

ALL ACTIONS ARE DRAFT PENDING APPROVAL OF THE FINAL MINUTES

Minute Action Summary
Palm Desert City Council - Regular Meeting

Agenda Number: 15.b.
Title: APPROVAL OF RESOLUTIONS RELATED TO THE ADOPTION OF THE FISCAL YEAR (FY) 2024-25 FINANCIAL PLAN AND CAPITAL IMPROVEMENT PROGRAM
Date: Thursday, June 27, 2024

Motion by: Councilmember Trubee
Seconded by: Councilmember Kelly

1. Adopt Resolution No. 2024-045 entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, ADOPTING THE FINANCIAL PLAN FOR THE FISCAL YEAR JULY 1, 2024 THROUGH JUNE 30, 2025 AND CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEARS 2024-25 THROUGH 2028-29," and authorizing the use of General Fund reserves, to the extent needed, to cover any revenue shortfall.
2. Adopt Resolution No. 2024-046 entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, ESTABLISHING THE APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2024-25."
3. Adopt Resolution No. HA-123 entitled "A RESOLUTION OF THE PALM DESERT HOUSING AUTHORITY OF PALM DESERT, CALIFORNIA, ADOPTING THE HOUSING AUTHORITY'S FINANCIAL PLAN FOR THE FISCAL YEAR JULY 1, 2024 THROUGH JUNE 30, 2025."
4. Adopt Resolution No. 2024-047 entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, RESCINDING AND REPLACING RESOLUTION NOS. 2024-006, ADOPTING AUTHORIZED CLASSIFICATIONS, ALLOCATED POSITIONS, SALARY SCHEDULE, AND SALARY RANGES INCLUDED HEREIN AND ATTACHED AS "EXHIBIT A" EFFECTIVE JULY 1, 2024."
5. Approve FY 2024-25 Out-of-State Travel as outlined in the staff report/memorandum.

YES: 4 NO: 0 ABSTAIN: 1 CONFLICT: 0 ABSENT: 0

Motion Carried

YES: 4

Mayor Pro Tem Harnik Councilmember Kelly Councilmember Nestande Councilmember Trubee

NO: 0

ABSTAIN: 1

Mayor Quintanilla

CONFLICT: 0

ABSENT: 0

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: June 27, 2024

PREPARED BY: Veronica Chavez, Director of Finance

REQUEST: APPROVAL OF RESOLUTIONS RELATED TO THE ADOPTION OF THE FISCAL YEAR (FY) 2024-25 FINANCIAL PLAN AND CAPITAL IMPROVEMENT PROGRAM

RECOMMENDATION:

1. Conduct a Joint Public Hearing and accept public comment on the proposed City and Housing Authority Financial Plan including the Capital Improvement Program (CIP).
2. Adopt a Resolution entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, ADOPTING THE FINANCIAL PLAN FOR THE FISCAL YEAR JULY 1, 2024 THROUGH JUNE 30, 2025 AND CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEARS 2024-25 THROUGH 2028-29," and authorizing the use of General Fund reserves, to the extent needed, to cover any revenue shortfall.
3. Adopt a Resolution entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, ESTABLISHING THE APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2024-25."
4. Adopt a Resolution entitled "A RESOLUTION OF THE PALM DESERT HOUSING AUTHORITY OF PALM DESERT, CALIFORNIA, ADOPTING THE HOUSING AUTHORITY'S FINANCIAL PLAN FOR THE FISCAL YEAR JULY 1, 2024 THROUGH JUNE 30, 2025."
5. Adopt a Resolution entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, RESCINDING AND REPLACING RESOLUTION NOS. 2024-006 ADOPTING AUTHORIZED CLASSIFICATIONS, ALLOCATED POSITIONS, SALARY SCHEDULE, AND SALARY RANGES INCLUDED HEREIN AND ATTACHED AS "EXHIBIT A" EFFECTIVE JULY 1, 2024."
6. Approve FY 2024-25 Out-of-State Travel as outlined in the staff report/memorandum.

BACKGROUND/ANALYSIS:

The FY 2024-25 proposed Financial Plan reflects resource allocations consistent with City policies, goals, and priorities. It also communicates to our residents and staff an action plan for the upcoming fiscal year, which includes program goals and the standards by which the delivery of services to the public will be measured. The total projected General Fund revenues are \$83,222,877 and estimated expenditures are \$83,063,012 resulting in an **estimated surplus of \$159,865**.

Additionally, Staff has requested the use of available General Fund Reserves needed during the fiscal year for equipment and software acquisition, deferred facility maintenance, capital improvements, and upon sales tax measure approval, operational costs for additional staff needed in public safety and public works. On an ongoing basis, staff will be monitoring revenues and expenditures compared to prior year activities and will provide updates to the City Council throughout the year.

The total proposed first year CIP for FY 2024-25 is estimated to be \$72,431,781 and includes projects and programs identified in the 2024-25 City Council Goals which are to be funded from the General Fund as well as other governmental funds as noted.

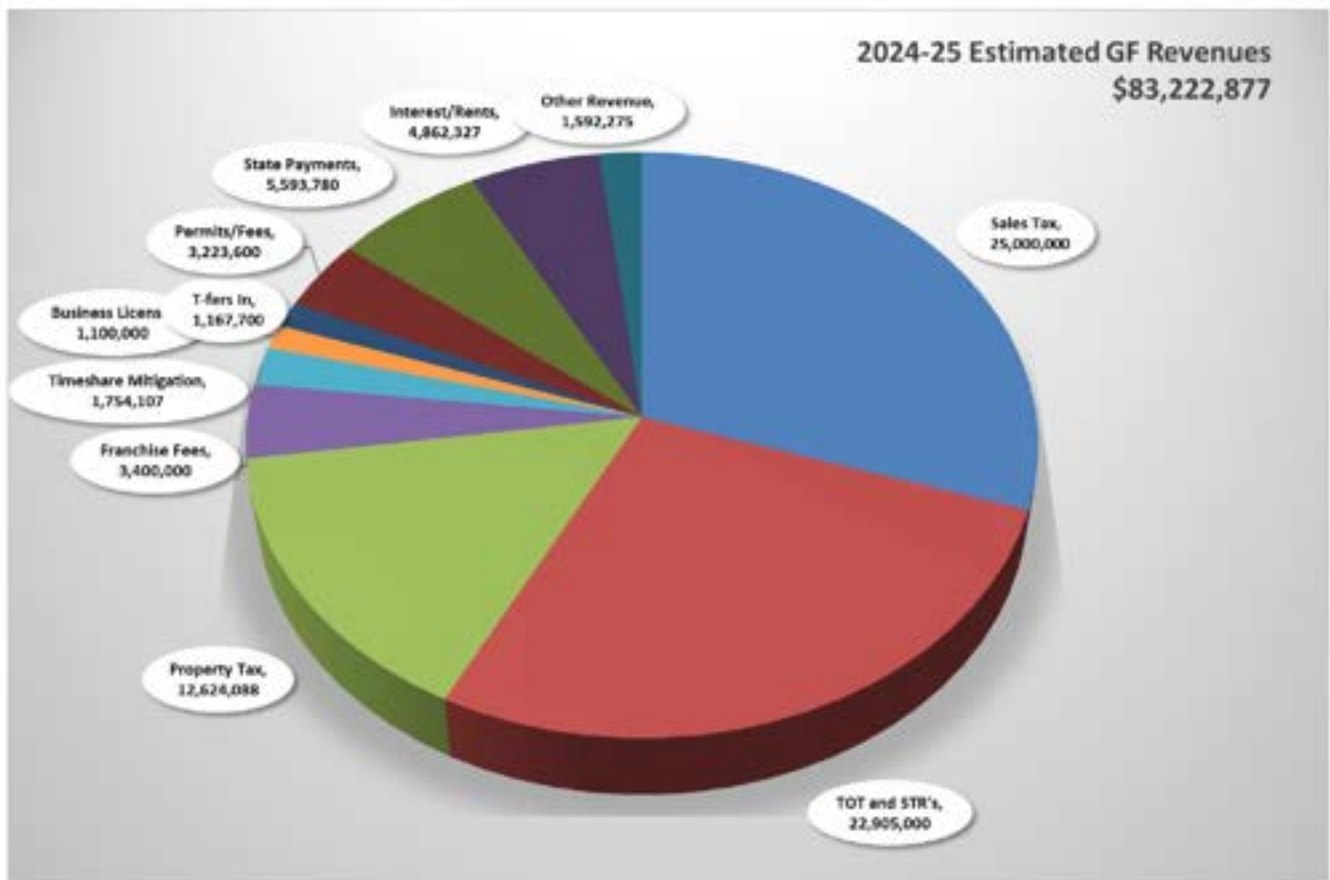
In early May, the City Council held two study sessions to discuss the Capital Project priorities and the estimated revenues and expenditures for the upcoming FY 2024-25 Financial Plan

General Fund

The General Fund is the primary fund used to finance the daily operations of the City and includes the cost for Police, City administrative departments, Public Works, Parks, Planning, Building and Safety, Economic Development and a portion of Fire services.

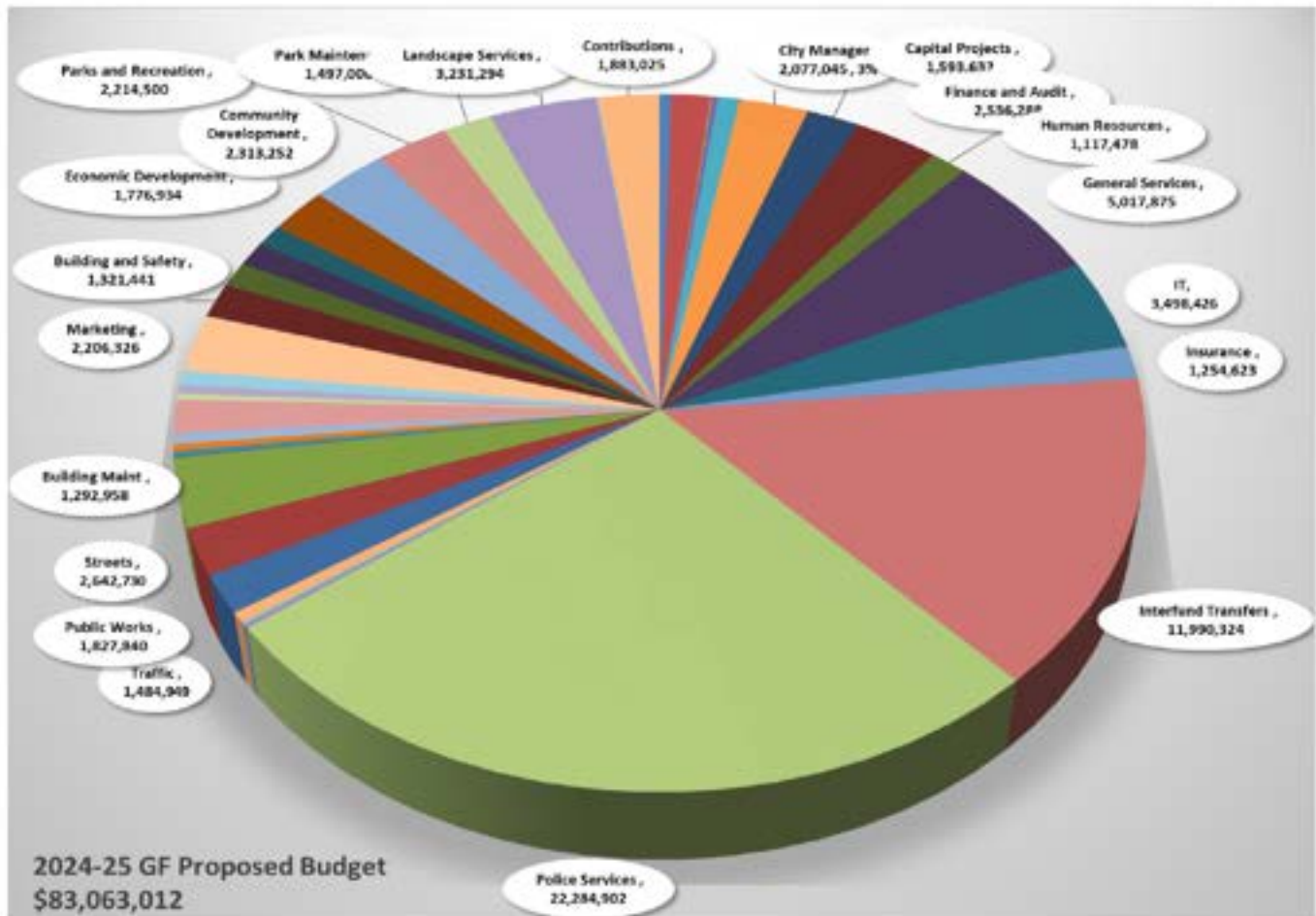
Revenues

The estimated General Fund revenues of **\$83,222,877** represent an increase of approximately \$7.66 million (10%) over the current fiscal year's original revenue estimate of \$75,554,467. The projected revenue reflects an increase in both property tax and interest earnings. The property tax growth is mostly attributable to the assumption of library services from the County of Riverside. Those funds come through our general property tax allocation and then are transferred to the Library Services fund for distinct accounting. Both Sales tax and Transient Occupancy Tax (TOT) revenues are projected to plateau this year after several substantial increases following the pandemic.



Expenditures

The proposed General Fund operating expenditure budget is **\$83,063,012** which represents an approximate increase of \$7.71 million (10%) compared to the current fiscal year's approved original budget of \$75,353,985. The projected expenditures include increases in public safety costs, personnel services and benefits, and the cost of contracts due to an increase in the statewide minimum wage, fuel costs, and scarcity of competitive local vendors available.



Overall Budget and Other Funds

The City's Financial Plan (Exhibits 1 [Estimated Revenues] and 2 [Appropriations]) includes many 'governmental funds' other than the General Fund. These other governmental funds include transportation, signalization, parks, drainage, fire facility fees, housing mitigation, art in public places, childcare facilities, grant funds, recycling, aquatic center, library services, enterprise funds (including Desert Willow and Parkview Office Complex), capital improvement funds, internal service funds, debt service, assessment districts, landscape and lighting districts and housing authority funds. The monies collected and expended from these funds are generally set aside for the purpose identified by the fund or are restricted to specific uses. The total budget for other funds is \$141,834,225.

Public Safety

One of the City’s largest expenditures is the estimated \$46.9 million combined cost for public safety services. The portion of public safety cost charged to the General Fund is the largest expenditure from the fund and represents approximately 33% of overall General Fund expenditures.

The portion of Fire services paid from the Fire Fund is derived from structural fire tax credits from the County fire taxes assessed by the City, reimbursements from other Cove Community Cities for the City’s ladder truck, and emergency medical services cost recovery fees.

The following table illustrates the total public safety request and the funding sources.

Public Safety	Distribution		
	Total Request	General Fund	Other Funds
Police Services	\$ 22,319,902	\$ 22,284,902	\$ 35,000
Community Safety	\$ 131,100	\$ 131,100	-
Homelessness Services	\$ 469,000	\$ 103,000	\$ 366,000
Fire Services	\$ 23,999,138	\$ 5,000,000	\$ 18,999,138
Total Public Safety	\$ 46,919,140	\$ 27,519,002	\$ 19,400,138

**Includes grants and fire funds*

Appropriations Limit Calculation

Article XIII B of the California Constitution limits local government appropriations annually. For FY 2024-25, Palm Desert’s calculated limit is \$181,517,586. The appropriations requested within the FY 2024-25 Financial Plan, subject to the limit, are well below the maximum allowed expenditures.

Conclusion

This Financial Plan contemplates that the City will continue to contract for services in its efforts to be fiscally prudent and constrain ongoing costs. Staff will continue to look for areas where contracting would be a cost savings option or operationally more efficient as well as continue to reach out to our contract partners to see where costs can be minimized.

During the year, the City Manager may authorize intra- and inter-departmental adjustments as well as intra- and inter-fund adjustments, to meet City needs, adjust staffing, and be responsive to the timing of projects, provided such adjustments do not exceed the approved total budget including any approved appropriations throughout the year. Further, on an ongoing basis staff will be monitoring revenues and expenditures and will report any new information or needed modifications to the City Council throughout the year.

Staff recommends the approval of the City’s and Housing Authority’s FY 2024-25 Financial Plan and Capital Improvement Program as presented, as well as the use of reserves to cover any revenue shortfall. To the extent that General Fund reserves are needed at the end of the fiscal year to balance a shortfall, staff will provide the City Council with recommendations related to which reserve categories could be used at a future City Council meeting.

FINANCIAL IMPACT

The FY 2024-25 Financial Plan, as presented, results in a revenue surplus of **\$159,865**. Although operationally, the current fiscal year is structurally balanced in order to facilitate many one-time capital improvements, equipment/software acquisition, and maintenance costs, a request to draw monies from General Fund Reserves, in the total amount of \$16,824,960, is necessary to meet the City’s anticipated project schedule. Operational costs for (3) new public safety and public works staffing are also included for half of the year, but will be contingent on sales tax measure approval on November 5, 2024. A breakdown of the requested appropriation from Reserves is provided below:

2024-25 Request to Draw from Reserved General Fund Balance

1. Capital Transfer to Fund 400 (CIP)	12,300,000
2. PW Facility and Street Maint Costs 110	1,589,600
3. ERP System Implementation (Finance System) 110	1,594,580
4. Additional Public Safety Officers (3)* 110	650,000
5. Additional Public Works Crew for NPD Growth (3)* 110	180,000
6. Dev Svc -Planning Docs on 6/27 Agenda** 110	510,780
TOTAL REQUEST	16,824,960

*These requests (shown at ½ annual budget) will be contingent upon Sales Tax Measure approval on 11.5.24

**These requests are included in 2 separate staff reports from Development Services on 6.27.24 Agenda

While the presented financial plan is structurally balanced, cost and revenue projections have revealed significant deficits in the near future. Long-term effects of continued deficits may include reductions in service levels and deferred maintenance of the City’s assets. To address this over the past year, staff began exploring potential alternative revenue sources, while also finding ways to curb expenditure growth wherever possible and recently recommended a sales tax measure as the most viable option for Council to consider ensuring the City maintains its proactive approach to managing its resources.

On June 13, City Council voted to include a 1 cent sales tax measure on the November 5, 2024 ballot. The 1 cent tax will provide an additional revenue stream to facilitate the needs of our growing community. With maintaining service levels for all public safety services throughout Palm Desert at the forefront of this decision, it is essential to preserve financial stability and allows us to deliberately manage priorities, while safeguarding the expected quality of life for our residents and visitors alike. To ensure funds are allocated to the priorities identified by the community during outreach efforts, a five-year spending plan has been developed and will be guiding future budget requests for use of the funds, if approved by voters.

City of Palm Desert
Adoption of FY 2024-25 Financial Plan and CIP

PALM DESERT TRANSACTION AND USE TAX (TUT) - 5 YEAR SPENDING PLAN AND PRIORITIES

	Category	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total 5-Yr Plan	
3 cent sales tax			26,164,510	25,868,136	26,515,844	27,311,320	104,860,790	
Current Planned Costs								
Priority 1**	New Fire Services Staffing	Public Safety	900,000	10,657,640	10,971,472	11,232,618	11,496,338	45,258,067
	Fire Station 33 Renovation/Temp Site	Public Safety		1,200,000				1,200,000
	Fire Station 71 Renovation/Temp Site	Public Safety		1,200,000				1,200,000
	New Police Services Staffing	Public Safety	1,300,000	1,352,000	1,406,080	2,612,160	2,924,646	9,794,886
	Storm Channel and Retention Basin Imps	Infrastructure/H&S	5,508,000	8,000,000	5,000,000			18,508,000
	City-Wide Facility and Equipment Replacement	Infrastructure/H&S	8,307,001	9,944,665	7,798,734	12,665,305	9,254,602	48,270,506
New Public Works Staffing	Public Works	360,000	370,800	381,924	786,763	810,396	2,709,854	
Priority 2	Library Construction (\$20M Pd from Bonds)	Community Amenity				10,000,000		10,000,000
	North Sphere Regional Park	Community Amenity			15,000,000	15,000,000		30,000,000
	Spending Contingency/Reserve Replenishment	Fiscal Discipline/Responsibility				2,815,167		2,815,167
Total Planned Costs			16,465,001	32,724,905	40,558,238	52,697,646	27,311,319	169,756,480
Additional Amount needed from Reserve or Other Source			(16,465,001)	(7,560,385)	(14,689,094)	(26,181,302)	0	(64,895,680)

*Annual allocations are subject to City Council approval through the annual budget process. Spending will be audited annually.

** Priority 1 costs will be implemented upon TUT (Sales Tax) Measure approval and Priority 2 costs will follow in years 2-5.

ATTACHMENTS:

1. Resolution Approving FY 2024-25 Financial Plan and Capital Improvement Program
2. Resolution Establishing FY 2024-25 Appropriations Limit
3. Resolution Approving the FY 2024-25 Housing Authority Financial Plan
4. Resolution Approving FY 2024-25 Staff Allocation Plan and Salary Table
5. FY 2024-25 Out-of-State Travel Memo