
35-9350-8411-000	Recycled Water Impact Fees	0	0	223,406	225,765
	Sewer Applications	0	0	7,075	7,150
35-9350-8508-000	Emergency Preparedness Impact Fees	0	0	207,250	209,439
35-9350-8899-000	Regional Park Impact Fees	0	0	177,388	180,161
	Age-Restricted Regional Park Impact Fees	0	0	64,963	66,522
35-9359-8510-000	Southern Trunk Sewer Main	0	0	1,262	1,533
	Calimesa Agreement Fees	0	0	3,400	3,700
35-9350-9517-000	Miscellaneous	2,380,262	0	(15,642)	0
	Total Mitigation (Development Impact) Fees Capital Projects Fund Revenue	5,518,562	4,313,388	4,947,817	5,019,806

Mitigation (Development Impact) Fees **Capital Projects Fund Expenditures**

Capital Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Capital Projects ⁵	24,462	15,315	0	0
35-9350-4060-000	Contractual Services ⁶	3,085,313	2,553,308	94,000	100,000
	General Plan Update ⁷	0	0	0	188,496
	Total Capital Projects	3,109,775	2,568,623	94,000	288,496

⁵ No funds will be spent on capital projects until the FY2014-2015 audit has been issued, work by the City's auditors and other financial professionals have been completed on the use of bond funds, a Five-Year Capital Improvements Plan has been approved by the City Council and a reconciliation of the development impact fees has been completed by the City's auditors and other financial professionals.

⁶ The City has budgeted \$100,000 to complete new or updated impact fee nexus studies during FY2017.

⁷ The City has budgeted \$188,496 during FY2017 to begin a General Plan update.

Total Mitigation (Development Impact) Fees Capital Projects Fund Expenditures

Account Number	Account Description	Actual FY2014	Actual FY2015	Estimated FY2016	Adopted FY2017
	Total Mitigation (Development Impact Fees) Capital Projects Fund Expenditures	3,109,775	2,568,623	94,000	288,496



SECTION 8

PROJECTED CHANGES IN FUND BALANCES SUMMARY



**Dedication of the Womens Christian Temperance Union
Drinking Fountain in Beaumont, California on April 1, 1911**

PROJECTED CHANGES IN FUND BALANCES

Governmental Accounting Funds (Tax-Supported Activities)

Definition and Purpose.

Accountants employ the term “Fund Balance” to describe the net assets of Governmental and Fiduciary Funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential that the City of Beaumont maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning. Credit rating agencies carefully monitor levels of fund balance in a government’s General Fund to evaluate a government’s continued creditworthiness. Those interested primarily in a government’s creditworthiness or fiscal condition are more likely to favor higher levels of fund balance.

Governmental Accounting Fund	Estimated Beginning Fund Balance July 1, 2016	Estimated Increase or Decrease in Fund Balance	Estimated Ending Fund Balance June 30, 2017
General Fund			
Special Revenue Funds			
Community Development Block Grant Fund			
Highway Users Tax Allocation (HUTA) Gas Tax Fund			
Citizen Option for Public Safety (COPS) Grant Fund			
AB2766 Vehicle Surcharge Subvention Fund			
Public, Education, Governmental Channel Fund			
Community Facilities District (CFD) Fund			
Capital Projects Funds			
Basic Development Impact Fees Fund			
General Plan Impact Fees Fund			
Traffic Signal Development Impact Fees Fund			
Railroad Crossing Development Impact Fees Fund			
Fire Station Development Impact Fees Fund			
Fair Share BRB Facilities Development Impact Fees			
Sewer Capacity Development Impact Fees Fund			
Emergency Preparedness Development Impact Fees			
Regional Park Development Impact Fees Fund			
Age-Restricted Regional Park Development Impact Fee			
Southern Truck Sewer Main Development Impact Fees			
Total			

This schedule is intentionally left blank. The City will not know the estimated beginning and ending fund balance of each Accounting Fund until the FY2014-2015 Audit is completed and the Mitigation (Development Impact Fees) Fund and the Community Facilities District (CFD) Fund reconciliation is completed by the City’s auditors and other financial professionals. Once the City has the information, this schedule will be completed.

Proprietary (Enterprise) Accounting Funds (Business-Type Activities)

Definition and Purpose.

The "Cash and Investment Fund Balance" is that portion of fund equity that can be used for operating capital and debt service expenditures, and is intended to serve as a measure of the financial resources available in an Enterprise Fund or a Fiduciary Fund. It is essential that the City of Beaumont maintain adequate levels of cash and investment fund balances to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable utility rates. Cash and investment fund balances are also a crucial consideration in long-term debt financial planning.

Proprietary Accounting Fund	Estimated Beginning Cash Balance July 1, 2016	Estimated Increase or Decrease in Cash Balance	Estimated Ending Cash Balance June 30, 2017
Wastewater Enterprise Fund			
Transit Enterprise Fund			
Total			

This schedule is intentionally left blank. The City will not know the estimated beginning and ending fund balance of each Accounting Fund until the FY2014-2015 Audit is completed and the Mitigation (Development Impact Fees) Fund and the Community Facilities District (CFD) Fund reconciliation has been completed by City's auditors and other financial professionals. Once the City has the information, this schedule will be completed.



SECTION 9

STATISTICAL INFORMATION



Hotel Edinburgh in Beaumont, California—About 1895

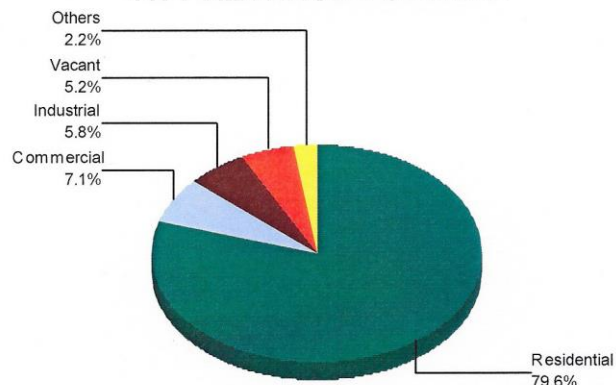
CITY OF BEAUMONT

FY2015-2016 ASSESSED VALUE SUMMARY

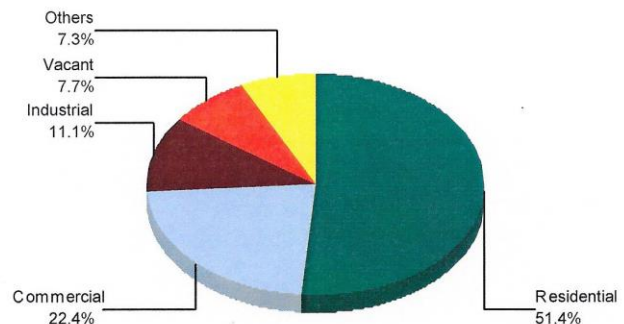
BASIC PROPERTY TAX TABLE

Category	Parcels	Net Taxable Value	G. F. Revenue	Incr. Revenue
Residential	12,981	\$2,940,232,521 (79.7%)	\$2,507,335.85	\$1,896,659.92
Commercial	247	\$291,491,374 (7.9%)	\$225,183.10	\$827,743.09
Industrial	181	\$176,247,926 (4.8%)	\$182,013.21	\$409,294.57
Vacant	2,089	\$190,999,251 (5.2%)	\$165,331.53	\$283,450.58
Irrigated	1	\$231,754 (0.0%)	\$197.75	\$0.00
Recreational	18	\$17,224,749 (0.5%)	\$14,462.39	\$4,476.35
Institutional	26	\$1,321,210 (0.0%)	\$1,423.05	\$3,202.47
Exempt	733	\$0 (0.0%)	\$0.00	\$0.00
SBE Nonunitary	[2]	\$54,015 (0.0%)	\$438.51	\$-2,384.45
Cross Reference	[129]	\$3,613,513 (0.1%)	\$5,080.93	\$1,950.79
Unsecured	[460]	\$66,523,710 (1.8%)	\$48,062.10	\$263,575.17
TOTALS	16,276	\$3,687,940,023	\$3,149,528.42	\$3,687,968.49

CITY REVENUE PORTION



INCREMENTAL REVENUE PORTION



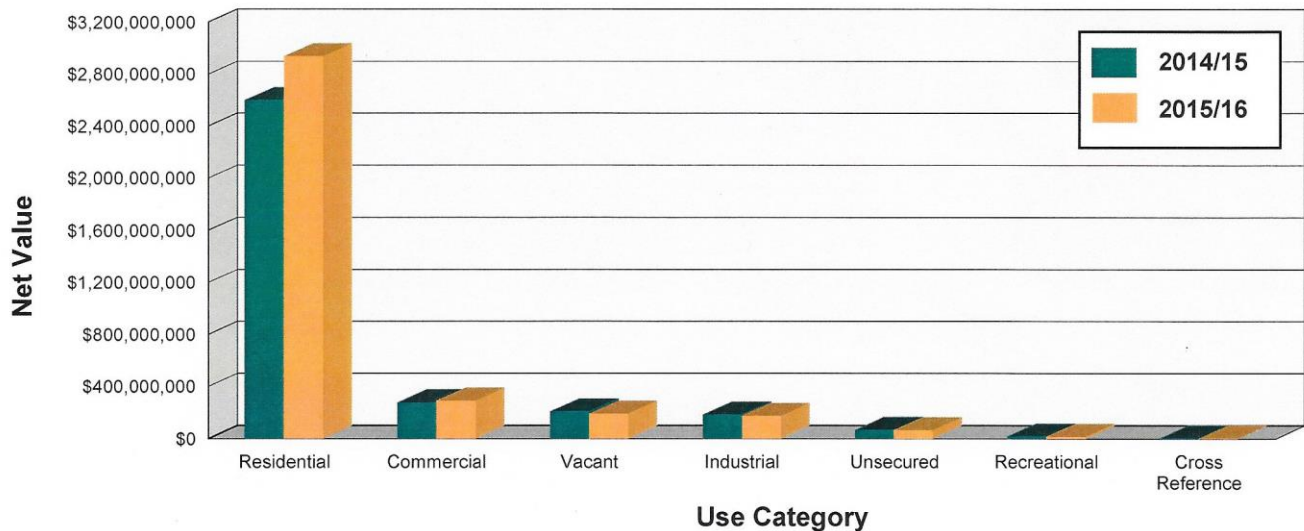
CITY OF BEAUMONT TAXABLE PROPERTY VALUE GROWTH SUMMARY FY2015-2016

Table 1 - Taxable Value Growth by Use Category

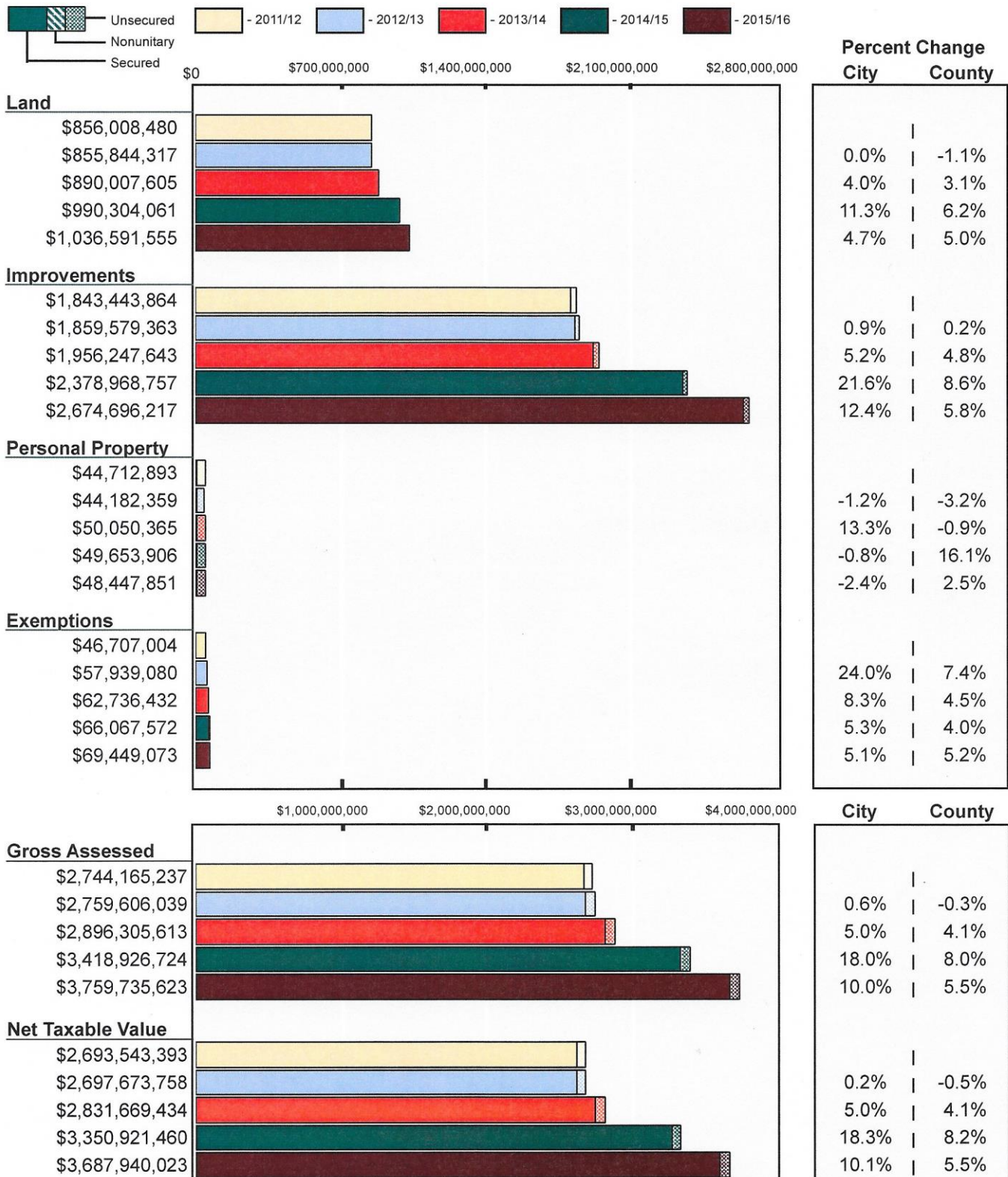
Category	2014/15 Net Taxable Value		2015/16 Net Taxable Value			\$ Change	% Change
Residential	12,551	\$2,598,286,104	12,981	\$2,940,232,521	(79.7%)	\$341,946,417	13.2%
Commercial	242	\$276,682,366	247	\$291,491,374	(7.9%)	\$14,809,008	5.4%
Vacant	1,259	\$205,513,227	2,089	\$190,999,251	(5.2%)	-\$14,513,976	-7.1%
Industrial	181	\$182,704,068	181	\$176,247,926	(4.8%)	-\$6,456,142	-3.5%
Unsecured	[468]	\$66,013,382	[460]	\$66,523,710	(1.8%)	\$510,328	0.8%
Recreational	15	\$16,992,773	18	\$17,224,749	(0.5%)	\$231,976	1.4%
Cross Reference	[125]	\$3,296,822	[129]	\$3,613,513	(0.1%)	\$316,691	9.6%
Institutional	26	\$593,479	26	\$1,321,210	(0.0%)	\$727,731	122.6%
Irrigated	1	\$227,217	1	\$231,754	(0.0%)	\$4,537	2.0%
SBE Nonunitary	[2]	\$54,015	[2]	\$54,015	(0.0%)	\$0	0.0%
Dry Farm	1	\$558,007	0	\$0	(0.0%)	-\$558,007	-100.0%
Exempt	700	\$0	733	\$0	(0.0%)	\$0	0.0%
TOTALS	14,976	\$3,350,921,460	16,276	\$3,687,940,023	(100.0%)	\$337,018,563	10.1%

Numbers in blue are parcel/assessment counts

Assessed Value by Major Use Category



CITY OF BEAUMONT ASSESSED VALUES FY2011-2012 THROUGH FY2015-2016



CITY OF BEAUMONT PROPERTY TAX SUMMARY FY2015-2016

	<u>2014/15</u>	<u>2015/16</u>	<u>Value Change</u>
Total	3,350,921,460	3,687,940,023	337,018,563
Parcel Adds/Drops Net Change			44,868,946
Net Value Change from CPI 1.998% Growth			34,170,164
Unsecured Value Change			510,328
Cross-Reference Value Change			316,691
Prior Year Transfer of Ownership			104,737,290
Non-Residential New Construction			2,617,781
Prop. 8 - Recaptured Value - SFR			145,202,581
Prop. 8 - Recaptured Value - Non-SFR			5,792,734
Other Negative Changes*			-48,392,741
Other Positive Changes*			47,194,789
Total			337,018,563

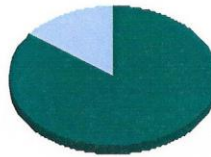
Year to Year Value Change by Use Category

<u>Category</u>	<u>\$ Change</u>	<u>% Change</u>
Residential	\$341,946,417	13.16%
Commercial	\$14,809,008	5.35%
Industrial	-\$6,456,142	-3.53%
Dry Farm	-\$558,007	-100.00%
Institutional	\$727,731	122.62%
Irrigated	\$4,537	2.00%
Recreational	\$231,976	1.37%
Vacant	-\$14,513,976	-7.06%
SBE Nonunitary	\$0	0.00%
Cross Reference	\$316,691	9.61%
Unsecured	\$510,328	0.77%

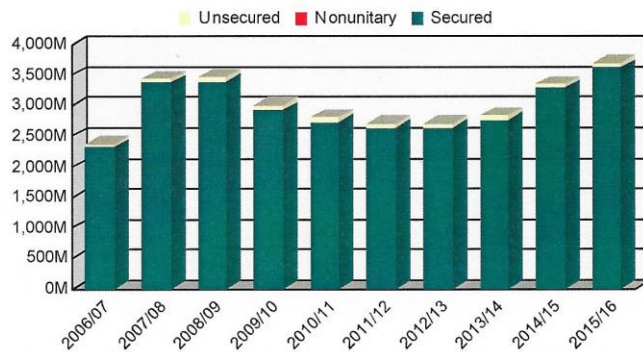
Change by Component

	<u>Total</u>	<u>Personal Property</u>
Entire City	10.06%	-2.43%
Beaumont General Fund	11.44%	-2.40%
Successor Agency	2.71%	-2.46%
Countywide	5.51%	2.47%

Percentage of Assessed Value



Net Taxable Value Change



Notes:

- Vacant property owned by Timoteo Land Investment off the 60 Fwy west of Potrero Blvd. sold as a part of a multi-parcel transaction in 2014 and the value has been apportioned among the properties for an increase at this site of \$1.6 million. The value declined during the recession and is seeing some increases as the economy has improved
- Commercial property at 777 Beaumont Avenue owned by Richard S Comras posted an increase of \$1.1 million between tax years. This site is the location of the Citibank at Beaumont and E 8th Streets.
- 3 vacant sites owned by Trinity Partners posted the largest decline with a combined total reduction of \$16.4 million. The largest reduction was reported on a parcel adjacent to Interstate 10 just west of the 10/60 junction. The 14 property sale transaction for \$15 million was less than the value enrolled by the assessor in 2014 prior to the sale.
- The CCPI for 2016-17 is trending below 2%.

Top 10 Taxpayers Based on Net Values 2015/16

FREDERICK J HANSHAW	1
HIGH DESERT PARTNERS	2
AMBEST REAL ESTATE formerly CT Partners	3
LOMA LINDA UNIVERSITY	4
WALMART REAL ESTATE BUSINESS TRUST	5
SDC FAIRWAY CANYON	6
HOME DEPOT USA INC	7
VALLEY VIEW CENTER LLC formerly CT Beaumont Partners	8
DURA PLASTICS PRODUCTS INC	9
LOWES HIW INC	10

Rank

Top 10 Taxpayers Based on Net Values 2014/15

CT BEAUMONT PARTNERS sold to Valley View Center LLC	1
FREDERICK J HANSHAW	2
HIGH DESERT PARTNERS	3
TRINITY PARTNERS LLC #12 in 2015-16	4
LOMA LINDA UNIVERSITY	5
WALMART REAL ESTATE BUSINESS TRUST	6
HOME DEPOT USA INC	7
SDC FAIRWAY CANYON	8
DURA PLASTICS PRODUCTS INC	9
LOWES HIW INC	10

CITY OF BEAUMONT

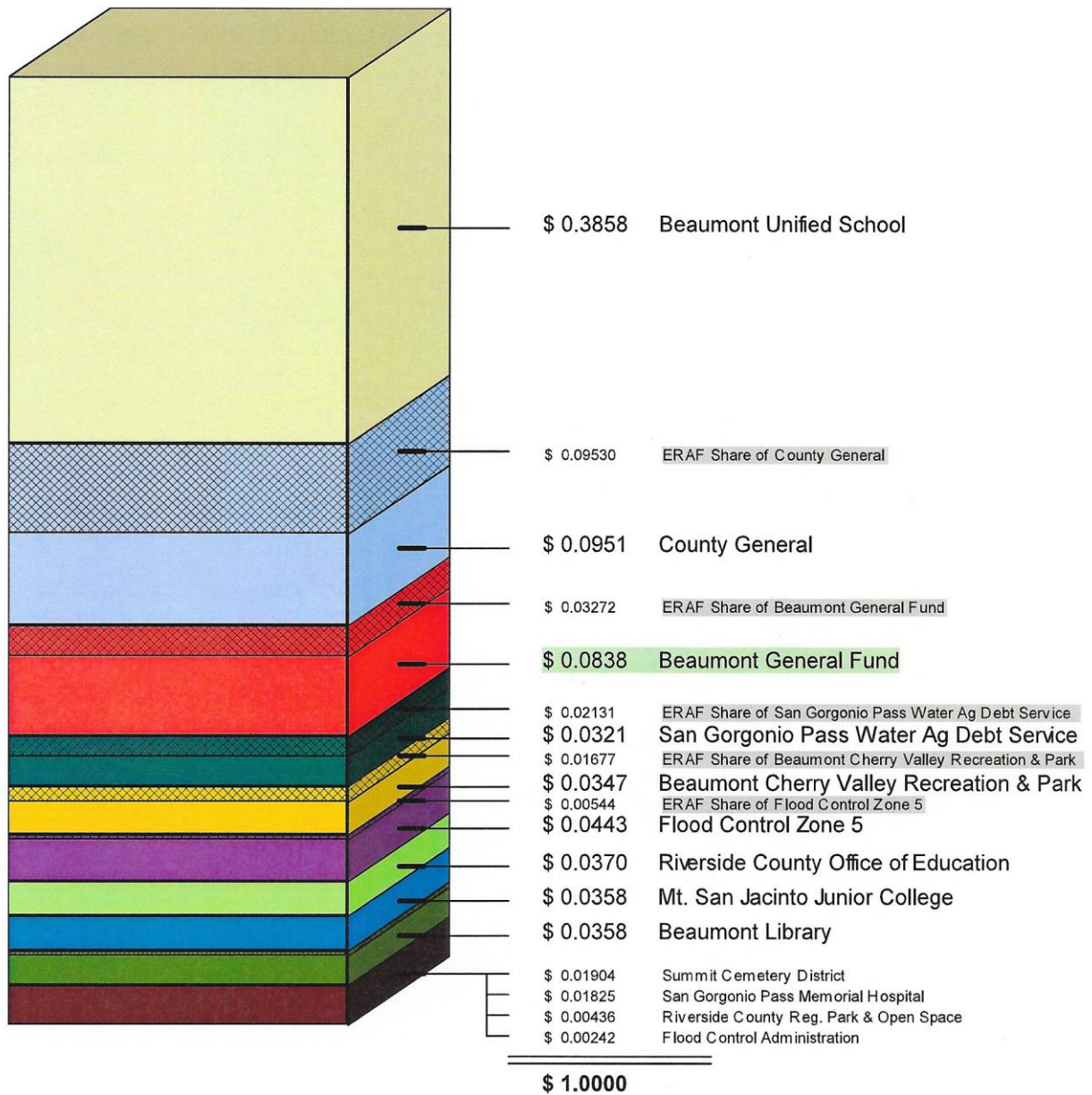
NONRESIDENTIAL PROPERTY VALUE CHANGES FY2014-2016 THROUGH FY2015-2016

Parcel	Use Category	Owner	Prior Year Improvements	Current Year Improvements	Percent Change
408-070-012	Institutional	Calvary Chapel Of The Pass	87,858	379,997	+ 332.5%
417-030-003	Industrial	Mcclure Joseph R And Tiffany L	119,567	142,800	+ 19.4%
417-030-004	Industrial	Gutierrez Luis R	19,918	336,593	+ 1,589.9%
417-080-009	Industrial	B Street Partners	806,070	832,174	+ 3.2%
417-123-005	Commercial	Bogh Allen Roy	0	208,000	+ 99,999.9%
418-052-008	Commercial	Hala Investment	386,930	660,000	+ 70.6%
418-101-005	Commercial	Jags Hospitality Llc	2,200,000	2,450,655	+ 11.4%
418-130-034	Industrial	Zerr Rudolf	179,555	219,540	+ 22.3%
418-221-004	Industrial	Prog Barry Martin	33,715	42,639	+ 26.5%
418-221-021	Industrial	Copans Jeffery M	38,674	43,500	+ 12.5%
419-260-078	Commercial	Hanshaw Frederick J	30,440,266	31,178,461	+ 2.4%
419-260-082	Commercial	Havadjia Holdings Inc	0	740,000	+ 99,999.9%
12 Parcels Listed			34,312,553	37,234,359	+ 8.5%

This calculation reflects the 2015/16 increase in taxable values for this city due to non-residential new construction as a percentage of the total taxable value increase (as of the 2015 lien year roll date). This percentage may be used as an alternative to the change in California per-capita personal income for calculating a taxing agency's annual adjustment of its Appropriation Limit pursuant to Article XIII B of the State Constitution as Amended by Proposition 111 in June, 1990.

Total Change in Non-Residential Valuation Due to New Development	2,921,806
Less Automatic 1.998% Assessors's Inflation Adjustment	-58,378
<u>Actual Change in Non-Residential Valuation</u>	<u>2,863,428</u>
<u>Change in Total Assessed Value</u>	<u>337,018,563</u>
= Alternate 2016/17 Appropriations Limit Factor	0.85%

CITY OF BEAUMONT PROPERTY TAX DOLLAR BREAKDOWN



CITY OF BEAUMONT

FY2015-2016 PROPERTY TAX

ROLL SUMMARY

	Secured	Nonunitary Utilities	Unsecured
Parcels	15,543	2	460
TRAs	20	1	13
Values			
Land	1,034,779,639	54,015	0
Improvements	2,640,786,804	0	694,958
Personal Property	5,972,370	0	42,475,481
Fixtures	6,904,762	0	25,721,067
Aircraft	0	0	0
Total Value	\$3,688,443,575	\$54,015	\$68,891,506
Exemptions			
Real Estate	67,023,349	0	0
Personal Property	57,928	0	2,119,466
Fixtures	0	0	248,330
Aircraft	0	0	0
Homeowners*	44,568,646	0	0
Total Exemptions*	\$67,081,277	\$0	\$2,367,796
Total Net Value	\$3,621,362,298	\$54,015	\$66,523,710

Combined Values	Total
Total Values	\$3,757,389,096
Total Exemptions	\$69,449,073
Net Total Values	\$3,687,940,023
Net Aircraft Values	\$0

CITY OF BEAUMONT

TAXABLE PROPERTY VALUE COMPARISON

RIVERSIDE COUNTY CITIES

FY2015 TO FY2016

City	2015/16 Net Value	Value Change	% Change
Beaumont	3,687,940,023	337,018,563	10.057%
Moreno Valley	13,221,498,486	1,015,536,374	8.320%
Indio	7,295,001,126	558,585,300	8.292%
Perris	4,744,212,787	360,154,552	8.215%
Coachella	1,589,895,252	118,662,560	8.066%
Wildomar	2,827,286,372	210,797,180	8.056%
Palm Springs	10,715,241,365	739,467,244	7.413%
Menifee	7,945,446,487	538,735,027	7.274%
Calimesa	700,034,839	46,520,127	7.118%
Lake Elsinore	4,848,355,214	311,453,953	6.865%
Jurupa Valley	7,838,519,230	469,539,060	6.372%
Eastvale	8,037,675,869	445,587,797	5.869%
Hemet	4,993,111,753	271,314,688	5.746%
San Jacinto	2,488,223,340	132,734,369	5.635%
Desert Hot Springs	1,406,746,229	74,970,874	5.629%
Norco	2,898,065,713	150,714,920	5.486%
Cathedral City	3,941,401,563	198,574,398	5.305%
Banning	1,921,056,525	96,122,775	5.267%
Temecula	14,063,988,558	699,128,971	5.231%
Palm Desert	13,743,682,041	656,719,136	5.018%
La Quinta	11,977,978,712	559,379,020	4.899%
Canyon Lake	1,592,688,992	73,657,249	4.849%
Murrieta	11,625,734,723	533,672,158	4.811%
Riverside	25,701,739,805	1,069,648,273	4.342%
Corona	18,049,321,933	750,057,168	4.336%
Rancho Mirage	7,932,913,907	289,902,368	3.793%

CITY OF BEAUMONT

TOP 25 SECURED PROPERTY TAXPAYERS

FY2015 TO FY2016

Owner (Number of Parcels)	Assessed Value
1) FREDERICK J HANSHAW (2)	\$39,177,894
2) HIGH DESERT PARTNERS (7)	\$37,707,016
3) AMBEST REAL ESTATE (1)	\$30,000,000
4) LOMA LINDA UNIVERSITY (7)	\$25,383,280
5) SDC FAIRWAY CANYON (44)	\$23,410,218
6) HOME DEPOT USA INC (3)	\$23,339,365
7) VALLEY VIEW CENTER LLC (1)	\$22,493,747
8) WALMART REAL ESTATE BUSINESS TRUST (1)	\$21,041,316
9) DURA PLASTICS PRODUCTS INC (3)	\$19,764,302
10) LOWES HIW INC (4)	\$19,040,079
11) TRINITY PARTNERS (14)	\$15,227,039
12) KOHLS DEPARTMENT STORES INC (1)	\$14,144,369
13) K HOVNANIANS FOUR SEASONS AT BEAUMONT (157)	\$12,646,931
14) AIM ALL STORAGE I (1)	\$10,495,307
15) PARDEE HOMES (268)	\$10,245,988
16) MORONGO BAND OF MISSION INDIANS (14)	\$10,132,350
17) BALDI BROS CONSTRUCTION (28)	\$10,031,340
18) M AND R BEAUMONT PARTNERS (3)	\$9,844,538
19) OAK VALLEY VILLAGE (8)	\$8,292,900
20) LV HEARTLAND (903)	\$8,118,866
21) RUDOLPH FOODS COMPANY INC (3)	\$7,698,580
22) BEAUMONT GROUP (2)	\$7,333,640
23) LANDEROS LAND HOLDINGS (1)	\$6,846,946
24) 703 ALLEGHENY INC (40)	\$6,501,107
25) PLATINUM HOTEL GROUP (1)	\$6,477,000

CITY OF BEAUMONT

TOP 25 UNSECURED PROPERTY TAXPAYERS

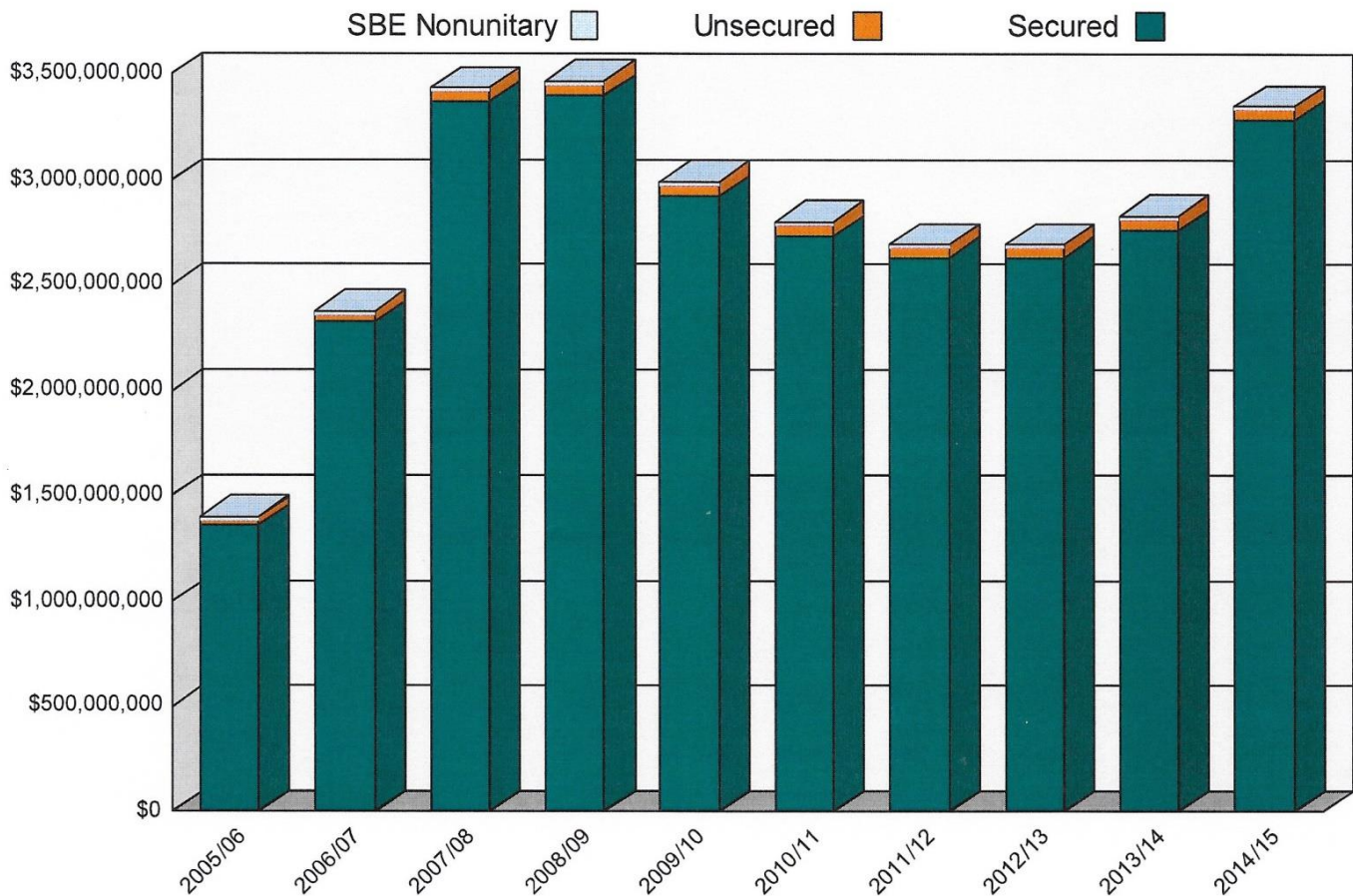
FY2015 TO FY2016

Owner (Number of Parcels)	Assessed Value
1) BALDI BROS CONSTRUCTION (2)	\$8,412,024
2) TIME WARNER CABLE PACIFIC WEST LLC (6)	\$3,687,406
3) BEAUMONT JUICE INC (1)	\$3,430,508
4) WALMART REAL ESTATE BUSINESS TRUST (1)	\$3,353,124
5) PRECISION STAMPINGS INC (1)	\$2,704,476
6) STATER BROS MARKET (2)	\$1,802,595
7) MORONGO BAND OF MISSION INDIANS (2)	\$1,730,447
8) RALPH'S GROCERY COMPANY (1)	\$1,539,462
9) PRIORITY PALLET INC (1)	\$1,536,241
10) LAMAR CENTRAL OUTDOOR LLC (3)	\$1,321,553
11) PARDEE HOMES (5)	\$1,075,680
12) BEST BUY STORES LP (1)	\$1,015,614
13) BEAUMONT RADIOLOGY SERVICES (1)	\$954,897
14) DUTCHBOY INVESTMENT GROUP LLC (1)	\$900,721
15) BOGH ENGINEERING INC (1)	\$889,799
16) TED BURTONS UNDERGROUND INC (1)	\$859,429
17) COTTI FOODS CALIFORNIA INC (1)	\$790,878
18) ICON HEALTH AND FITNESS INC (2)	\$773,824
19) WASTE MANAGEMENT INC (1)	\$728,022
20) WELLS FARGO BANK NA (2)	\$709,096
21) FERRELLGAS LP (1)	\$705,419
22) SUMMIT TOOL AND DIE INC (2)	\$675,570
23) RISCO INC (1)	\$634,761
24) PLATINUM HOTEL GROUP (1)	\$631,269
25) BRINKER RESTAURANT CORPORATION (1)	\$621,558

CITY OF BEAUMONT

NET TAXABLE ASSESSED VALUE HISTORY

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2005/06	\$1,356,638,769	\$42,021,525	\$543,244	1,399,203,538	
2006/07	\$2,325,508,621	\$50,704,453	\$457,332	2,376,670,406	69.86%
2007/08	\$3,371,551,375	\$65,795,080	\$60,113	3,437,406,568	44.63%
2008/09	\$3,398,663,028	\$68,664,961	\$60,113	3,467,388,102	0.87%
2009/10	\$2,925,684,707	\$69,361,545	\$60,113	2,995,106,365	-13.62%
2010/11	\$2,733,468,513	\$71,472,779	\$60,113	2,805,001,405	-6.35%
2011/12	\$2,632,455,162	\$61,028,118	\$60,113	2,693,543,393	-3.97%
2012/13	\$2,634,247,501	\$63,372,242	\$54,015	2,697,673,758	0.15%
2013/14	\$2,762,937,448	\$68,677,971	\$54,015	2,831,669,434	4.97%
2014/15	\$3,284,854,063	\$66,013,382	\$54,015	3,350,921,460	18.34%



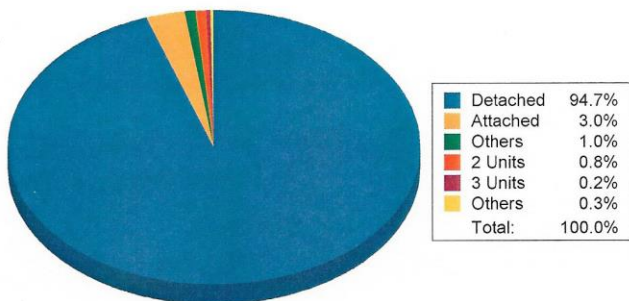
CITY OF BEAUMONT

SECURED RESIDENTIAL PROPERTY TAX ROLL

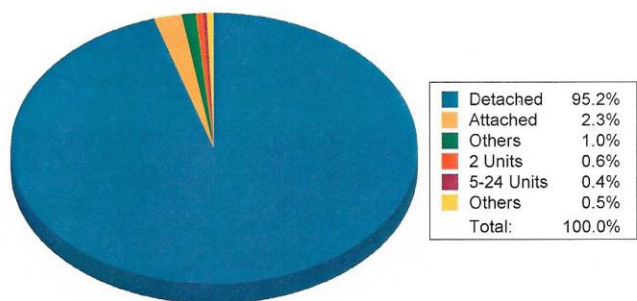
FY2015-FY2016

Description	Parcels	% of Parcels	Taxable Value	% of Total Value	Approx. Units
Single Family Residential					
Detached	12,292	94.7%	\$2,800,466,556	95.2%	12,292
Attached	392	3.0%	\$67,490,969	2.3%	392
Single Family Residential Totals	12,684	97.7%	\$2,867,957,525	97.5%	12,684
Multi Unit Residential					
2 Units	105	0.8%	\$17,215,538	0.6%	210
3 Units	22	0.2%	\$3,887,893	0.1%	66
4 Units	15	0.1%	\$3,709,059	0.1%	60
2-4 Units	7	0.1%	\$588,883	0.0%	14
2+ Units	40	0.3%	\$9,350,804	0.3%	284
5-24 Units	22	0.2%	\$11,272,155	0.4%	217
25-49 Units	6	0.0%	\$7,377,428	0.3%	201
50-100 Units	2	0.0%	\$0	0.0%	104
1+ Units	2	0.0%	\$147,707	0.0%	2
Misc	41	0.3%	\$6,447,371	0.2%	0
Multi Unit Residential Totals	262	2.0%	\$59,996,838	2.0%	1,158
Other					
Misc	39	0.3%	\$12,278,158	0.4%	0
Other Totals	39	0.3%	\$12,278,158	0.4%	0
Totals	12,985	100.0%	\$2,940,232,521	100.0%	13,842

Parcel Counts



Taxable Values

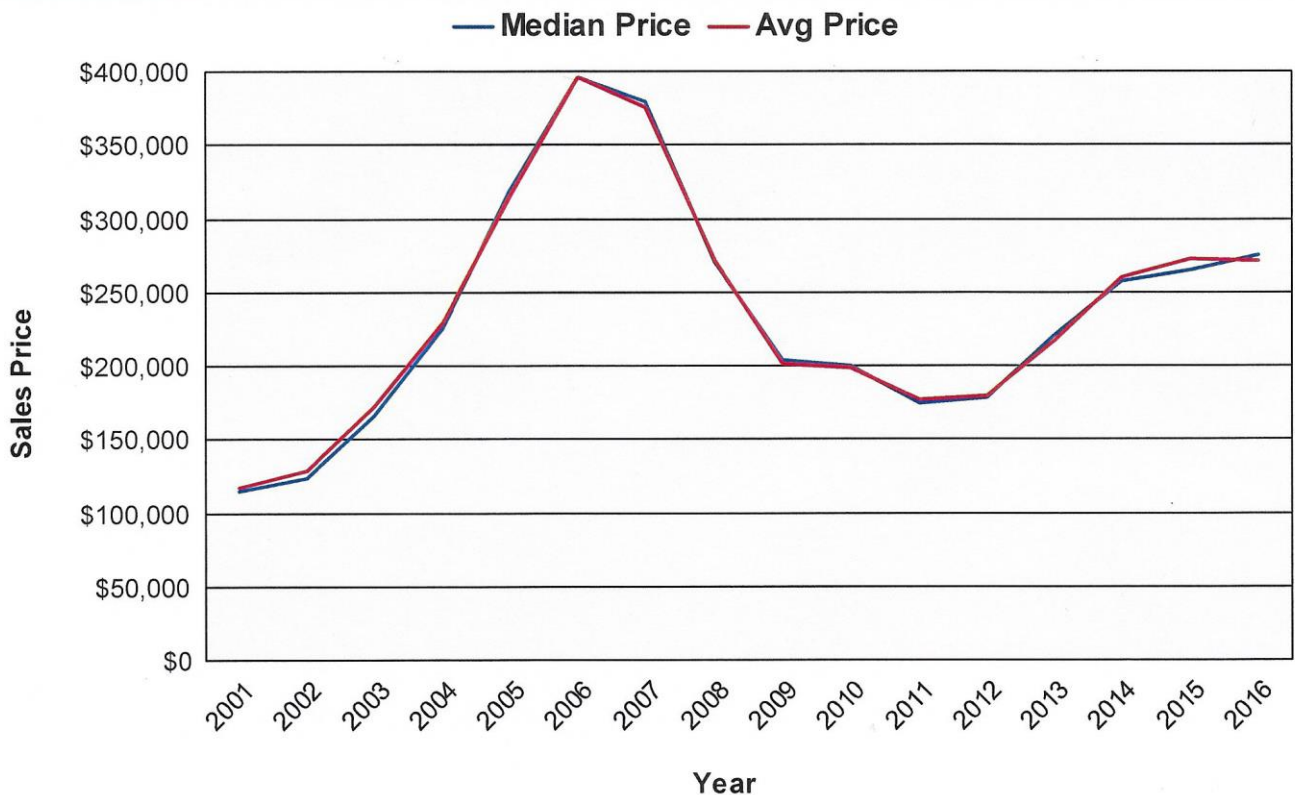


CITY OF BEAUMONT

SINGLE FAMILY HOME SALES VALUE HISTORY

2001-2016

Year	Full Value Sales	Average Price	Median Price	Median % Change
2001	148	\$116,959	\$115,000	
2002	177	\$129,282	\$124,000	7.83%
2003	292	\$171,555	\$165,000	33.06%
2004	233	\$229,559	\$225,000	36.36%
2005	334	\$315,324	\$320,000	42.22%
2006	888	\$395,621	\$396,500	23.91%
2007	472	\$376,100	\$380,000	-4.16%
2008	1,057	\$271,828	\$270,000	-28.95%
2009	969	\$201,901	\$204,000	-24.44%
2010	1,050	\$198,514	\$200,000	-1.96%
2011	959	\$177,040	\$175,000	-12.50%
2012	862	\$179,194	\$178,000	1.71%
2013	784	\$216,693	\$220,000	23.60%
2014	797	\$259,660	\$257,000	16.82%
2015	862	\$272,423	\$265,000	3.11%
2016	122	\$270,770	\$275,000	3.77%



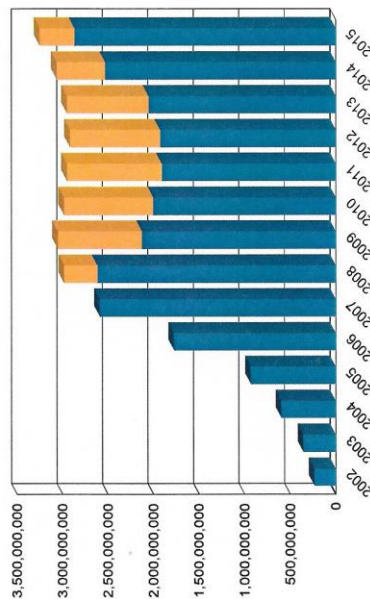
CITY OF BEAUMONT

PROPOSITION 8 POTENTIAL RECAPTURE HISTORY

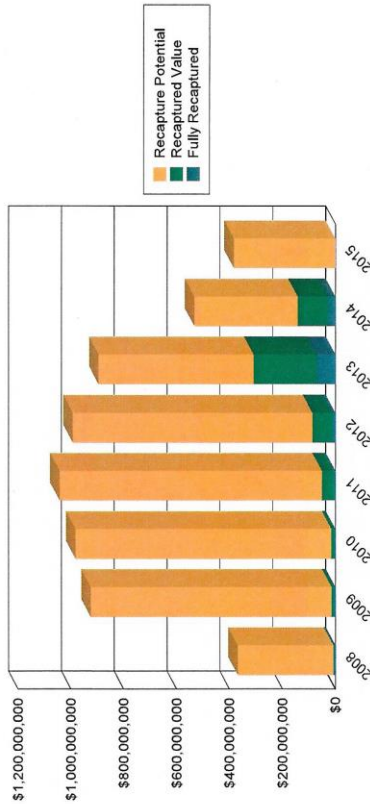
Single Family Residential Parcels - Compiled Using Parcels Supplied by County

Roll Year	Prop 8 Parcel Count	Real Value of Prop 8 Parcels	Inflation Adjusted Peak Taxable Values	Potential Recapture	% of All Parcels	Prop 8 Parcels that have fully Recaptured	Increase in Real AV Due to full Recaptures	Prop 8 Parcels that have Recaptured Value	Increase in Real AV Due to Recaptures
2008	5,022	1,505,654,280	1,778,738,140	273,083,860	41.3%	50	4,153,469	161	8,758,261
2009	7,533	1,587,529,433	2,498,887,922	911,358,489	61.0%	129	4,129,947	925	15,519,208
2010	7,885	1,501,684,329	2,479,517,518	977,833,189	64.1%	151	2,983,663	860	15,929,300
2011	7,761	1,323,788,000	2,365,534,594	1,041,746,594	63.1%	197	3,942,594	4,111	51,760,149
2012	8,087	1,418,750,209	2,409,304,914	990,554,705	65.4%	397	8,528,087	5,764	88,242,035
2013	7,671	1,424,701,665	2,317,896,667	893,195,002	61.6%	2,377	68,334,531	7,387	309,370,531
2014	5,032	1,192,795,964	1,723,820,470	531,024,506	40.2%	956	25,460,108	4,641	142,961,839
2015	3,818	1,033,305,840	1,414,856,708	381,550,868	30.1%				

Totals for Single Family Residential Parcels



Prop 8 History



The report identifies those parcels which have been granted a value reduction and are eligible for further potential of recaptured value per Proposition 8. The reductions were based on market conditions at the time of assessor review. This calculation is derived from historical transfers of ownership. Assessor applied Proposition 8 reductions and trends in the marketplace relative to median and average home sales and is an estimate of the impact of current adjustments to the assessment roll as of the 2015-16 lien date.

The Inflation Adjusted Peak Value is defined as a parcel's highest value after its most recent sale. If a parcel is assessed for a lower value after its most recent sale, then the sales price becomes the peak value. Peak values are inflated annually according to the maximum allowed rate under proposition 13.

The count of Prop 8 Parcels that have recaptured value includes both parcels that have been fully recaptured and are no longer in the Prop 8 Parcel Count as well as parcels that have only recaptured a portion of the Inflation Adjusted Peak Values.

The Proposition 8 potential value recapturing is shown in the Potential Recapture Column and assumes no future sales transactions. As properties transfer ownership they are removed from the Prop 8 Parcel Count and it sold for more or less will not be eligible for value recapturing per Proposition 8.

CITY OF BEAUMONT

SALE PRICE COMPARISON

TO PROPOSITION 8 VALUE REDUCTION

Single Family Residential Parcels - Compiled Using Parcels Supplied by County

Roll Year	Prop 8 Parcel Count	Transfer Count	Real Value of Transferred Prop 8 Parcels	Sale Values of Transfers	Recapture Potential Lost Due to Transfer	Real Assessed Value Change	% Change Over Real Value Due to Sale
2008	5,022	450	125,351,608	109,281,025	41,681,167	-16,070,583	-12.8%
2009	7,533	789	139,703,000	153,792,123	109,165,895	14,089,123	10.1%
2010	7,885	630	93,351,395	124,927,027	55,404,903	31,575,632	33.8%
2011	7,761	531	96,269,000	94,154,727	94,946,438	-2,114,273	-2.2%
2012	8,087	592	105,029,000	106,716,863	95,144,614	1,687,863	1.6%
2013	7,671	464	86,610,371	103,381,200	34,801,465	16,770,829	19.4%
2014	5,032	270	63,487,000	75,965,500	12,797,591	12,478,500	19.7%
2015	3,818	244	63,585,000	66,363,800	20,284,320	2,778,800	4.4%

The report identifies those parcels which have been granted a value reduction and are eligible for further potential of recaptured value per Proposition 8. The reductions were based on market conditions at the time of assessor review. This calculation is derived from historical transfers of ownership. Assessor applied Proposition 8 reductions and trends in the marketplace relative to median and average home sales and is an estimate of the impact of current adjustments to the assessment roll as of the 2015-16 lien date.

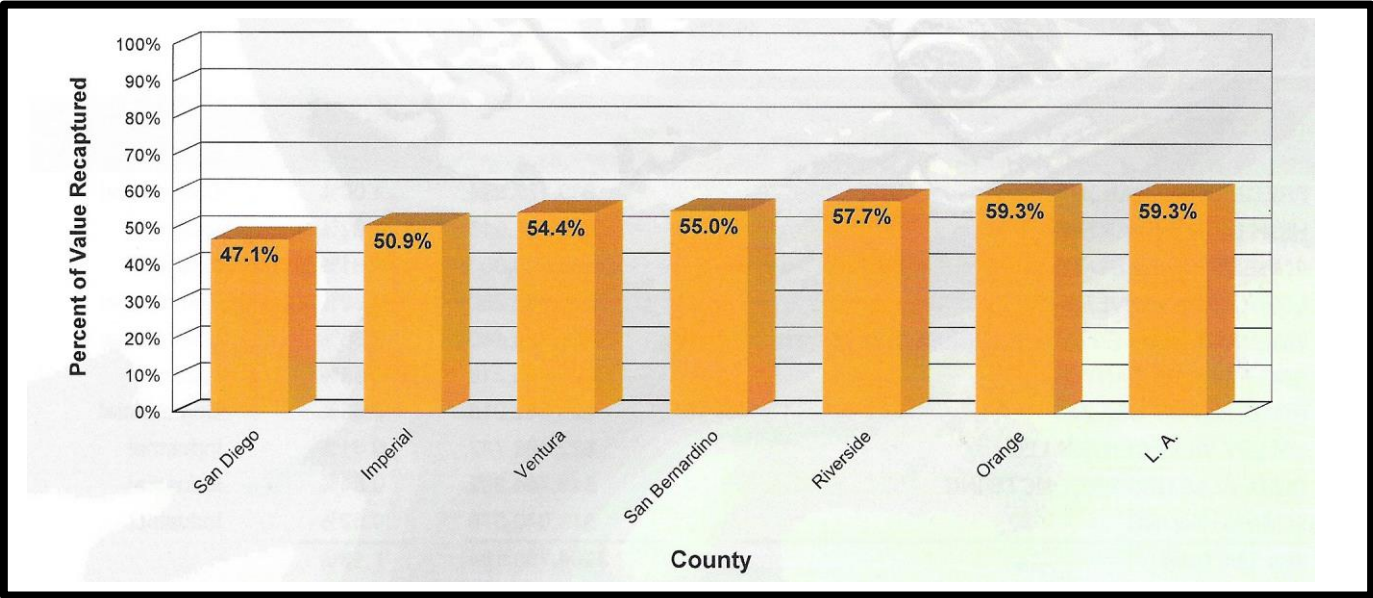
The Inflation Adjusted Peak Value is defined as a parcel's highest value after its most recent sale. If a parcel is assessed for a lower value after its most recent sale, then the sales price becomes the peak value. Peak values are inflated annually according to the maximum allowed rate under Proposition 13.

The Transfer Count includes parcels that are in the Proposition 8 Parcel Count but have sold during the calendar year. As properties transfer ownership they are removed from the Proposition 8 pool of parcels and, if sold for more or less, will not be eligible for value recapturing per Proposition 8.

The Proposition 8 potential value recapturing is shown in the Potential Recapture Column and assumes no sales transactions.

CITY OF BEAUMONT

PROPOSITION 8 RECAPTURE COUNTY COMPARISON

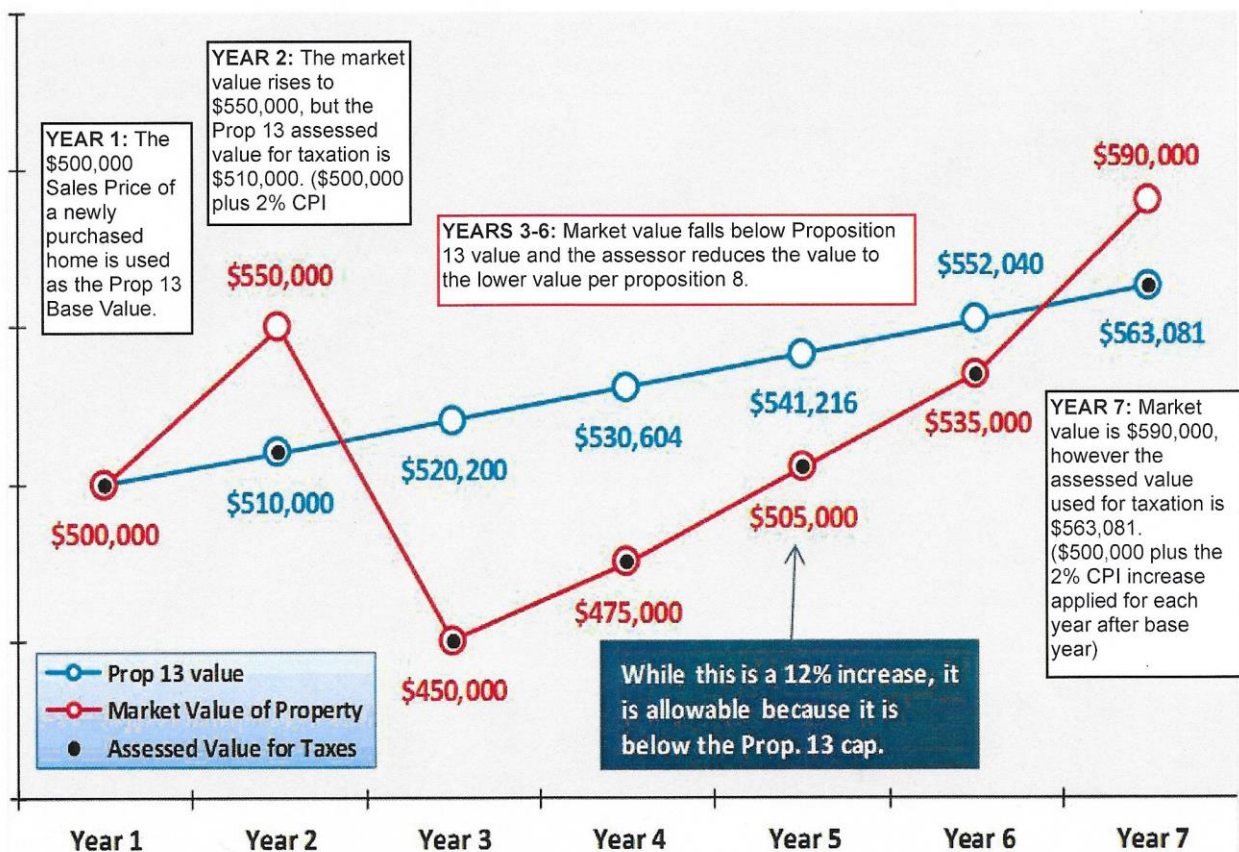


CITY OF BEAUMONT

PROPOSITION 8 EXPLANATION

Recapturing Proposition 8 Reductions

Proposition 13 caps the growth of a property's assessment at no more than 2% each year unless the market value of property falls lower. When property values decline Proposition 8 which was passed by the voters in 1978 allows the property to be temporarily assessed at the lower value. Once reduced, the assessed value and property taxes may increase by more than 2% a year as the property values rise during a real estate recovery. The "recaptured" values can be adjusted upward to the annually adjusted Proposition 13 cap (blue line below).



CITY OF BEAUMONT DIRECT & OVERLAPPING PROPERTY TAX RATES

Last 10 Fiscal Years										
Agency	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Beaumont Unified School Ds	0.01903	0.01416	0.01293	0.01499	0.04605	0.04980	0.07841	0.08486	0.09000	0.08169
Metro Water East 1301999 Debt Svc	0.00520	0.00470	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
San Gorgonio Pass Mem Hospital Ds	0.00000	0.03272	0.03272	0.03365	0.10676	0.09914	0.10365	0.11572	0.11896	0.11296
San Gorgonio Pass Water Ag Ds	0.17000	0.17000	0.17000	0.17000	0.17000	0.17000	0.18500	0.18500	0.18500	0.18500
Total Direct & Overlapping² Tax Rates	1.19423	1.22158	1.21565	1.21864	1.32281	1.31894	1.36706	1.38558	1.39396	1.37965
 City's Share of 1% Levy Per Prop 13³	0.11651	0.11651	0.11651	0.11651	0.11651	0.11651	0.11651	0.11651	0.11651	0.11651
Voter Approved City Debt Rate										
Redevelopment Rate⁴	1.17000	1.17000	1.17000	1.17000	1.17000	1.17000	1.18500			
Total Direct Rate⁵	0.27868	0.23439	0.21662	0.22013	0.22620	0.22263	0.22038	0.20078	0.10876	0.10600

CITY OF BEAUMONT

TOP 25 SALES TAX PRODUCERS

FOR FY2014-2015

Business Name	Business Category
84 Lumber	Lumber/Building Materials
Bakers Burgers	Quick-Service Restaurants
Beaumont Gas Mart	Service Stations
Beaumont Motorcycles	Boats/Motorcycles
Beaumont RV	Trailers/RVs
Beaumont Shell	Service Stations
Bed Bath & Beyond	Home Furnishings
Best Buy	Electronics/Appliance Stores
Big Tex Trailer World	Trailers/RVs
Chilis	Casual Dining
Food 4 Less	Grocery Stores Liquor
Grove 76	Service Stations
Highland Shell	Service Stations
Home Depot	Lumber/Building Materials
J W D Angelo Company	Light Industrial/Printers
Kohls	Department Stores
Oak Valley Chevron	Service Stations
Petco	Specialty Stores
Ross	Family Apparel
Southland Petroleum Arco	Service Stations
Stater Bros	Grocery Stores Liquor
Tesoro Refining & Marketing	Service Stations
Trailer Factory Outlet	Trailers/RVs
Verizon Wireless	Electronics/Appliance Stores
Walmart	Discount Dept Stores

Percent of Fiscal Year Total Paid By Top 25 Accounts = 71.67%

* Firms Listed Alphabetically
Period: April 2014 Thru March 2015

CITY OF BEAUMONT

MAJOR INDUSTRY GROUP SALES TAX COMPARISON

FOURTH QUARTER FY2012 TO FOURTH QUARTER 2015

Sales Tax by Major Industry Group

General Consumer Goods
Count: 903

State & County Pools

Building And Construction
Count: 38

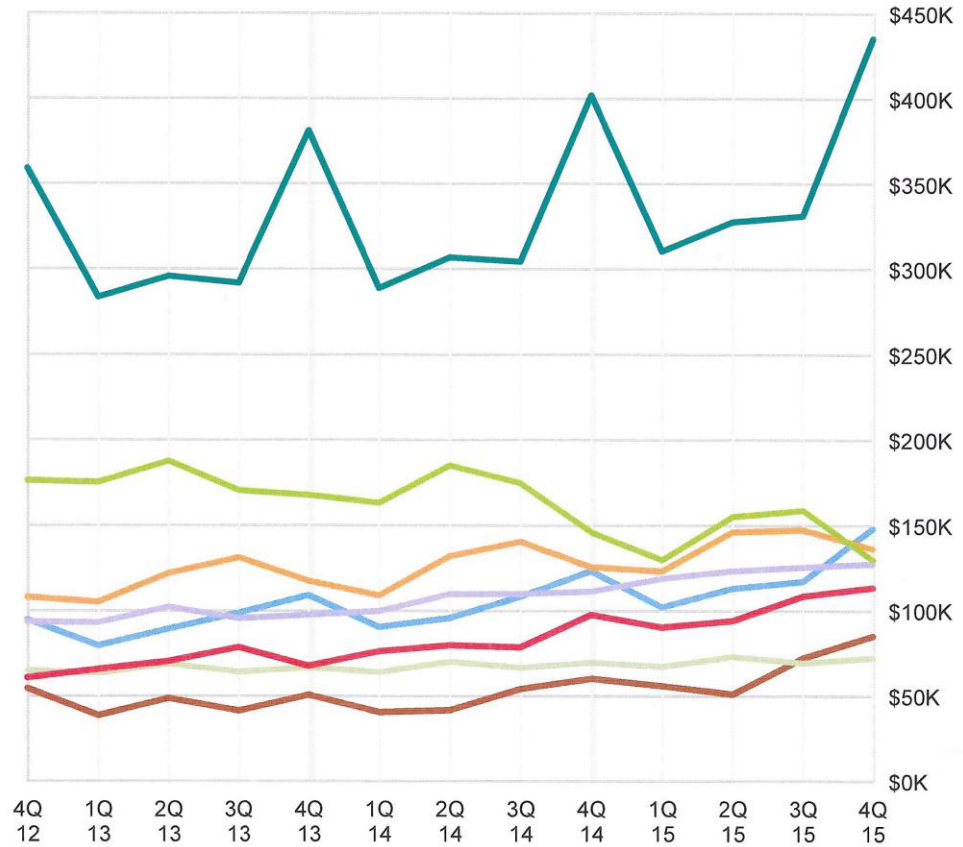
Fuel And Service Stations
Count: 13

Restaurants And Hotels
Count: 97

Autos And Transportation
Count: 93

Business And Industry
Count: 190

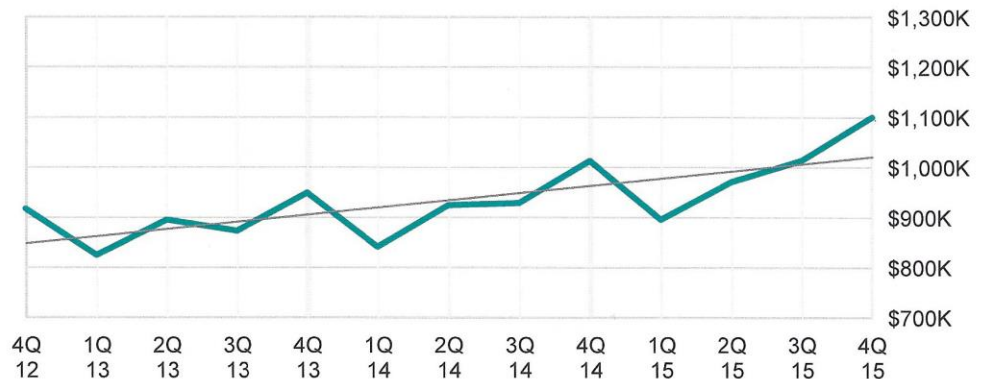
Food And Drugs
Count: 42



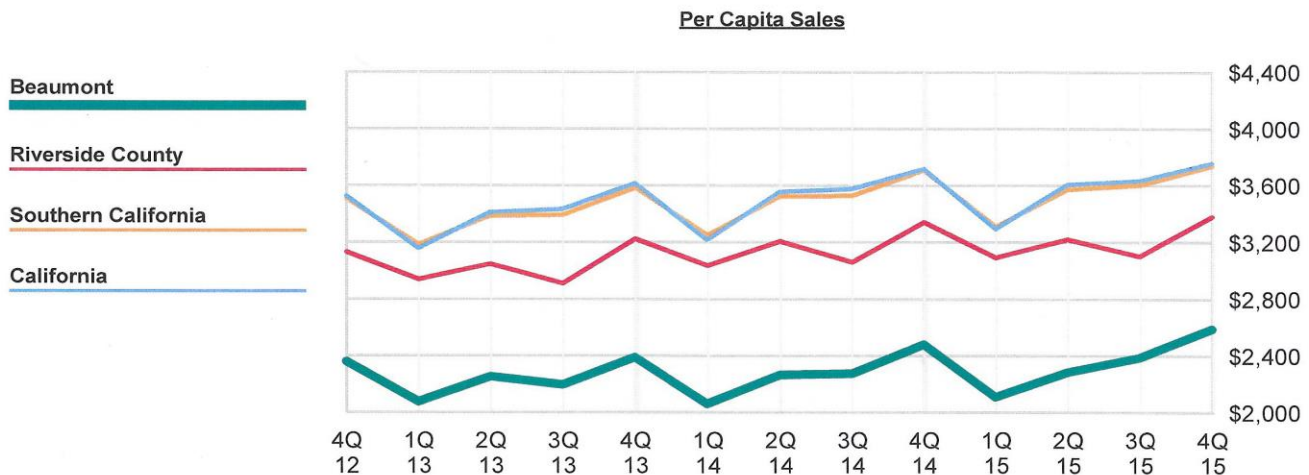
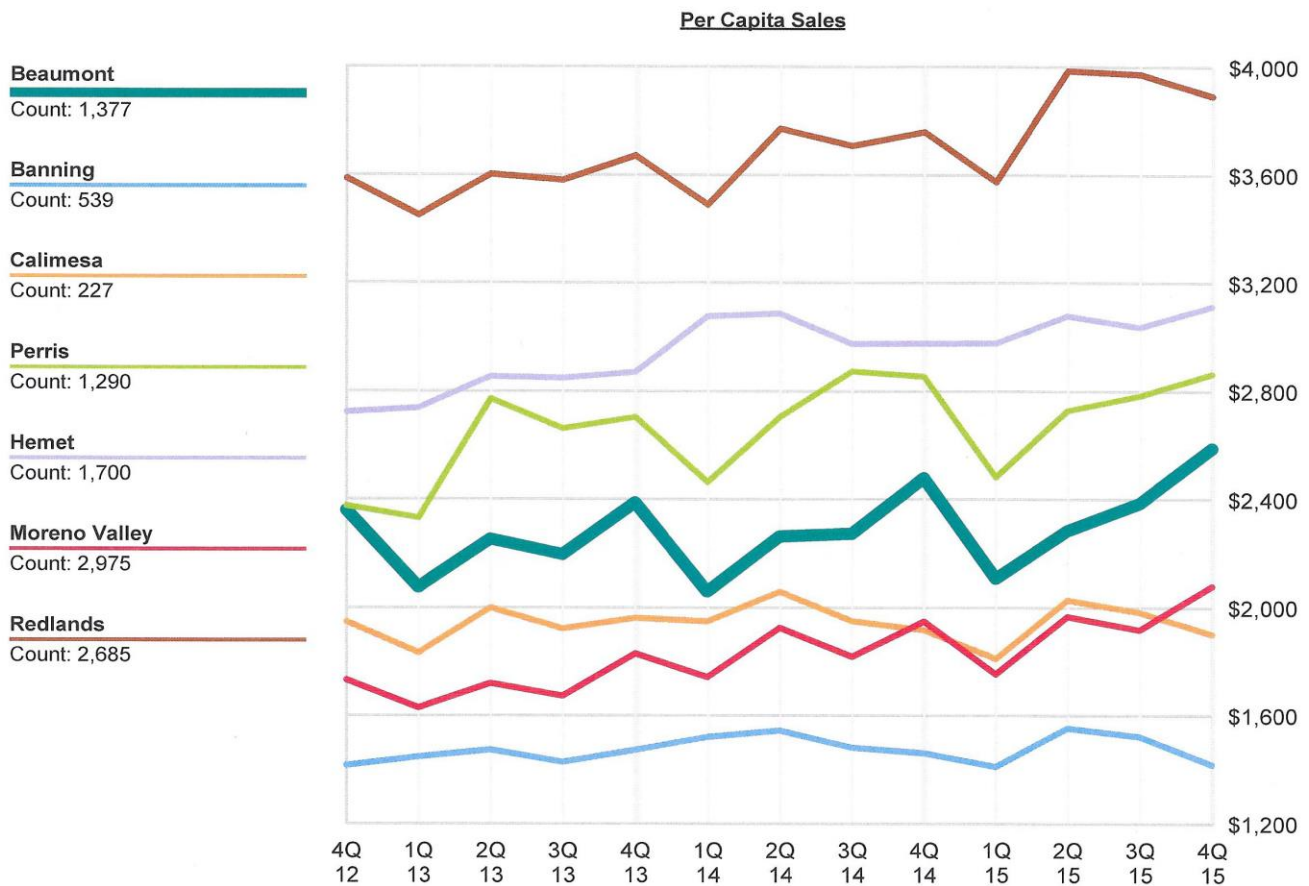
Agency Trend

Beaumont

13 Quarter Trend: +20.4%



CITY OF BEAUMONT SALES TAX PER CAPITA COMPARISON FOURTH QUARTER FY2012 TO FOURTH QUARTER 2015



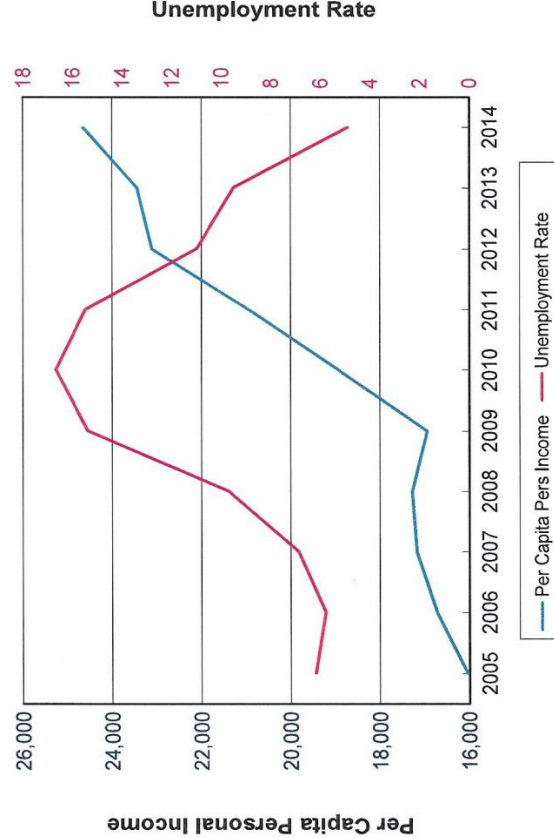
Periods shown reflect the period in which the sales occurred - Point of Sale

THE CITY OF BEAUMONT

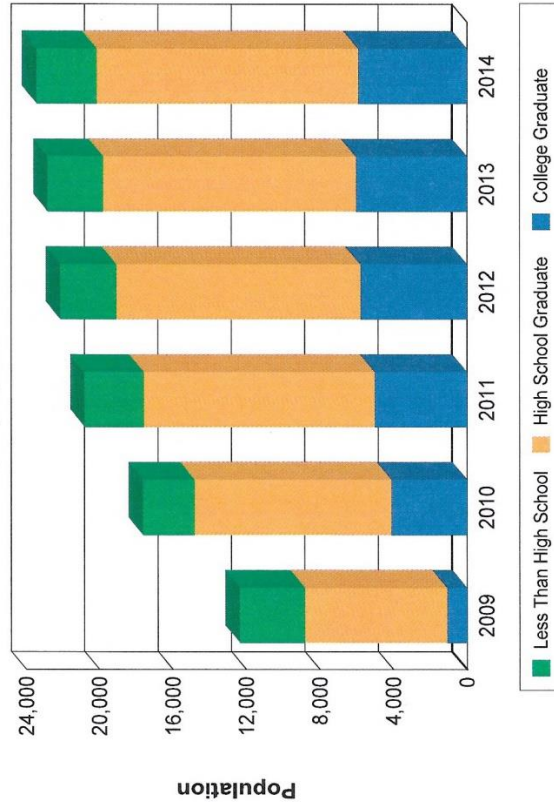
DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
2005	19,056	\$305,736	\$16,044	6.2%			
2006	23,249	\$388,781	\$16,722	5.8%			
2007	28,216	\$484,562	\$17,173	6.9%			
2008	31,308	\$540,925	\$17,278	9.7%			
2009	32,448	\$550,018	\$16,951	15.4%	30.5	71.4%	8.8%
2010	34,217	\$647,557	\$18,925	16.7%	31.8	84.2%	23.3%
2011	38,851	\$813,113	\$20,929	15.5%	32.7	84.6%	24.1%
2012	39,776	\$919,064	\$23,106	11.0%	33.1	86.2%	26.2%
2013	40,876	\$958,297	\$23,444	9.5%	33.2	86.8%	26.4%
2014	40,853	\$1,007,108	\$24,652	4.9%	32.9	86.0%	25.2%

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



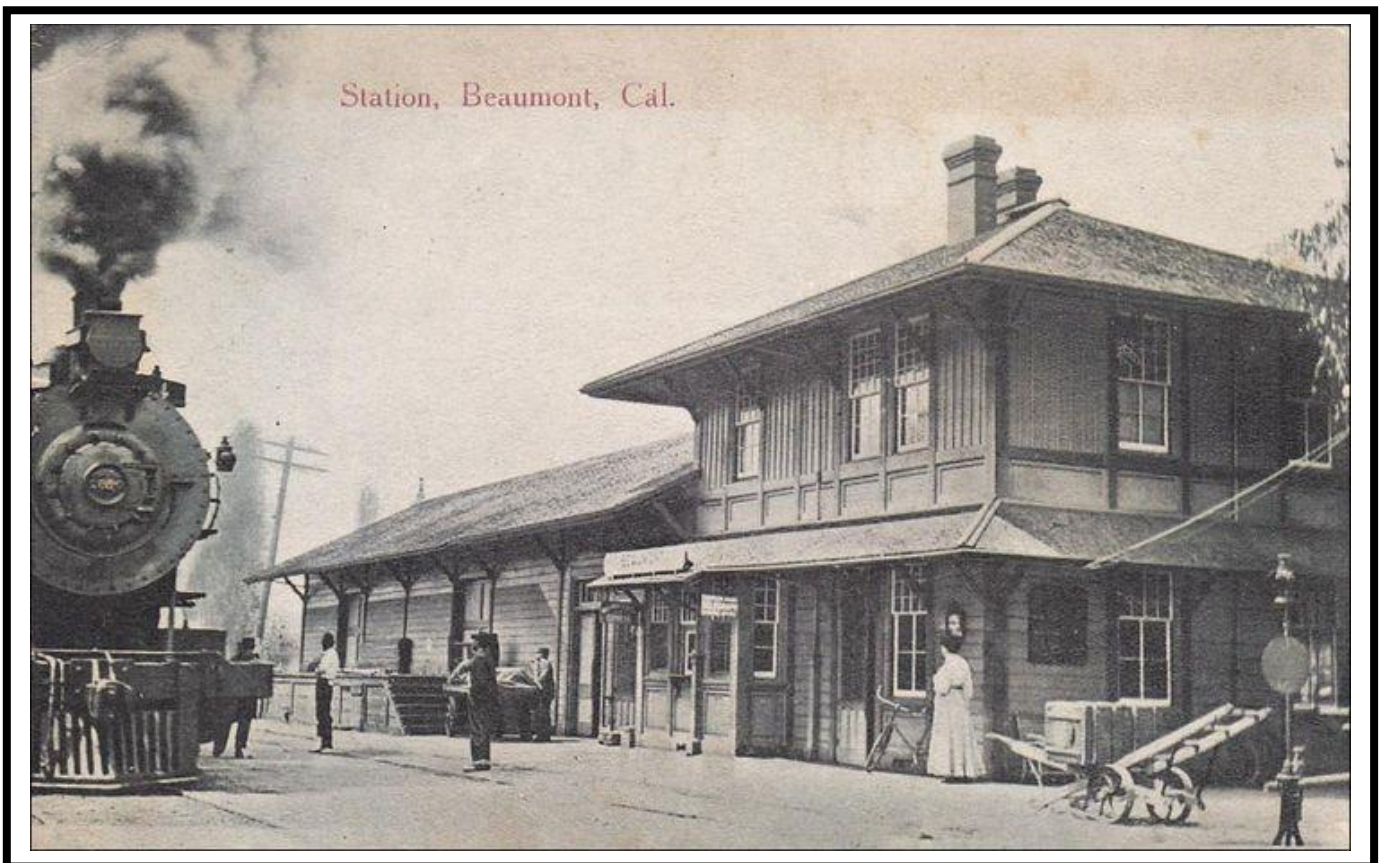
Notes and Data Sources:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department 2000-2009 Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries 2010 and later - Income, Age and Education Data - US Census Bureau, most recent American Community Survey



SECTION 10

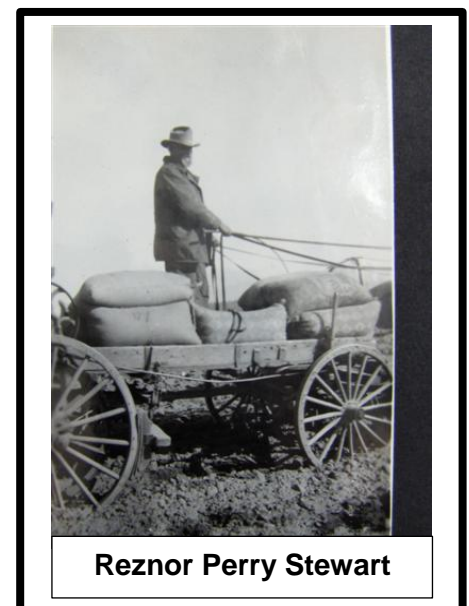
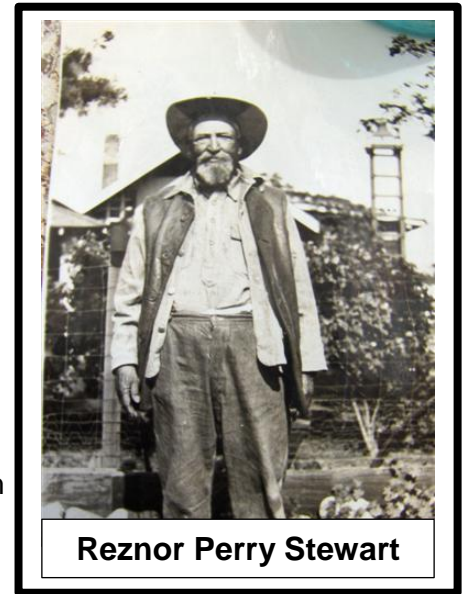
GLOSSARY OF ACRONYMS AND TERMS



Train Station in Beaumont, California

GLOSSARY OF ACRONYMS

AB:	Assembly Bill
ADF:	Average Daily Flow
AFY:	Acre Feet Per Year
ALS:	Advanced Life Support
AMI:	Advanced Metering Infrastructure
APB:	Accounting Principles Board
AQMP:	Air Quality Management Plan
ARB:	Accounting Research Bulletins
ARC:	Annually Required Contributions
ARRA:	American Recovery and Reinvestment Act
AV:	Assessed Valuation
BCYB:	Beaumont Community Youth Basketball
BEGIN:	Build Equity and Growth in Neighborhoods Program
BLS:	Basic Life Support
BMC:	Beaumont Municipal Code
BOE:	Board of Equalization
BSA:	Budget Stabilization Account (Commonly Called State Rainy Day Fund)
CAEATFA:	California Alternative Energy and Advanced Transportation Financing Authority
CAFR:	Comprehensive Annual Financial Report
CalEMA:	California Emergency Management Agency
CAL-HFA:	California Housing Finance Agency
CalPERS:	California Public Employees Retirement System
CalRECYCLE	California Department of Resources Recycling and Recovery
CalTRANS:	California Department of Transportation
CAP:	Climate Action Plan
CARB:	California Air Resource Board
CARMA:	California Affiliated Risk Management Authorities
CASP:	California Aviation System Plan
CCAA:	California Clean Air Act
CCF:	Community Correctional Facility
CD:	Certificates of Deposit
CDBG:	Community Development Block Grant
CDF:	California Department of Forestry
CDIAC:	California Debt & Investment Advisory Commission
CDL:	Commercial Driver's License
CDPH:	California Department of Health
CDS:	Credit Default Swaps
CEQA:	California Environmental Quality Act
CERT:	Community Emergency Response Team
CFD:	Community Facilities District
CFMH:	Crime Free Multi-Housing Program
CHP:	California Highway Patrol
CIP:	Capital Improvement Plan
CIS:	Customer Information System
CMAQ:	Congestion, Mitigation and Air Quality Funds
CNG:	Compressed Natural Gas
COP:	Certificates of Participation
COPS:	California Citizen Option for Public Safety
CPI:	Consumer Price Index



CRC:	Community Recreation Center
CRL:	California Redevelopment Law
CRMP:	California Residential Mitigation Program
CSAC:	California State Association of Counties
CSAC-EIA:	California State Association of Counties Excess Insurance Authority
CSM:	Commission of State Mandates
CSMA:	California Subdivision Map Act
CTC:	California Transportation Commission
C-TPAT:	Customs Trade Partnership Against Terrorism
CTTC:	California Tourism and Travel Commission
CVB:	Convention and Visitors' Bureau
DA:	District Attorney
DARE:	Drug Abuse Resistance Education
DDA:	Disposition and Development Agreement
DDR:	Due Diligence Review
DEMO:	High Priority (Demonstration) Highway Projects (Federal)
DHS:	Department of Health Services
DIR:	Department of Industrial Relations
DIVCA:	Digital Infrastructure and Video Competition Act of 2006
DMV:	Department of Motor Vehicles
DOF:	Department of Finance (State of California)
DOJ:	Department of Justice
DOSH:	Division of Occupational Safety and Health
DTSC:	Department of Toxic Substance Control
DUI:	Driving Under the Influence
DVP:	Delivery v. Payment
DWR:	Department of Water Resources
EAP:	Employee Assistance Program
ECB:	European Central Bank
EDA:	Economic Development Administration
EIFD:	Enhanced Infrastructure Financing District
EIR:	Environmental Impact Report
EITC:	Earned Income Tax Credit
EOPS:	Enforceable Obligations Payment Schedule
ERAF:	Education Revenue Augmentation Fund
ERMA:	Employment Risk Management Authority
ERMAL:	Exclusive Risk Management Authority
ESL:	English as a Second Language
EZ:	Enterprise Zone
FASB:	Financial Accounting Standards Board
FDIC:	Federal Deposit Insurance Corporation
FEHA:	California Fair Employment and Housing Act
FEMA:	Federal Emergency Management Agency
FET:	Federal Excise Tax
FFCB:	Federal Farm Credit Bank
FHA:	Federal Housing Administration
FHFA:	Federal Housing Finance Agency
FHLB:	Federal Home Loan Bank
FINCEN:	Financial Crimes Enforcement Network
FMAP:	Federal Medical Assistance Percentages
FNMA:	Federal National Mortgage Association
FOC:	Finding of Completion for Successor Agency by California Department of Finance
FOMC:	Federal Open Market Committee

FSA:	Federally Sponsored Agencies
FTB:	Franchise Tax Board
FTE:	Full-Time Equivalent Employee
GA:	General Aviation
GAAP:	Generally Accepted Accounting Principles
GAGAS:	Generally Accepted Government Auditing Standards
GASB:	Government Accounting Standards Board
GC:	Government Code
GFOA:	Government Finance Officers Association of the United States and Canada.
GHG:	Green House Gas
GIS:	Geographic Information System
GSA:	General Services Administration
HAI:	Home Affordability Index
HCD:	California Department of Housing and Community Development
HEHE:	Housing, Employment, Health and Education
HELP:	Housing Enabled Local Partnership Program
HMO:	Health Maintenance Organization
HOME:	Home Investment Partnerships Program
HRP:	Housing Related Parks Grant
HSC:	Health and Safety Code
HSGP:	Homeland Security Grant Program
HSIP:	Highway Safety Improvement Program (Federal)
HUD:	U.S. Department of Housing and Urban Develop
IBNR:	Incurred, But Not Reported
ICE:	U.S. Immigration and Customs Enforcement
ICMA:	International City/County Management Association
ICTC:	Riverside County Transportation Commission
IFD:	Infrastructure Finance Districts
IRS:	Internal Revenue Service
ISTA:	Intermodal Surface Transportation Efficiency Act
ITA:	International Trade Administration
ITC:	Intermodal Transportation Center
JEPA:	Joint Exercise of Powers Act
JPA:	Joint Powers Authority
LAFCO:	Local Agency Formation Commission
LAIF:	Local Agency Investment Fund
LAWCX:	Local Agency Workers Compensation Excess Pool
LCFF:	Local Control Funding Formula
LGIP:	Local Government Investment Pool
LLC:	Limited Liability Company
LMIHF:	Low and Moderate Income Housing Fund
LTF:	Local Transportation Funds
M&I:	Municipal and Industrial
MAGEC:	Multi-Agency Gang Enforcement Consort Center
MDM:	Meter Data Manager
MG:	Million Gallons
MGD:	Million Gallons Per Day
MIS:	Management Information System
MLO:	Mortgage Loan Originator
MMBA:	Meyers-Millias-Brown Act
MOE:	Maintenance of Effort
MS4:	Municipal Separate Storm Sewer System
MSRC:	Mobile Source Air Pollution Reduction Review Committee

MTSA:	Mobile Telecommunications Source Act of 2000
NAAQS:	National Ambient Air Quality Standards
NASD:	National Association of Securities Dealers
NC:	Network Controllers
NCGA:	National Council on Governmental Accounting
NOV:	Notice of Violation
NPDES:	National Pollutant Discharge Elimination System
NPIAS:	National Plan of Integrated Airport Systems
NPS:	National Preparedness System
NYMEX:	New York Mercantile Exchange
OEL:	Optional Excess Liability
OGALS:	Office of Grants and Local Services of State Parks
OPEB:	Other Public Employee Benefits
OSHA:	Occupational Safety and Health Administration
PACE:	Property Assessed Clean Energy Program
PDL:	Pregnancy Disability Leave
PEG:	Public, Educational and Governmental
PEPIP:	Public Entity Property Insurance Program
PEPRA:	Public Employees' Pension Reform Act
PERB:	Public Employment Relations Board
PFA:	Public Financing Authority
PID:	Project Initiation Documents
PIT:	Personal Income Tax
PM:	Particulate Matter
POST:	Peace Officer Standards Training
PRC:	Public Resources Code
PRCS:	Post Release Community Supervision
PSAF:	Public Safety Augmentation Fund
PSI:	Pounds Per Square Inch
PUC:	Public Utilities Commission
RBCA:	Risk Based Corrective Action Environmental Study
RCTC:	Riverside County Transportation Commission
RDA:	Redevelopment Agency
REVPAR:	Revenue Per Available Room
RFP:	Request for Proposal
RHNA:	Regional Housing Needs Assessment
RMS:	Records Management System
RNI:	Regional Network Interface
ROG:	Reactive Organic Gases
ROPS:	Recognized Obligation Payment Schedule
RP:	Repurchase Agreement
RPTTF:	Redevelopment Property Tax Trust Fund
RSTP:	Regional Surface Transportation Program
RTA:	Regional Transportation Agency
RWQCB:	Regional Water Quality Control Board
SAD:	Special Assessment District
SAFER:	Staffing for Adequate Fire and Emergency Response
SAFETEA-LU:	Safe, Accountable, Flexible, Efficient Transportation Equity Act
SB:	Senate Bill
SCADA:	Supervisory Control and Data Acquisition System
SCAG:	Southern California Association of Governments
SCAQMD:	South Coast Air Quality Management District
SD:	Film Shoot Days

SDI:	State Disability Insurance
SEC:	Securities and Exchange Commission
SEIU:	Service Employees International Union
SERAF:	Supplemental Education Revenue Augmentation Fund
SFR:	Single Family Residence
SHOP:	State Highway Operation and Protection Program
SHSP:	State Homeland Security Program
SHWP:	Senior Health and Wellness Program
SIP:	State Implementation Plan
SIR:	Self-Insurance Retention
SME:	Small and Mid-Size Enterprises
SOI	Sphere of Influence
SR2S:	Safe Routes to School
SRF:	State Revolving Fund
SRO:	School Resource Officer
SRRP:	State Rehabilitation and Repair Program
STA:	State and Transit Assistance
STIP:	State Transportation Improvement Program
STRIP:	Short Range Transit Plan
SWOT:	Strengths, Weaknesses, Opportunities and Threats
SWRCB:	State Water Resources Control Board
T-BILLS:	U.S. Treasury Bills
TDA:	Transportation Development Act
TDS:	Total Dissolved Solids
TEA-21:	Transportation Equity Act for 21 st Century
TGBS:	Tower Gateway Base Stations
TI:	Tax Increment
TIF:	Tax Increment Financing
TIG:	Targeted Income Groups
TOT:	Transient Occupancy Tax
UASI:	Urban Areas Security Initiative
UI:	Unemployment Insurance
USBR:	U.S. Bureau of Reclamation
UUT:	Utility Users Tax
UWMP:	Urban Water Management Plan
UWMPA:	Urban Water Management Plan Act
VLF:	Vehicle License Fees
WAM:	Weighted Average Maturity
WTI:	West Texas Intermediate Crude
WWTP:	Wastewater Treatment Plant
YTC:	Yield to Call

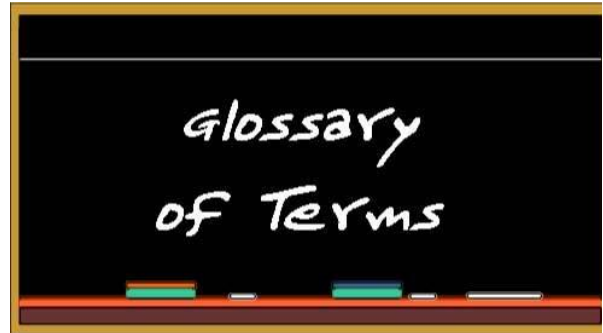
GLOSSARY OF TERMS

Absentee Owner: Property owner who owns property at one location but lives or operates a business at another location.

Accountability: Being obligated to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry—to justify the raising of public resources and the purposes for which they are used. Governmental accountability is based on the belief that the citizenry has a “right to know” and a right to receive openly declared facts that may lead to public debate by citizens and their elected representatives.

Accrual Basis of Accounting: A method of accounting that recognizes the financial effect of transactions, events, and inter-fund activities when they occur, regardless of the timing of related cash flows.

Accrued Interest: The accumulated interest due on a bond as of the last interest payment made by the issuer.



Accumulated Depreciation: A valuation account to record the accumulation of periodic credits made to record the expiration of the estimated service life of fixed assets.

Activity: A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible (e.g., police patrolling is an activity within the public safety function).

Actual: Actual refers to the expenditures and/or revenues realized in a past fiscal year.

Actuarial Accrued Liability: Term used in connection with defined benefit pension plans. That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension plan benefits and expenses which is not provided for by future normal costs.

Actuarial Assumptions: Term used in connection with defined benefit pension plans. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and government-provided pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the relevant items.

Actuarial Cost Method: Term used in connection with defined benefit pension plans. A procedure for determining the actuarial present value of pension benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability.

Actuarial Value of Assets: Term used in connection with defined benefit pension plans. The value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation. The actuarial value of assets, which may represent an average value over time, normally differs from the amount reported in the financial statements, which is a point-in-time measure (i.e., as of the date of the statement of net assets).

Ad Valorem Tax: A tax assessed based on the dollar value of an item or activity. Typical examples are property taxes and sales taxes. Ad valorem taxes, contrast with per-unit taxes, such as alcoholic beverage and cigarette taxes, which are assessed at a fixed dollar per unit purchased.

Adopted Budget: The official budget as approved by the Beaumont City Council at the start of each fiscal year.

Advance Refunding: A transaction in which new debt is issued to provide monies to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. An advance refunding occurs before the maturity or call date of the old debt, and the proceeds of the new debt are invested until the maturity or call date of the old debt. Most advanced refundings result in defeasance of debt.

Agency Fund: One of the types of a Fiduciary Fund Type. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Agency Security: A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Annual Appropriated Budget: The expenditure authority and related estimated revenues created by the appropriation bills or ordinances that are approved by the Beaumont City Council and signed into law by the Mayor. The annual appropriated budget would include all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes.

Annual Required Contribution (ACR): Term used in connection with defined benefit pension plans. The employer's mandated contribution for the year, calculated in accordance with certain parameters. The parameters include requirements for the frequency and timing of actuarial valuations as well as for the actuarial methods and assumptions that are acceptable for financial reporting.

Appropriation: A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended.

Arbitrage: The simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

Asked Price: The price at which securities are offered.

Assessed Valuation: A valuation set upon real estate or other property by a government as a basis for levying taxes. Assessed value multiplied by the tax rate determines the tax.

Assessment District. A defined area of land which will be benefited by the acquisition, construction or maintenance of a public improvement. An assessment district is not a separate government entity.

Audit: A review of the City's accounts by an independent auditing firm to substantiate year-end fund balances, reserves, cash on hand, revenues, and expenditures.

Availability Criterion: Principle of the modified accrual basis of accounting according to which revenues may only be recognized when they are collectible within the current period or soon enough thereafter to be used to pay liabilities.

Availability Period: A specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized in accordance with the availability criterion of modified accrual accounting.

Average Life: The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Base Value: The total assessed value of property within a Redevelopment Agency project area in the year in which the redevelopment project is approved.

Base Year: The year in which the Redevelopment Agency plan is adopted.

Basis of Accounting: The time of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus.

Basis Point: A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1% of yield, e.g., "1/4" of 1% is equal to 25 basis points.

Benchmark: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investment.

Benefit Assessment. Charges levied on parcels to pay for public improvements or services provided within a pre-determined district or area according to the benefit the parcel receives from the improvement or services.

Benefit Assessment Bonds. Bonds levied by cities, counties and special districts to acquire or construct public improvements which convey a special benefit to a defined group of properties.

Benefit Assessment District (BAD): An area of the City, established in accordance with State law, whose residents pay an annual assessment for service which specifically benefits them.

Betterment: An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset. The term "improvement" is preferred.

Bid: The indicated price at which a buyer is willing to purchase a security or commodity.

Blighted Areas: Areas and/or structures of a community which constitute either physical, social, or economic liabilities requiring redevelopment in the interest of health, safety, and general welfare of the people of the community and the state.

Book Value: The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Bond: A written promise to pay a specific sum of money called the face value or principal amount, at a specified date or dates in the future, called maturity date(s), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a period of time and requires greater legal formality.

Bond Resolution: A legal order or contract by a governmental unit to authorize a bond issue. A bond resolution carefully details the rights of the bondholders and the obligations of the issuer.

Broker: A broker brings buyers and sellers together for a commission. He or she does not take a position.

Budget: A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. It can designate the financial plan presented to the appropriating body for adoption or the plan finally approved by that body.

Budget Calendar: The schedule of key dates or milestones that the City follows in the preparation, adoption, and administration of the budget.

Budget Message: A general discussion of the annual budget as presented in writing by the budget-making authority to the legislative body. The budget message should contain an outline of the government's experience during the past period of financial reporting and its financial status at the time of message, and recommendations regarding the financial policy for the coming period.

Budgetary Control: The control or management of a government or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

Budget Document: A financial and planning tool that reflects the proposed (and later adopted) revenues and appropriations for the City (including operating and capital), goals, performance standards, organizational structure, along with historical financial information.

Business-Type Activities: One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or part by fees charged to external parties for goods or services. These activities are usually reported in Enterprise Funds.

California Community Redevelopment Law (CRL): Redevelopment law of the state contained in California Health and Safety Code, Division 24, Part 1 (Section 33000 et seq.)

California State Board of Equalization (BOE): California state agency responsible for the collection and administration of the state's sales and use, alcohol, tobacco, and other taxes. In addition the BOE determines the assessed value of certain properties and oversees property tax assessment practices of county assessors.

California State Controller: The Controller is the Chief Fiscal Officer of the state and is elected every four years. The controller is responsible to: account and disburse all state funds; determine the legality and accuracy of claims against the state; pay the state's bills; audit and process all personnel and state payroll transactions; audit various state and local government programs; administer the

Unclaimed Property Law; and inform the public of financial transactions of city, county and district governments.

Callable Bond: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk: The risk to a bondholder that a bond may be redeemed prior to maturity.

Capital and Related Financing Activities: Term used in connection with cash flows reporting. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit.

Capital Assets: Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital Expenditure: A Capital Expenditure is an outlay of funds for fixed assets, including land, buildings, machinery, equipment, construction in progress, design in progress, improvements and infrastructure with an original cost of \$5,000 or more.

Capital Improvements Plan (CIP): A plan for capital expenditure to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program of the City. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

Capital Outlay: Expenditures relating to the purchase of equipment, facility, modifications, land, and other fixed assets.

Capital Projects Fund: A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds, and trust funds).

Carry-Over: Appropriations brought forward from a previous fiscal year to continue or complete a specific project.

Cash: The term, used in connection with cash flow reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. *Cash* also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Cash Sale/Purchase: A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Categorical Grant: Grant typically allocated either to qualifying applicants according to a formula or to applicants competing for project grants through an application process. Categorical grants are the most

common form of federal aid.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

Collateral: Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit. It includes securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan.

Commercial Paper: An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Component Unit: A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Comprehensive Annual Financial Report (CAFR): The official annual report for the City. It includes five combined statements for each individual and account group prepared in conformity with OMP. It also includes supporting schedules necessary to demonstrate compliance with financial-related legal and contractual provisions, extensive introductory materials, and detailed statistical section.

Consumer Price Index (CPI): A statistical description of price levels provided by the U.S. Department of Labor. The change in this index from year to year is used to measure the cost of living and economic inflation.

Contingency Set Aside: Set aside established by the City Council to provide funding for unanticipated and unavoidable expenditures or emergencies during a fiscal year.

Contributed Capital: This equity is obtained from other sources (e.g., capital grants). Thus it is somewhat like "capital stock" and "paid-in-capital in excess of par" for private enterprises. Proprietary fund equity is divided into "contributed capital" and "retained earnings."

Convexity: A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Cost-Reimbursement Basis: Term used in connection with internal service funds. The setting of charges so that costs are systematically recovered on a break-even basis over time.

County Assessor: An elected official whose main duty is to set values on real property for the purpose of taxation within the county. The Assessor is responsible for the creation and maintenance of assessor parcels from final subdivisions, parcel maps, lot line adjustments, record of survey, deeds and miscellaneous documents.

County Auditor-Controller: The chief accounting officer of the county established to provide various accounting and property tax administration services to the county and other local governments within the county. The Auditor-Controller is responsible for budget control, disbursements and receipts, financial reporting, and for audits of certain agencies within the county. Auditor-Controllers are nonpartisan elected officials serving four-year terms.

County Treasurer-Tax Collector: Administers the billing, collection, and reporting of property tax revenues and conducts Tax Defaulted Property Sales for real property tax delinquencies remaining after five years. Treasurer-Tax Collectors are nonpartisan elected officials serving four-year terms.

Coupon Rate: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the “interest rate.” It can also be a certificate attached to a bond evidencing interest due on a payment date.

Credit Quality: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer’s ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current: A term which, applied to budgeting and accounting, designates the operation of the present fiscal period as opposed to past or future periods. It usually connotes financial resources likely to be used or converted into cash within one year.

Current Yield (Current Return): A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his or her own account.

Debenture: A bond secured only by the general credit of the issuer.

Debt Financing: Issuance of bonds and other debt instruments to finance municipal improvements and services.

Debt Instrument: Written pledge to repay debt such as bills, notes and bonds.

Debt Limit: The maximum amount of gross or net debt that is legally permitted.

Debt Service: Payment of principal and interest on long-term indebtedness.

Debt Service Fund: Governmental Fund Type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Deferred Revenues: Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

Deficit: (1) The excess of liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period, or in the case of proprietary funds, the excess of expenses over income during an accounting period.

Defined Benefit Pension Plan: A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

Delivery Versus Payment (DVP): A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Department: An organizational unit comprised of divisions or programs. It is the basic unit of service responsibility encompassing a broad mandate of related activities.

Depreciation: The expiration in the service life of fixed assets, other than wasting assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a fixed asset other than a wasting asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, is charged with a portion of such cost. Through this process, the entire cost of asset is ultimately charged off as an expense.

Derivative Security: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Derivatives: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Development Impact Fees: Fees placed on the development of land or conditions required for the approval of a development project such as the donation ("dedication" or "exaction") of certain lands (or money) to specific public uses. The fees are typically justified as an offset to the future impact that development will have on existing infrastructure.

Direct Costing: Term used in connection with the valuation of capital assets. Use of source data (e.g., invoices) to establish the historical cost of a capital asset.

Discount: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale is also considered to be at a discount.

Discount Securities: Noninterest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e. g. U.S. Treasury Bills.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Division: A unit of organization which reports to a department or agency.

Documentary Transfer Tax: Tax imposed on documents recorded in the transfer of ownership in real estate as distinguished from a Real Property Transfer Tax which may only be imposed by Charter Cities.

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Earmarked Funds: Funds that have been tagged or "earmarked" for a specific purpose.

Economic Resources Measurement Focus: Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for governmentwide financial reporting. It also is used by business enterprises and not-for-profit organizations in the private sector.

Education Revenue Augmentation Fund (ERAF): Accounts established by the State Legislature to receive shifts of property tax revenues from cities, counties, special districts, and redevelopment agencies. The additional ERAF property tax revenues to schools enable the State General Fund to reduce support from the State General Fund, thereby saving the state billions of dollars annually.

Effectiveness: Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful in achieving its goals and objectives.

Efficiency: Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives with the least use of scarce resources. Efficiency necessarily presupposes effectiveness.

Eminent Domain: Authority of a government agency to acquire property for public purposes (not to be confused with meaning public buildings and improvements only). Also known as condemnation.

Encumbrances: Commitments related to unperformed (executory) contracts for goods and services.

Enterprise Fund: This fund type accounts for operations that are financed and run like a private business. It enables the governing body to provide goods or services to the general public on a continuing basis through user charges.

Excise Tax: Tax placed on a person for a voluntary act, making the tax avoidable. It includes sales and use tax, business license tax, transient occupancy tax (TOT) utility users tax, etc. Phrase “excise tax” is most commonly used to refer to a parcel tax.

Exemption: The exclusion from the tax base of certain types of transactions or objects. For example, federally owned land is exempt from property taxes.

Expenditure Category: A basis for distinguishing types of expenditures. The major expenditure categories used by the City of Beaumont are personnel services, maintenance and operation, capital expenditures and debt service expenditures.

Expenditures: Decreases in net financial resources. Expenditures include current operating expenses which require the current or future use of net current assets, debt service and capital outlays. It includes the measurement focus classified as *other financing uses*.

Fair Value: Term used in connection with the valuation of investments. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Accounting Standards Advisory Board: Authoritative standard-setting body responsible for establishing Generally Accepted Accounting Principles (GAAP) for the federal government.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g. S&L's, small business firms, students, farmers, farm cooperatives and exporters.

Federal Deposit Insurance Corporation (FDIC): A Federal agency that insures bank deposits, currently up to \$250,000 per deposit.

Federal Home Loan Banks (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLB's is to liquefy the housing related assets of its members who must purchase stock in the district Bank.

Federal Funds (Fed Funds): Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate: Interest rate charged by one institution lending federal funds to the other. This rate is currently pegged by the Federal Reserve through open-market operations.

Federal National Mortgage Association (FNMA): FNMA like the Government National Mortgage Association (GNMA) was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal Corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The president of the New York Federal Reserve Bank is a permanent member, while the other presidents serve on a rotating basis. The committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C.; 12 regional banks and about 5,700 commercial banks are members of the system.

Fee: A charge to the consumer for the cost of providing a particular service. California government fees may not exceed the estimated reasonable cost of providing the particular service or facility for which the fee is charged, plus overhead.

Fiduciary Funds: Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The Fiduciary Fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and agency funds.

Final Amended Budget: Term used in connection with budgetary reporting. The original budget adjusted by all reserves, transfers, allocations, supplementary appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

Financial Accountability: Term used in connection with the definition of the financial reporting entity. The level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed

by another government, or jointly appointed board that is financially dependent on the primary government.

Financial Accounting Standards Board (FASB): The authoritative accounting and reporting standard-setting body for business enterprises and not-for-profit organizations. The FASB is the direct successor of the Committee on Accounting Procedure and the Accounting Principles Board. The GASB and its predecessors have elected to apply a number of FASB's standards, as well as those of its predecessors, to state and local governments.

Financial Audits: Audits designed to provide independent assurance of the fair presentation of financial information.

Financial Resources: Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and prepaids (because they obviate the need to expend current available financial resources).

Finding: Term used in conjunction with public-sector auditing. Published communication of an internal control weakness or instance of noncompliance in connection with an audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Fines, Forfeitures and Penalties: Revenues received and/or bail monies forfeited upon conviction of a misdemeanor or municipal infraction.

Fiscal Accountability: The responsibility of governments to justify that the actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (usually one budgetary cycle or one year). This term is used in contrast to operational accountability.

Fiscal Funding Clause: Term used in connection with capital leases. A clause in a lease agreement that generally provides that the lease is cancelable if the City Council or other funding authority does not appropriate the funds necessary for the government unit to fulfill its obligations under the lease agreement.

Fiscal Year: A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operation. Nearly all city fiscal years begin on July 1 and end June 30 of the following year.

Five percent Criterion: Second of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. This test is applied to the combined total assets, liabilities, revenues or expenses/expenditures of all governmental and enterprise funds for which the 10% criterion has been met.

Fixed Assets: Assets of a long-term nature which are intended to continue to be held or used such as land, buildings, improvements other than buildings, machinery, and equipment.

Franchise Act of 1937: Like the Broughton Act, restricts franchise collections to 2% of gross annual receipts, but includes a minimum fee of 2% of gross annual receipts, and includes a minimum fee of ½% of gross annual receipts for electric franchises or 1% of gross annual receipts for gas or water franchises operating within the City limits.

Franchise Fee: A fee levied upon utilities operating within the City limits which is based upon the gross revenue of the utility.

Full Accrual: This accounting method recognizes transactions and events as revenues/gains and expenses/losses when they occur, regardless of the timing of related cash flows. Proprietary funds rely upon this accounting method. In contrast, governmental funds rely upon “modified accrual” accounting.

Full Faith and Credit: Pledge by issuer of general obligation to bondholders that issuer “guarantees all available funds” be used to pay bondholders should the project go into default.

Full-Time Equivalent (FTE): An FTE or full-time equivalent is defined as one full-time employee. For example, two employees who work part-time are considered one full-time equivalent.

Function: A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety).

Functional Revenue: Revenues that can be associated with and allocated to one or more expenditure functions and which meet one of the following criteria: (1) the revenue is generated from direct services, such as revenue from fees or charges; (2) the revenue associated with a specific service by external requirements, such as grant conditions, bond sale agreements, or statutory or charter requirements.

Fund: An independent fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Balance: The net effect of assets less liabilities at any given point in time. The total fund balance includes a designated/reserve portion, usually for projects or other prior commitments, as well as an undesignated/unreserved (i.e. “available”) portion.

Fund Classifications: One of three categories (Governmental, Proprietary, and Fiduciary) used to classify fund types.

Fund Group: A group of funds with similar restrictions and accounting treatment. The fund groups included in the City’s budget are: General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Capital Project Funds and Debt Service Funds.

Fund Type: One of 11 classifications into which all individual funds can be categorized. Governmental Fund Types include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds. Proprietary Fund Types include Enterprise Funds and Internal Service Funds. Fiduciary Fund Types include Pension (and other employee benefit) Trust Funds, Investment Trust Funds, Private- Purpose Trust Funds, and Agency Funds.

General Fixed Assets: Fixed assets used in operations accounted for in governmental funds. General Fixed Assets include all fixed assets not accounted for in proprietary funds or in trust and agency funds.

General Fund: The General Fund is one of five Governmental Fund Types and typically serves as the chief operating fund of a government. This fund is used to account for all financial resources except those required to be accounted for in another fund.

General Law City: A city that has not adopted a charter and is therefore bound by the State’s general laws, even with respect to municipal affairs. In contrast, charter cities have authority over “municipal affairs,” trumping state law governing the same topic.

General Revenues: All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by the type of tax---for example, sales tax, property tax, franchise tax, income tax. All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

General Obligation (GO) Bonds: Bonds for the payment of which the full faith and credit of the issuing government are pledged.

General Revenue: Those revenues that cannot be associated with a specific expenditure, such as property taxes (other than voter approved indebtedness), sales tax, and business license tax.

General Tax: A tax imposed for general governmental purposes, the proceeds of which are deposited into the General Fund. A majority vote of the electorate is required to impose, extend or increase any general tax.

Generally Accepted Accounting Principles (GAAP): The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS NO. 69, *The Meaning of "Present in Conformity with Generally Accepted Accounting Principles" in Independent Auditor's Report*.

Generally Accepted Government Auditing Standards (GAGAS): Standards for the conduct and reporting of both financial and performance audits in the public sector. The General Accounting Office promulgates GAGAS through its publication *Government Auditing Standards*, commonly known as the *Yellow Book*. The basic GAGAS standards are classed into three broad categories: general standards, fieldwork standards, and reporting standards. The general standards of GAGAS establish separate fieldwork and reporting standards for financial audits and performance audits. The fieldwork standards and reporting standards used for financial audits build upon the standards of fieldwork and the standards of reporting of GAGAS.

Government National Mortgage Association (GNMA) or Ginnie Mae: Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHA mortgages. The term "pass throughs" is often used to describe Ginnie Mae's.

Governmental Accounting Standards Board (GASB): The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. GASB was established in June 1984 to replace National Council on Government Accounting (NCGA).

Governmental Activities: Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

Governmental Funds: Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds.

Grants: Contributions of cash or other assets from another governmental agency to be used or expended for a specific purpose, activity or facility.

Homeowner's Property Tax Relief: Revenue from the state to offset city loss of property tax for state-imposed \$7,000 per dwelling homeowner exemption.

Improvement: An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its capacity. The cost of the addition or change is added to the book value of the asset.

Improvement Bond Act of 1915: State law which allows cities, counties, and “public” districts to issue assessment bonds and bond anticipation notes. The Improvement Bond Act of 1915 Act does not authorize assessments.

Improvements Other than Buildings: A fixed asset account which reflects acquisition value of permanent improvements other than buildings, which add value to land. Examples of such improvements are fences, retaining walls, sidewalks, pavements, gutters, tunnels, and bridges.

Independent Auditor: Auditors who are independent, both in fact and appearance, of the entities they audit. Both GAAS and GAGAS set specific criteria that must be met for an auditor to be considered to be independent.

Indirect Expenses: Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

Infrastructure: Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

Interest Rate: See “Coupon Rate.”

Interest Rate Risk: The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Interfund Activity: Activity between funds of the City of Beaumont, Beaumont Redevelopment Agency and the Beaumont Public Finance Authority. Interfund activities are divided into two broad categories: reciprocal and nonreciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Nonreciprocal interfund activity comprises interfund transfers and interfund reimbursements.

Interfund Loans: Amounts provided between funds and blended component units of the primary government with a requirement for repayment.

Interfund Transfers: Flows of assets (such as cash or goods) between funds and blended component units of the City of Beaumont without equivalent flows of assets in return and without a requirement for repayment.

Internal Control Framework: An integrated set of policies and procedures designed to assist management to achieve its goals and objectives. To be truly comprehensive, a government’s internal control framework must (a) provide a favorable control environment, (b) provide for the continuing assessment of risk, (c) provide for the design, implementation, and maintenance of effective control-related policies and procedures, (d) provide for the effective communication of information, and (e) provide for the on-going monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

Internal Service Funds: Proprietary Fund Type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

Inventory: A detailed list showing quantities, descriptions and values of property, and, frequently, units of measure and unit prices.

Investment Activities: Term used in connection with cash flows reporting. Investing activities include making and collecting loans (except program loans) and acquiring and disposing of debt or equity instruments.

Investment Earnings: Revenue earned from the investment of idle public funds.

Investment Policy: A concise and clear statement of the objectives and parameters by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Investments: Securities and real estate held for the production of revenues in the form of interest, dividends, rentals or lease payments. The term does not include fixed assets used in governmental operations.

Joint Powers Authority (JPA): The Joint Exercise of Powers Act authorizes local public agencies to exercise common powers and to form joint powers authorities ("JPA") for the purpose of jointly receiving or providing specific services.

Land: A fixed asset account which reflects the cost of land owned by the City of Beaumont, the Beaumont Redevelopment Agency or the Beaumont Public Finance Authority.

Landscaping and Light Act of 1972: The 1972 Act lets cities, counties and special districts levy assessments for land purchase and the construction, operation, and maintenance of parks, landscaping, lighting, traffic signals and graffiti abatement.

Landscape and Lighting Assessment District: An area of the City established in accordance with State law where residents pay an annual assessment for a service which specifically benefits them. This area of the law is much broader in defining services eligible for funding than that portion of the law relating to Benefit Assessment Districts (BAD). As such, a broader range of services are funded by Landscaping and Lighting Assessment Districts including park maintenance, street lighting and graffiti removal.

Lapse Period: A specified time at the beginning of a given budget period during which encumbrances outstanding at the end of the prior budget period may be liquidated using the prior year's budgetary authority. Many governments avoid the use of a lapse period by automatically appropriating as part of each new budget an amount sufficient to cover encumbrances outstanding at the end of the prior budget period.

Letter of Transmittal: A section of the budget, which provides the City Council and the public with a general summary of the most important aspects of the budget, changes from the current and previous fiscal years, and the view and recommendations of the City Manager.

Levy: (Verb) To impose taxes, special assessments or service charges for the support of governmental activities; (noun) the total amount of taxes, and/or special assessments and/or service charges imposed by a governmental agency.

Licenses and Permits: Charge designated to reimburse City for costs of regulating activities being licensed, such as licensing of animals, bicycles, etc.

Lien: A claim on assets, especially property, for the payment of taxes or utility service charges.

Limited Obligation Bonds: Similar to general obligation bonds except that security for the issuance is limited exactly to the revenues pledged in the Local Agency Investment Fund (LAIF), a special fund in the State Treasury which local agencies may use to deposit funds for investment. State law prohibits LAIF from impounding any depositor's funds and prohibits the fund from declaring bankruptcy. The LAIF fund is highly liquid in addition to being considered one of the most conservative of all investments. State statutes define and authorize the permissible investments of the fund.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Agency Investment Fund (LAIF): A special fund in the State Treasury which local agencies may use to deposit funds for investment. State law prohibits LAIF from impounding any depositor's funds and prohibits the fund from declaring bankruptcy. The LAIF fund is highly liquid in addition to being considered one of the most conservative of all investments. State statutes define and authorize the permissible investments of the fund.

Local Government Investment Pool (LGIF): An investment by local governments in which their money is pooled as a method for managing local funds.

Machinery and Equipment: Tangible property of a more or less permanent nature, other than land or buildings, and improvements thereon. Examples are machinery, tools, trucks, automobiles, furniture, and furnishings.

Maintenance and Operations: Expenditures related to operating costs including supplies, commodities, contract services, materials, utilities and educational services.

Maintenance of Effort (MOE): A requirement, often as a condition of an intergovernmental subvention or supplemental tax, to maintain a level of spending at a certain level. Maintenance of Effort (MOE) requirements are intended to prevent or limit the use of the additional revenues to supplant existing revenues such that the new revenues result in an increase in the level of program spending and services.

Major Fund: A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The General Fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 % of corresponding totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government officials believe that fund is particularly important to financial statement users.

Major Program: Term used in the context of Single Audits. As part of the Single Audit, the independent auditor must gain an understanding of internal controls over compliance for each major federal award program and then test those controls. In addition, the independent auditor must render an opinion on whether the government complied with laws, regulations, and provisions of controls or grant agreements that could have a direct and material effect on each federal award program.

Market-Based Pricing: Recent trend in pricing public services which uses the marketplace to regulate individual consumer behaviors consistent with overall societal goals by including the true cost of the service on society.

Market Risk: The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value: (1) What a willing seller could reasonably expect to receive if he or she were to sell the property on the open market to a willing buyer; (2) current market price of a security.

Marks-Roos Bonds: Bonds authorized by the Marks-Roos Local Bond Pooling Act of 1985 which provide local agencies with flexible financing powers through participation in joint powers authorities.

Matching Requirement: A requirement that a grant recipient contribute resources to a program to equal or exceed a predetermined percentage of amounts provided by the grantor.

Material Weakness: A reportable condition (internal control weakness) of such magnitude that it could potentially result in material misstatement of financial statements.

Materiality: The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. The objective of accountability in governmental financial reporting adds another perspective to materiality. Specifically, accountability requires materiality to be judged not only in a quantitative manner but also in a qualitative manner. That is, accountability involves such issues as legal and contractual compliance that may not have a "material" effect on the entity's reported operating results and financial position, but that would influence or change the judgment of a reasonable person about how the government has conducted its affairs during the period.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Measurement Focus: The objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, Proprietary Fund financial statements, and Fiduciary Fund financial statements is economic resources. The measurement focus of Governmental Fund financial statements is current financial resources.

Mello-Roos Bonds: Bonds allowing cities, counties, school districts and special districts to finance certain public capital facilities and services, especially in developing areas and areas undergoing rehabilitation. Property owners in the Mello-Roos district pay an annual special tax which is included on the property tax bill.

Mello-Roos Community Facilities Tax: Special non ad valorem tax imposed to finance public capital facilities and services in connection with new development.

Modified Accrual Basis: The accrual basis of accounting adapted to the Governmental Fund Type-Spending Measurement Focus. Under it, revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are recognized when the related fund liability is incurred except for the following: (1) inventories of materials and supplies which may be considered expenditures either when purchased or when used; (2) prepaid insurance and similar items which need not be reported; (3) accumulated unpaid vacation, sick pay and other employee benefit amounts which need to be recognized in the current period, but for which larger-than-normal accumulations must be disclosed in the notes to the financial statements; (4) interest on special assessment indebtedness which may be recorded when due rather than accrued, if approximately offset by interest earnings on special assessment levies; and (5) principal and interest on

long-term debts which are generally recognized when due. All government funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

Money Market: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

Money Market Investment: A short-term, highly liquid debt instrument, including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations. Asset-backed securities, derivatives, and structured notes are not included in this term.

Motor Vehicle License Fee (VLF): The motor vehicle license fee (VLF) is a fee for the privilege of operating a vehicle on public streets. The VLF is levied annually at 2% of the market value of motor vehicles and is imposed by the state "in lieu" of local property taxes. VLF is also called Motor Vehicle In-Lieu Tax.

Municipal Facilities Development Impact Fee: A development impact fee levied upon new development to offset the impact that new development has upon specific City facilities and services.

National Association of Securities Dealers (NASD): A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

National Council on Governmental Accounting (NCGA): The immediate predecessor of the GASB as the authoritative accounting and financial reporting standard-setting body for state and local governments. The NCGA issued seven statements and eleven interpretations prior to its dissolution in June 1984. These statements and interpretations remain in effect unless superseded by a subsequent Government Accounting Standards Board (GASB) pronouncement.

Negotiated Sale: What the price to be paid for land and improvements is mutually agreed upon by buyer and seller.

Net Asset Value: The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which include securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

Net Income: Proprietary fund excess of operating revenues, nonoperating revenues, operating transfers-in over operating expenses, nonoperating expenses, and operating transfers-out.

Nexus: In general, a minimum threshold of connection necessary within a taxing jurisdiction to allow taxing authority over out-of-state individuals or businesses. Requirement of Government Code Sections 66000 et seq. that there be a reasonable connection ("nexus") between required development impact fees and the development project in question.

Nominal Yield: The stated rate of interest that a bond pays its current owner, based on per value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Non-Operating Revenues: Proprietary Fund revenues which are directly related to the funds primary service activities. They consist primarily of user charges for services.

Number of Funds Principle: The principle that only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility,

undue complexity, and inefficient financial administration.

Offer: An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the “Ask Price.”

Open Market Operations: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the Federal Open Market Committee (FOMC) in order to influence the volume of money and credit in the economy. Purchases inject reserves into the banking system stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve’s most important and flexible monetary policy tool.

Operating Activities: Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities.

Operating Income: The excess of proprietary fund operating revenues over operating expenses.

Operational Accountability: Governments’ responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for this purpose, and whether they can continue to meet their objectives for the foreseeable future.

Ordinance: A formal legislative enactment by the governing board of a municipality. If it is not in conflict with any higher form of law, such as a statute or a constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies. The difference between an ordinance and a resolution is the latter requires less legal formality and has a lower legal status. Ordinarily, the statutes or charter will specify or imply those legislative actions which must be by ordinance and those which may be by resolution. Revenue raising measures such as the imposition of taxes, special assessments, and service charges universally require ordinances.

Original Budget: The first complete City Council-approved, appropriated budget in a given fiscal year. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior-year encumbrances.

Other Financing Source: An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

Other Financing Use: A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the other financing uses category is limited to items so classified by GAAP.

Outcome Measures: Term used in connection with service efforts and accomplishments reporting. Indicators that measure accomplishments or results that occur (at least partially) because of services provided. Results also include measure of public perceptions of outcomes.

Output Measures: Term used in connection with service efforts and accomplishments reporting. Indicators that measure the quantity of services provided. Output measures include both measures of the quantity of service provided and measures of the quantity of a service provided that meets a certain quality requirement.

Overlapping Debt: Proportionate share that property within a government must bear the debts of other local governments located wholly or in part within the geographic boundaries of the City of Beaumont. Except for special assessment debt, the amount of debt of each unit applicable to the City of Beaumont is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

Par: Face value or principal value of a bond, typically \$1,000 per bond.

Parcel Tax: Special non ad valorem tax on parcels of property generally based on either a flat per-parcel rate or a variable rate depending on the size, use and/or number of units on the parcel.

Pass Through Agreements: Agreements entered into by the redevelopment agency (RDA) whereby some or all of the tax increment originating from a particular taxing agency is refunded.

Pension Plan: An arrangement for the provision of pension benefits in which all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined in the terms of the plan.

Pension Trend Data: Actuarially based data over time concerning the funding progress of a defined benefit pension plan and employer's actual and annual required contributions to the plan.

Performance Audit: Auditing designed to evaluate the effectiveness or efficiency of an organization, program, or activity.

Performance Measurement: Commonly used term for service efforts and accomplishments reporting.

Portfolio: Collection of investment securities held by the City of Beaumont, the Beaumont Redevelopment Agency or the Beaumont Public Finance Authority.

Positive Yield Curve: A chart formation that illustrates short-term securities having lower yields than long-term securities.

Possessory Interest: Taxable private ownership of interest in tax-exempt public property.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include the Securities and Exchange (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

Primary Government: Term used in connection with defining the financial reporting entity. A state government or general purpose local government such as the City of Beaumont is a primary government.

Prime Rate: A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal: The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Private-Purpose Trust Funds: A Fiduciary Trust Fund Type used to report all trust arrangements, other than those properly reported in Pension Trust Funds or Investment Trust Funds, under which principal and income benefit individuals, private organizations, or other governments.

Program: Group activities, operations or organizational units directed to attaining specific purposes or objectives.

Project Area: The area which is designated in the redevelopment plan for redevelopment and revitalization.

Property Related Fee: A levy imposed on a parcel or upon a person as an incident of property ownership for property-related service.

Property Tax: An ad valorem tax imposed on real property (land and permanently attached improvements) and tangible personal property (movable property).

Property Tax In Lieu of Vehicle License Fee (VLF): Property tax shares and revenues allocated to cities and counties beginning in FY2004-2005 as compensation for Vehicle License Fee (VLF) revenues previously allocated to cities and counties by the state.

Proposition 1A (2004): Voter approved state constitutional amendment protecting most major city, county and special district revenues from reduction or shifting by the State Legislature.

Proposition 1A (2006): Voter approved Constitutional amendment protecting the local allocation of state transportation sales tax revenues under Proposition 42 from reduction or shifting by the State Legislature.

Proposition 4 (1979): Also called the Gann Initiative. This initiative is now Article XIII B of the State Constitution, was drafted to be a companion measure to Proposition 13, Article XIII A of the Constitution. Article XIII B limits growth in government spending to changes in population and inflation.

Proposition 8 (1978): An amendment to Proposition 13, passed in November 1978 to allow County Assessors to recognize declines in value for property tax purposes. Revenue and Taxation Code Section 51 requires the Assessor to annually enroll either a property's Proposition 13 base year value factored for inflation, or its market value as of January 1st, whichever is less.

Proposition 13 (1978): Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the maximum annual increase of any ad valorem tax on real property to 1% of the full cash value of such property.

Proposition 42 (2002): Voter approved measure that directs the State Legislature to allocate revenues derived from the taxable sales of gasoline to certain transportation programs including cities and counties.

Proposition 98 (1990): This measure establishes a minimum level of funding for public schools and community colleges and provides that any state revenues in excess of the appropriations limit be spent on schools.

Proposition 111 (1994): Voter approved measure that increased the state Motor Vehicle Tax by \$0.09 per gallon and made certain adjustments to the spending limits under Proposition 4 (1979).

Proposition 172 (1993): A 1993 measure which places a one-half cent sales tax for local public safety in the Constitution effective January 1, 1994. The tax is imposed by the state and distributed to cities

and counties.

Proposition 218 (1996): A voter approved state Constitutional amendment, self-titled “Right to Vote on Taxes Act” expanded restrictions on local government revenue raising, allowing voters to repeal or reduce taxes, assessments, fees, and charges through the initiative process; reiterating the requirement for voter approval for both “special taxes” and “general taxes,” and imposing procedural and substantive limitations on assessments of real property and on certain types of fees.

Proprietary Funds: Funds that focus on the determination of operating income, changes in net assets or cost recovery), financial position, and cash flows. There are two different types of Proprietary Funds: Enterprise Funds and Internal Service Funds.

Prudent Person Rule: An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called—“legal list”. In other states, the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Qualified Public Depositories: A financial institution which does not claim exemption from the payment of any sales or compensating use of ad valorem taxes under the laws of this state, which as segregated for the benefit of the Public Deposit Protection Commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity; on a bond, the current income return.

Real Property: Land and permanently attached improvements.

Rehabilitation: To improve, alter, modernize or modify an existing structure to make it safe, sanitary, and decent and/or bring it up to building code standards.

Reimbursement for State Mandated Costs: Article XIII B, Section 6 of the California Constitution which requires the state to reimburse local agencies for the cost of state-imposed programs. Process is commonly called “SB 90” after its original 1972 legislation.

Reimbursement Grant: A grant for which a potential recipient must first incur qualifying expenditures to be eligible. Reimbursement grants are also referred to as “expenditure-driven grants.”

Regulatory Fee: A charge imposed on a regulated action to pay for the cost of public programs or facilities necessary to regulate a business or other activity or mitigate the impacts of the fee payer on the community. A regulatory fee does not include a charge on a property or a property owner solely due to property ownership.

Reliability: The principle that financial information should be verifiable, free from bias, and faithfully represent what it purports to represent.

Relocation: The effort to assist and facilitate rehousing of families and single persons, businesses or organizations who are displaced due to redevelopment activities.

Relocation Assistance: Relocation payments to help families, individuals, businesses, and non-profit organizations which are displaced as a result of redevelopment activities. This includes aid in finding a new location, payments to help cover moving costs, and additional payments for certain other costs.

Rents: Revenues received through the rental of public properties to private parties such as convention space and library facilities.

Repurchase Agreement (repo or RP): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reserved Fund Balance: The portion of a Governmental Fund's net assets that is not available for appropriation.

Resolution: A special or temporary order of the legislative body requiring less formality than an ordinance.

Restricted Assets: Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restricted Net Assets: A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

Retained Earnings: Equity resulting from provision of goods and services. Proprietary fund equity is divided into "contributed capital" and "retained earnings."

Revenue: Funds that the City receives as income. It includes such items as taxes, licenses, user fees, service charges, fines and Penalties.

Revenue Bonds: Bonds whereby the principal and interest are payable exclusively from the earnings of an Enterprise Fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the Enterprise Fund's property.

Revenues: Increases in governmental fund type net current assets from other than expenditures refunds and residual equity transfers. Under NCGA Statement 1, general long-term debt proceeds and operating transfers-in are classified as "other financing sources" rather than revenues. Increases in proprietary fund type net total assets from other than expense refunds, capital contributions, and residual equity transfers. Under NCGA 1, operating transfers-in are classified separately from revenues.

Reverse Repurchase Agreement (Reverse Repo): An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Sales Tax: A tax imposed on the total retail price of any tangible personal property.

Secondary Market: A market mode for the purchase and sale of outstanding issues following the initial distribution.

Secured Property: As the property tax is guaranteed by placing a lien on the real property, secured property is that real property in which the value of the lien on the real property and personal property located thereon is sufficient to assure payment of the tax.

Secured Roll: That property tax list containing all assessed property secured by land subject to local taxation.

Securities: Investment instruments such as bonds, stocks and other instruments of indebtedness or equity.

Securities and Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Serial Bond: A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Service Charges: Charges imposed to support services to individuals or to cover the cost of providing such services. The fees charged are limited to the cost of providing the service or regulation required (plus overhead).

Short-Term Financing Methods: Techniques used for many purposes, such as meeting anticipated cash flow deficits, interim financing of a project, and project implementation. Using these techniques involves issuance of short-term notes. Voter approval is not required.

Single Audit: An audit performed in accordance with the Single Audit Act of 1984 (as amended) and the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal grantor agencies. The Single Audit Act was amended in 1996.

Sinking Fund: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Special Assessment: A compulsory levy made against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

Special Assessment District (SAD): A geographic area established by notice of the City Council and with public approval for the purpose of making capital improvements such as the construction of streets or sidewalks, or to accomplish some other public good through the financial participation and assessment of property owners within the area.

Special Revenue Fund: A fund used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditures for specified purposes. Under NCGA Statement 1, the use of Special Revenue Funds is required only when legally mandated.

Special Tax: A tax that is collected and earmarked for a special purpose and deposited into a separate account. A two-thirds vote of the electorate is required to impose, extend or increase any special tax.

Standby Charge: A compulsory charge levied upon real property to defray in whole or in part the expense of providing operating or maintaining public improvements. The charge is "exactd for the benefit which accrues to property by virtue of having water [or other public improvements] available to it, even though the water might not be used at the present time." Proposition 218 classifies standby charges as "assessments" which must be imposed in compliance with Section 4.25 of Article XIII B of the State Constitution.

Street Lighting Act of 1919: Act authorizing cities to fund the maintenance and operation of street lights.

Structured Notes: Notes issued by Government sponsored enterprises (FHLMA, FNMA, SLMA, etc.) and corporations, which have imbedded options(e.g. call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, volatility of the imbedded options and shifts in the yield curve of the yield curve.

Subventions: Subsidy or financial support received from county, state or federal government. The state and county currently levy certain taxes that are “subvened” to cities, including motor vehicle license fees, state mandated costs and motor vehicle fuel tax, and Supplemental Law Enforcement Services Fund (SLESF).

Supplemental Property Tax: In the event a property changes ownership, the county collects a supplemental property tax assessment in the current tax year by determining a supplemental value. In future tax periods, the property carries the full cash value.

Swap: Trading one asset for another.

Tangible Personal Property: Movable property.

Tax Allocation Bond (TAB): A bond or financial obligation issued by the agency in order to generate funds to implement the redevelopment plan. The bond is repaid with tax increment flowing to the agency as a result of the agency’s revitalization of the project area.

Tax-Anticipation Notes: Short-term, interest-bearing note issued by a government in anticipation of tax revenues to be received at a later date. The note is retired from the tax revenues to which it is related.

Tax Base: The objects or transactions to which a tax is applied (e.g., parcels of property, retail sales, etc.). State law or local ordinances define the tax base and the objects or transactions exempted from taxation.

Taxes: Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against a particular person or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered on to those paying such charges as, for example, sewer service charges.

Tax Increment: The increase in property taxes within the redevelopment project area that result from increases in the project area assessed value that exceeds the base year assessed value.

Tax-Increment Financing: Financing secured by the anticipated incremental increase in tax revenues, resulting from the redevelopment of an area.

Tax Rate: The amount of tax applied to the tax base. The rate may be flat, incremental or a percentage of the tax base, or any other reasonable method.

Teeter Plan: Enacted in 1949, an alternative method for allocating delinquent property tax revenues, authorized by Revenue and Taxation Code Section 4701, in which the County Auditor allocates property tax revenues based on the total amount of property taxes billed, but not yet collected. The County government then collects and keeps the delinquency, penalty and interest payments.

Timeliness: The principle that financial statements must be issued soon enough after the reported events to affect decisions.

Total Return: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. $(\text{Price Appreciation}) + (\text{Dividends Paid}) + (\text{Capital Gains}) = \text{Total Return}$.

Transactions and Use Tax: Also known as an “add-on local sales tax,” a tax imposed on the total retail price of any tangible personal property and the use or storage of such property when sales tax is not paid.

Transient Occupancy Tax (TOT): Tax levied by cities on persons staying 30 days or less in a room(s) in a hotel, inn, motel, tourist home, nonmembership campground or other lodging facility. Also called “Transient Lodging Tax” or “Hotel Tax.”

Treasury Bills (T-Bills): A noninterest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds: Long-term U.S. Treasury securities having initial maturities of more than ten years.

Treasury Notes: Intermediate-term coupon bearing U.S. Treasury securities having initial maturities from one 1 year to ten 10 years.

Triple Flip: A mechanism used to repay state fiscal recovery bonds pursuant to Proposition 57 of 2004. Under the triple flip, the local sales and use tax rate is reduced from 1% to 0.75% with the 0.25% diverted to repay state fiscal recovery bonds. Cities and counties are reimbursed for the lost revenue from a shift of property tax revenue.

Understandability: The principle that information in financial reports should be expressed as simply as possible.

Undesignated Unreserved Fund Balance: Available expendable financial resources in a Governmental Fund that are not the object of tentative management plans (i.e., designations).

Unearned Revenue: A type of deferred revenue account used in connection with resources that have not yet been earned.

Unfunded Actuarial Accrued Liability: The excess of the actuarial accrued liability over the actuarial value of assets. This value may be negative, in which case it may be expressed as a negative unfunded actuarial accrued liability, the excess of actuarial value of assets over the actuarial accrued liability, or the funding excess.

Uniform Net Capital Rule: Securities and Exchange Commission (SEC) requirement that member firms as well as non-member broker-dealers in securities maintain a maximum ratio indebtedness to liquid capital of 15 to 1; also called net capital rules and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes and assets easily converted to cash.

Unqualified Opinion: An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

Unrealized Revenues: Term used in connection with budgeting. The difference between estimated revenues and actual revenues.

Unrestricted Net Assets: That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

Unsecured Property: As the property tax is guaranteed by placing a lien on the real property, unsecured property is that real property in which the value of the lien is not sufficient to assure payment of the property tax.

Use Tax: A tax imposed on the use or storage of tangible personal property when sales tax is not paid.

User Fee: Fees charged for the use of a public service or program such as for recreation programs or public document retrieval. User fees for property-related services are referred to as property-related fees.

Utility Connection Fee: Utility connection fees or capacity fees are imposed on the basis of a voluntary decision to connect to a utility system or to acquire the right to use additional capacity.

Vehicle License Fee—Property Tax Swap: The trade of most city and county vehicle license fee (VLF) revenue for additional property tax share and revenue.

Volatility: A degree of fluctuation in the price and valuation of securities.

Voter-Approved Property Tax for Indebtedness: Includes ad valorem property taxes levied in addition to the 1% rate for voter approved debt approved prior to July 1, 1978 or after July 1, 1986.

Yield: The total amount of revenue a government expects to receive from a tax, determined by multiplying the tax rate by the tax base. Also, the annual rate of return on an investment, expressed as a percentage of the investment. The **Income Yield** is obtained by dividing the current dollar income by the current market price for the security. **Net Yield or Yield to Maturity** is the current income yield minus any premium allowed par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.