

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: February 13, 2025

PREPARED BY: Veronica Chavez, Director of Finance

SUBJECT: ADOPT RESOLUTIONS APPROVING THE FISCAL YEAR 2024-25 MID-YEAR BUDGET ADJUSTMENTS AND REVISED STAFF ALLOCATION SCHEDULE

RECOMMENDATION:

1. Adopt a Resolution entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, AMENDING THE FISCAL YEAR 2024-25 BUDGET AS A RESULT OF MID-YEAR ADJUSTMENTS."
2. Authorize the Director of Finance to appropriate and transfer unobligated funds from Capital Projects Account No. 4004199-4501000 to General Fund Account No. 1100000-3910000 to cover mid-year requests in the total amount of \$1,326,110.
3. Adopt a Resolution entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, ADOPTING AUTHORIZED CLASSIFICATIONS AND ALLOCATED POSITIONS INCLUDED HEREIN ATTACHED AS EXHIBIT "A" AND RESCINDING RESOLUTION NO. 2024-047."

BACKGROUND/ANALYSIS:

Throughout the budget cycle, staff actively monitors actual revenues and expenditures and prepares a mid-year report for the City Council. The update allows staff to advise the City Council on major budget trends (revenue and expenditure) and propose changes where necessary to meet ongoing service demands or modifications related to economics or other factors. This report provides an update for the General Fund Operating Budget and Other Funds for Fiscal Year (FY) 2024-25 and outlines proposed budget adjustments for both general and other funds.

Based on staff's analysis, budget revisions are recommended to 1) implement required technical/rebalancing actions to align existing revenue estimates and expenditure budgets with the most current tracking information, 2) reallocate funding among appropriations based on updated needs, 3) implement technical and net-zero adjustments between revenue categories and expenditure appropriations; and 4) account for new or adjusted grants, reimbursements, or fees.

DISCUSSION:

On June 26, 2024, the City Council approved the City's FY 2024-25 budget with an estimated revenue surplus of \$159,865 in the City's General Fund.

In addition to the approval of the operating budget, the FY 2024-25 Annual Budget authorized appropriations from the General Fund Reserve balance in the amount of \$16,824,960, most of which were contingent upon the success of the November 5th election approving Measure G, a one-cent sales and use tax increase. Table A below reflects the intended use of those reserve funds:

Table A

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

Additional appropriations have been approved from the reserve throughout the fiscal year and are included in the summary of appropriations on page 4 of this report.

General Fund Revenues

The original estimate for FY 2024-25 General Fund revenues was \$83,222,877, representing an increase of approximately \$7.66 million (10%) over the FY 2023-24 budget. This estimate was based on recovery indicators and anticipated development activity within the City. What was not known at that time was the impact of the current economic factors as they relate to shoppers and visitors or if Measure G would, in fact, be approved in November.

Staff has continued to evaluate the actual year-to-date revenues and determined that the original estimates need to be increased in the amount of \$4.46 million (5.3%) over the originally projected revenues. Although an increase in revenue is necessary, it should be noted that \$4 million of that is directly related to Measure G sales tax revenues, so compared to the vast growth the City realized post-pandemic, revenue has begun to normalize.

- Sales Tax has begun to show some settling as anticipated, and it is estimated to show an overall decline of approximately 7.5% by June 30th.
- One-Time payment (increase) of Timeshare Mitigation Fees.
- Although Transient Occupancy Tax remains on track with prior year receipts, history has shown it trends with Sales Tax revenue.
- Permits and fees have seen moderate decreases related to current development activity in the City.
- Interest earnings indicate a slight increase this year as it continues to trend with prior year end actuals.
- An updated estimate was provided by the County Auditor-Controller, relative to Library related property tax revenue, showing a decrease to the original estimate.
- Measure G Sales Tax Revenue will be implemented on April 1, 2025, and is anticipated to generate about \$4M in the 2nd Quarter of 2025.

Table B summarizes the net increase of \$4.46M to General Fund Revenues:

City of Palm Desert
(FY 2024-25 Midyear Budget Adjustments and Staff Allocation Update)

Table B

GENERAL FUND	Revenues	Expenditures	Surplus/ (Deficit)
Original Budget	83,222,879	83,063,012	159,867
Carryovers and Approp from Reserve*		24,635,376	
Midyear Adjustment**	4,458,904	1,326,110	4,618,771
Change to General Fund*	87,681,783	109,024,498	

* Appropriations approved from General Fund Reserve

** Midyear Adjustments may be covered by transfer in from Capital Fund (no additional impact to GF)

The General Fund account breakdown of revenue estimates is detailed below:

Table C

GENERAL FUND	CATEGORY	ORIGINAL BUDGET	PROPOSED ADJUSTMENT REQUEST	REVISED BUDGET REQUEST
Revenue	Property Tax Increment	1,727,758	200,000	1,927,758
	Unsecured Taxes	141,612	10,000	151,612
	Unsecured Taxes - No-Low	142,211	10,000	152,211
	Timeshare Mitigation Fee	1,754,107	1,711,595	3,465,702
	Library Tax - Prop Tax	2,400,000	(221,000)	2,179,000
	Sales Tax/Meas A Sales Tx	25,000,000	(2,000,000)	23,000,000
	Sales Tax - 1% District Tax	-	4,000,000	4,000,000
	State Ada License Fee \$1	-	350	350
	Job Valuation Insp Fee	106,500	(50,000)	56,500
	TOT - Collected Fm Audit	5,000	3,500	8,500
	Short Term Rentals	2,900,000	(150,000)	2,750,000
	Business Lic Delinq Fee	43,000	20,000	63,000
	Transient Occ Tax Delinq	11,000	29,000	40,000
	Building Permits	1,428,300	(328,000)	1,100,300
	Grading Permits	11,000	25,000	36,000
	ROW Encroachment Permits	85,500	45,000	130,500
	Miscellaneous Permits	800	650	1,450
	State Grants	-	151,000	151,000
	Administration Fees	30,000	100,000	130,000
	Zoning Fees	68,000	(7,000)	61,000
	Sale Of Map/Plan/Public	3,500	500	4,000
	Miscellaneous Fees	15,000	10,000	25,000
	Special Events	3,000	(1,500)	1,500
	Haul Route Fee	6,000	12,000	18,000
	Code Compl Serv Insp Fee	50,000	(25,000)	25,000
	Nuisance Abatement Tax	5,600	(1,600)	4,000
	Abandoned Veh Abatement	24,999	20,000	44,999
	Rebates	-	1,000	1,000
	Reimb Fr Non-GovT Party	-	173,909	173,909
	Reimb Fr Other Government	200,000	200,000	400,000
	Traffic Light	-	1,500	1,500
	Municipal Court Fines	3,000	8,000	11,000
	Vicr Fees - Police Dept	67,000	10,000	77,000
	Interest Income	4,500,000	500,000	5,000,000
			4,458,904	

General Fund Expenditures

The original estimate for FY 2023-24 General Fund appropriations was \$83,063,012, representing an approximate increase of \$7.71 million (10%) compared to FY 2023-24. The original projections included increases in professional services costs, personnel services and benefits related to the MOU negotiations, the cost of contracts due to anticipated labor increases, supply chain issues, and the addition of the new Library Department.

Post FY 2024-25 Annual Budget Approval

The Annual Budget includes the five-year Capital Improvement Plan (CIP). In the CIP Plan, staff includes any balance from the prior year that needs to be carried over into the subsequent year to complete tasks. Staff also identified projects in the General Fund that were transferred to the Capital Projects Fund as they misstated operating costs. Finally, additional appropriations have been approved by the City Council since the FY 2024-25 Annual Budget request due to unforeseen circumstances/costs. Below is a summary of each of those changes:

Table D

FY 2024-25 Appropriations through Midyear	
FY 2024-25 Approved Original Budget	83,063,012
Carryover Balances from PY 2023-24	3,645,085
FY 2024-25 Reserve Use Request w/Orig Budget	16,824,549
FY 2024-25 Requests for Appropriations approved by CC	1,482,429
Projects moved from Gen Fund to Cap Proj	2,683,314
Total FY 2024-25 Approved Appropriations to Date	107,698,389
Additional General Fund Requests at Midyear	1,326,110
Transfer in from Capital Projects Fund Balance	(1,326,110)
Additional Funds Needed for FY 2024-25	-

As noted in Table D above, a net zero increase to appropriations is being requested for the General Fund. Staff actively reallocates funds whenever possible to absorb increased costs and maximize use of funds currently allocated. Funds are available in the Capital Projects Fund and may be reallocated. Tables E and F show midyear requests by category and department:

Table E

Category	Combined Midyear Request
Salaries	267,018
Meeting Compensation	41,611
Benefits	390,900
Supplies	73,000
Legal Fees	383,396
Professional Services	195,000
Community Safety	11,000
OA Funding	265
Subscriptions	(1,000)
Software Licenses	150,000
Cell Phones/Tablets	8,420
Office Equipment	(10,000)
Transfers Out	(183,500)
Total Gen Fund Midyear	1,326,110

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(FY 2024-25 Midyear Budget Adjustments and Staff Allocation Update)

Table F

Department	Original Budget	Midyear Adjustment	Revised Budget
4110 City Council 110	350,401	69,843	420,244
4111 City Clerk	1,192,865	144,754	1,337,619
4112 Legislative Advocacy	40,845	-	40,845
4114 Elections	165,000		165,000
4120-21 Legal	776,110	383,396	1,159,506
4130 City Manager	2,327,045	(46,639)	2,280,406
4132 Special Programs	-		-
4134 Capital Projects	1,708,874	(134,930)	1,573,944
4150-51 Finance and Audit	2,543,819	297,368	2,841,187
4154 Human Resources	1,117,478	4,359	1,121,837
4159 General Services	6,499,484	75,000	6,574,484
4190 Information Technology	6,633,312	155,499	6,788,811
4191 Unemployment Insurance	10,000		10,000
4192 Insurance	1,180,423		1,180,423
4199 Interfund Transfers	27,905,308	(183,500)	27,721,808
4210 Police Services	23,346,461		23,346,461
4211 Community Safety	131,100	86,000	217,100
4212 Homelessness Service	103,000		103,000
4230 Animal Regulation	592,000		592,000
4250 Traffic	1,694,949	76,809	1,771,758
4300 Public Works	1,862,840	123,965	1,986,805
4310 Streets	3,004,144	(60,542)	2,943,602
4311 Street Resurfacing	-		-
4312 ADA Improvements	50,000		50,000
4313 Parking Lot Improvements	688,380		688,380
4314 Street Resurfacing	-		-
4315 Street Resurfacing	-		-
4330 Corp Yard	256,200		256,200
4331 Fleet	433,615		433,615
4340 Building Maint	1,302,958	(47,728)	1,255,230
4344 Portola Community Ctr	219,750		219,750
4396 NPDES	350,000		350,000
4416 Community Promotions	557,720		557,720
4417 Marketing	2,206,326	79,685	2,286,011
4419 Visitor Services	12,930		12,930
4420 Building and Safety	1,358,441	144,117	1,502,558
4421 Permit Center	1,006,870	173,872	1,180,742
4422 Code Enforcement	950,985	7,677	958,662
4423 Engineering & Land Develop.	296,133	47,455	343,588
4430 Economic Development	1,846,166	(35,186)	1,810,980
4470 Community Development	3,127,325	27,656	3,154,981
4610 Parks and Recreation	2,189,961		2,189,961
4611 Park Maintenance	1,518,375		1,518,375
4614 Landscape Services	4,086,594	(63,085)	4,023,509
4618 Citywide Park Imps	75,177		75,177
4674 Civic Center Park Imps	-		-
4800 Contributions	1,979,025	265	1,979,290
	107,698,388	1,326,110	109,024,498

Other Governmental Funds

Other Governmental Funds typically consist of several other types of restrictive purpose funds: Special Revenue Funds, Debt Service Funds, Capital Improvement Funds, Internal Service Funds, Enterprise Funds, and Fiduciary Funds. Like the General Fund, the Other Funds require adjustments to 1) implement required technical/rebalancing actions to align existing revenue estimates and expenditure budgets with the most current tracking information, 2) reallocate funding among appropriations based on updated needs; and 3) implement a number of technical and net-zero adjustments between revenue categories and expenditure appropriations.



Other funds include transportation, signalization, parks, drainage, fire facility fees, housing mitigation, art in public places, childcare facilities, grant funds, recycling, aquatic center, 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. Estimated revenues for FY 2024-25 for Other Funds were approved at \$90,573,174 with an appropriation of \$141,834,225. The variance of \$51,261,051 was to be

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absorbed by Fund Balance and transfers from the General Fund, if necessary. Following staff's analysis, we anticipate a net decrease to appropriations in Other Funds. Most of the decrease is related to the timing of the Fire Station Renovation/Rehab at Stations 33 and 71. Revenue increases are primarily related to grant funding allocations, aquatic facility fee increases, and interest earnings. Table G provides the breakdown of the net decrease to Other Funds:

Table G

Other Fund	Revenue Adjustment	Expenditure Adjustment	Net Request
Measure A	-	(123,922)	(123,922)
Housing Mitigation Fee	(100,000)		(100,000)
Permanent local Housing Allocation Grant (PLHA)		(150,000)	(150,000)
Opioid Settlement Funds	352,728	150,000	502,728
Child Care Program	(100,000)		(100,000)
New Construction Tax	(500,000)		(500,000)
Drainage Facility	150,000	(16,983)	133,017
Park and Recreation	75,108		75,108
Aquatic Facility	266,367	(305,258)	(38,891)
Cannabis Tax	(65,452)		(65,452)
Library Services	(170,312)	51,362	(118,950)
El Paseo BID	50,000	50,000	100,000
Landscape & Lighting Zones	37,500	61,003	98,503
Section 29 - BAD	(70,000)		(70,000)
Assessment Dist Section 29		1,328,700	1,328,700
Economic Development	133,488		133,488
Desert Willow		(75,952)	(75,952)
SARDA CIP & Properties		(12,026,696)	(12,026,696)
Library CIP	180,000		180,000
Housing Set Aside Fund		(105,109)	(105,109)
Housing Asset Fund	1,706,728		1,706,728
	1,946,155	(11,162,854)	(9,216,699)

All FY 2024-25 budget changes, including this midyear request, are summarized in Table H below.

Table H

	REVENUE	FY 2024-25	Carryovers and	Midyear Request	FY 2024-25
		Original Budget	Appropriations		Amended Budget
Other Funds	Special Revenue Funds	55,274,298	(508,035)	1,632,667	56,398,930
	Capital Project Funds	11,809,555	8,285,882	313,488	20,408,925
	Debt Service Funds	122,991	-	-	122,991
	Internal Service Funds	855,300	1,073,324	-	1,928,624
	Enterprise Funds	18,673,509	-	-	18,673,509
	Fiduciary Funds	3,837,521	622,991	-	4,460,512
	Total Other Funds	90,573,174	9,474,162	1,946,155	101,993,491
	General Fund	83,222,879	-	4,458,904	87,681,783
	Total All Funds	173,796,053	9,474,162	6,405,059	189,675,274

	EXPENDITURES	FY 2024-25	Carryovers and	Midyear Request	FY 2024-25
		Original Budget	Appropriations		Amended Budget
Other Funds	Special Revenue Funds	72,029,008	27,247,477	(388,906)	98,887,579
	Capital Project Funds	32,709,324	25,296,225	(12,102,648)	45,902,901
	Debt Service Funds	120,665	-	1,328,700	1,449,365
	Internal Service Funds	3,906,783	1,411,396		5,318,179
	Enterprise Funds	25,488,527	2,868,027		28,356,554
	Fiduciary Funds	7,579,918	120,665		7,700,583
	Total Other Funds	141,834,225	56,943,790	(11,162,854)	187,615,161
	General Fund	83,063,012	24,635,376	1,326,110	109,024,498
	Total All Funds	224,897,237	81,579,166	(9,836,744)	296,639,659

Staff Allocation

Finally, an updated staff allocation resolution is included to reflect changes made by the City Manager throughout the current fiscal year to meet City Council goals.

Legal Review:

This report has been reviewed by the City Attorney's Office.

FINANCIAL IMPACT:

Staff requests a transfer from available Capital Project Funds to cover the total midyear adjustment request of \$1,326,110 to the General Fund. Although the City Manager is authorized to make intra- and inter-departmental adjustments as well as intra- and inter-fund adjustments to meet City needs and/or adjust staffing, this request is being brought to the Council to maintain transparency and update budgets to accommodate actual needs.

The mid-year adjustments have taken into consideration the City Manager's authorization to adjust staff. An updated Staff Allocation Resolution is included in the packet to support any changes made since the approval of the FY 2024-25 Annual Budget.

ATTACHMENTS:

1. Resolution Adopting Midyear Budget
2. Resolution Adopting Staff Allocation Update
3. Exhibit A- Position Allocation
4. FY 2024-25 Annual Budget Staff Report Approved June 27, 2024