

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: May 22, 2025

PREPARED BY: Veronica Chavez, Director of Finance

SUBJECT: APPROVE RESOLUTION REVISING FISCAL YEAR 2024-25
APPROPRIATIONS LIMIT

RECOMMENDATION:

Adopt a resolution entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, REVISING THE ESTABLISHED APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2024-25."

BACKGROUND/ANALYSIS:

Proposition 4 (1979) and later amended by Proposition 111 (1990) create a restriction on the amount of government revenue which may be appropriated in any fiscal year. The Appropriations Limit is based on actual appropriations during the base year and increases each year using specified growth factors. The Appropriations Limit applies only to those revenues defined as "proceeds of taxes." Certain expenditures of tax proceeds do not count as appropriations subject to the limit. The limit is adjusted annually to account for changes in population and changes in the cost of living. Reports are provided by the State of California Finance Demographics Unit.

Using the State reports, as part of the Annual Budget, staff calculates the necessary Appropriations Limit for the City. During the FY 2023-24 year-end audit, it was noted that a variance had been identified in the "calculated limit" due to rounding. Because each year builds on the last, staff realized quickly that it meant the current year Appropriations Limit would also need to be revised for accuracy, even though actual appropriations remain well within the limit. The FY 2024-25 Appropriations Limit has been recalculated to ensure that we recognize the correct limit in compliance with State requirements.

FY 2024-25	AS SUBMITTED W/ANNUAL BUDGET	CORRECTED LIMIT
CALCULATED LIMIT	181,517,586	182,253,881
APPROPRIATIONS SUBJECT TO LIMIT	72,369,196	79,600,575
AMOUNT OVER/(UNDER) LIMIT	(109,148,390)	(102,653,306)

Legal Review:

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

FINANCIAL IMPACT:

The revised FY 2024-25 Appropriations Limit substantially exceeds the budgeted appropriations subject to the limit. Therefore, there is no additional impact to the General Fund with this action.

ATTACHMENTS:

1. Resolution No. ____ Revising the FY 2024-25 Appropriations Limit
2. Original Appropriations Limit Calculation