

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: June 26, 2025

PREPARED BY: Veronica Chavez, Director of Finance

SUBJECT: APPROVAL OF RESOLUTIONS RELATED TO THE ADOPTION OF THE FISCAL YEAR 2025-26 FINANCIAL PLAN AND CAPITAL IMPROVEMENT PROGRAM

RECOMMENDATION:

1. Conduct a Joint Public Hearing and accept public comment on the proposed Fiscal Year 2025-26 City and Housing Authority Financial Plan, including the Capital Improvement Program.
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, 2025 THROUGH JUNE 30, 2026 AND CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEARS 2025-26 THROUGH 2029-30."
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 2025-26."
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, 2025 THROUGH JUNE 30, 2026."
5. Adopt a Resolution entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, RESCINDING AND REPLACING RESOLUTION NO. 2025 __, ADOPTING AUTHORIZED CLASSIFICATIONS, ALLOCATED POSITIONS, SALARY SCHEDULE, AND SALARY RANGES INCLUDED HEREIN AND ATTACHED AS "EXHIBIT A" EFFECTIVE JULY 1, 2025", setting the Fiscal Year 2025-26 Salary Schedules, Salary Ranges, and Allocated Classifications.
6. Approve Fiscal Year 2025-26 Out-of-State Travel List as listed in the attached memorandum.

EXECUTIVE SUMMARY:

Fiscal Year (FY) 2025-26 General Fund Budget

Revenue	Expenditures	Surplus
\$109,743,818	\$109,424,005	\$319,813

- **CIP (Year 1):** \$67.11 million
- **Public Safety Budget:** \$64.16 million
- **No use of reserves for operations**

BACKGROUND/ANALYSIS:

Budget Overview:

On May 8, 2025, the City Council held a study session to discuss the Operating Budget, Capital Project priorities, Five-Year Projections, and the estimated revenues and expenditures for the upcoming Fiscal Year 2025-26 Financial Plan. City Council provided feedback and general comments to staff for inclusion in the final budget submission.

The Fiscal Year 2025-26 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 Operating Budget is developed in alignment with the 2025 City Council Goals and Priorities and identified community needs.

General Fund:

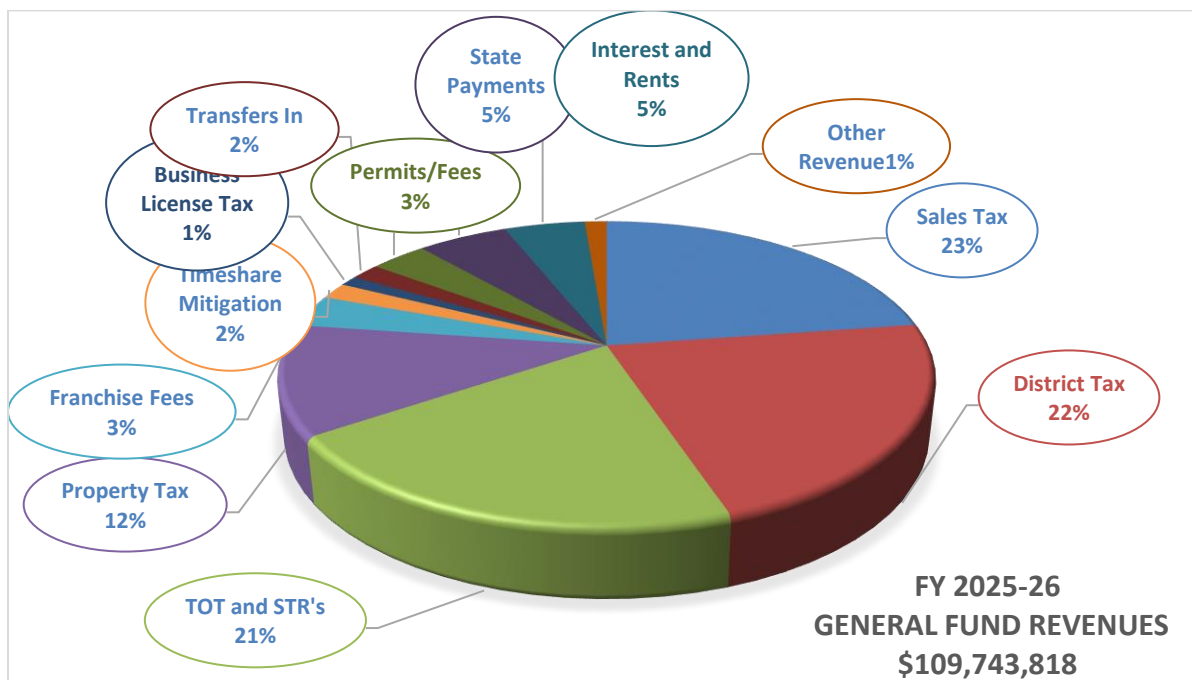
The General Fund supports core City services such as:

- Police Services
- Administration
- Public Works
- Parks
- Planning & Development Services
- Economic Development
- Fire (partially)

Revenue Increase:

FY 2025-26 General Fund revenues are projected at **\$109,743,818** compared to the current fiscal year's original revenue estimate of \$83,222,877. Revenue estimates have been adjusted slightly following the May Budget Study Session to account for an update on Measure G Revenue Projections from our Sales Tax Consultant, resulting in an additional \$300,000.

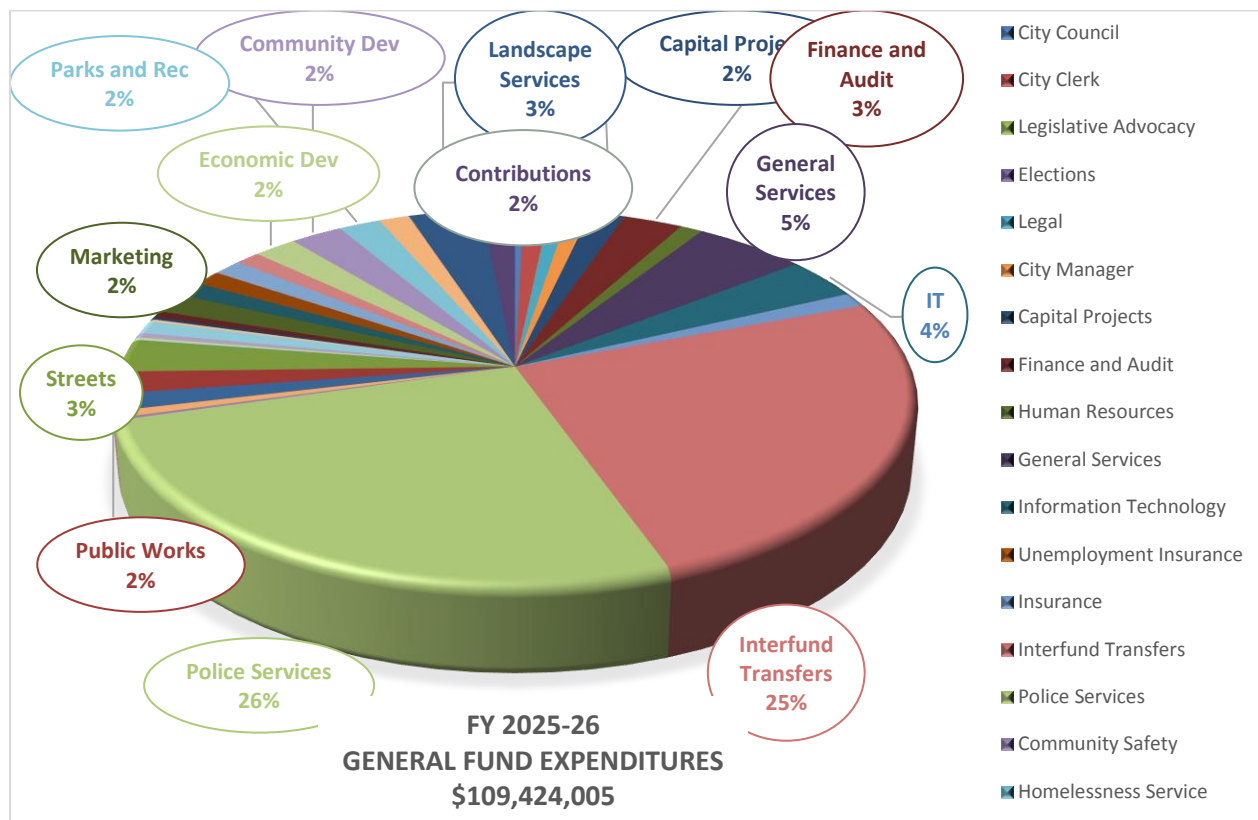
- Up 31.9% from prior year, driven by Measure G sales tax and property tax.



Expenditure Increase:

The proposed General Fund operating expenditure budget is **\$109,424,005** compared to the current fiscal year's approved original budget of \$83,063,012. Expenditures have been adjusted slightly to account for the increased allocations to Outside Agency Funding, offset by a small decrease in estimated staff costs.

- Up 31.8% over prior year, primarily due to public safety costs, personnel services, and Measure G implementation.



The General Fund budget supports the daily services residents rely on, including:

- **Police protection and public safety**
- **Street and park maintenance**
- **Planning, building, and code enforcement**
- **Recreational programs and community services**

These services will continue without cuts or reduction in quality.

Measure G Summary:

- FY 2025-26 is the first full year of Measure G sales tax revenues.
- Projected Funds have been allocated per the Five-Year Spending Plan.
- Supports public safety, infrastructure, and service enhancements.

City of Palm Desert
Adoption of FY 2025-26 Financial Plan and CIP

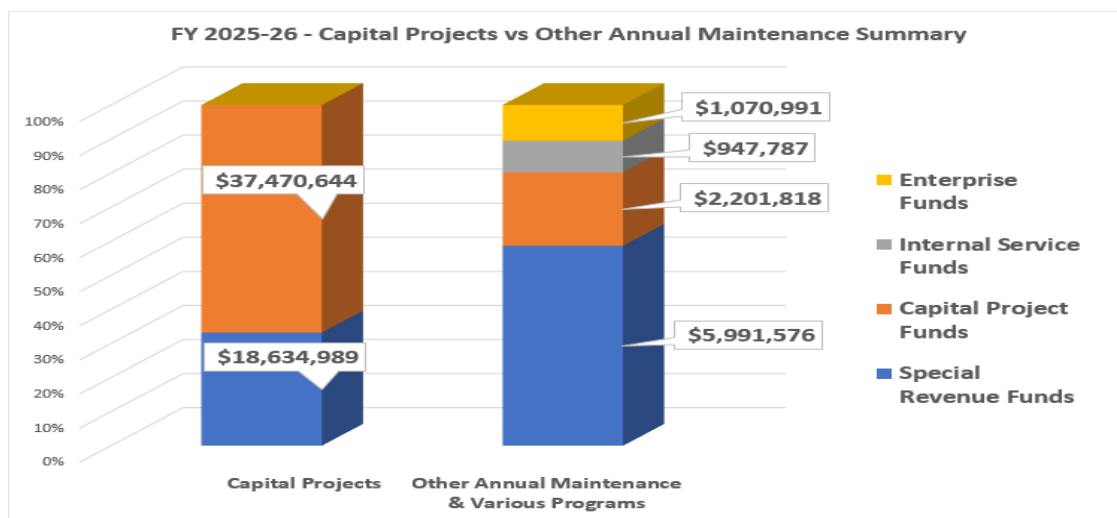
PALMDESERT TRANSACTION AND USE TAX (TUT) - 5 YEAR SPENDING PLAN AND PRIORITIES

	Category	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total 5-Yr Plan	
1 cent sales tax			25,164,510	25,869,116	26,515,844	27,311,320	104,860,790	
Current Planned Costs								
Priority 1**	New Fire Services Staffing	Public Safety	900,000	10,657,440	10,971,472	11,232,818	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	2,600,000	2,704,000	2,812,160	5,849,293	15,265,453
	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 Replacem	Infrastructure/H&S	8,397,001	9,944,665	7,798,734	12,865,305	9,264,802	48,270,506
	New Public Works Staffing	Public Works	360,000	370,800	381,924	786,763	810,366	2,709,854
Priority 2	Library Construction (\$20MPd 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 Replenishm Fiscal Discipline/Responsibility						2,815,167	2,815,167
	Total Planned Costs		16,465,001	33,972,905	41,856,130	52,697,046	30,235,966	175,227,047
Additional Amount needed from Reserve or Other Source		(16,465,001)	(8,808,395)	(15,987,014)	(26,181,202)	(2,924,646)	(70,366,257)	
*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								

Capital Improvement Program (CIP):

The proposed FY 2025-26 CIP totals \$67.11 million and contains key infrastructure projects funding such as:

- Fire Station 102 and Fire Stations 33/71 Renovation/Rehabilitation
- Palm Desert Library
- Public Facility Upgrades
- **Funding Sources:** General Fund, Measure G, Measure A, and other restricted funds
- Aligns with 2025 City Council Goals and Priorities
- General Plan Consistency confirmed by the Planning Commission - May 20, 2025



Public Safety:

One of the City's overall largest expenditures is the cost of public safety services. It is also the largest General Fund expenditure even though the General Fund is not the only funding source. The City Council's commitment to the Measure G Five-Year Plan further demonstrates their commitment to the public safety of our residents and citizens.

The other main funding source for public safety is the Fire (Special) Fund. 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. Measure G Funds have also been allocated to support Fire Services and Projects. The budget anticipates completion of construction and making Fire Station 102 operational by April/May 2026.

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

Public Safety	Distribution		
	Total Request	General Fund	Special Fund
Police Service	28,713,628	28,373,878	339,750
Community Safety and County EMS	220,084	220,084	
Homelessness Services*	445,000		445,000
Fire Services**	34,783,794	10,425,000	24,358,794
Total Public Safety	\$64,162,506	\$39,018,962	\$25,143,544

* Paid by PLHA grant and opioid settlement funds

** Paid by Fire and General Fund (includes Capital Costs)

- **Total Cost:** \$64.16 million
- **General Fund Share:** 36% of General Fund budget
- **Fire Station 102 Completion:** May 2026

Other Governmental Funds:

The City's Financial Plan (Exhibits 1 and 2) includes many 'governmental funds' other than the General Fund. 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.

Total Budget: \$144.2 million across all Other Funds, such as:

- Transportation
- Parks & Drainage
- Housing Mitigation
- Public Art & Childcare Facilities
- Enterprise Funds (e.g., Desert Willow, Parkview Office)

- Internal Service, Debt Service, and Assessment Districts
 - Housing Authority
-

Appropriations Limit (*State Imposed Spending Cap*):

Article XIII B of the California Constitution limits local government appropriations annually. For FY 2025-26, Palm Desert's calculated limit is \$194,068,627. The appropriations requested within the FY 2025-2026 Financial Plan, subject to the limit, are well below the maximum allowed expenditures.

- **FY 2025-26 Limit:** \$194,068,627
 - **GF Budgeted Appropriations:** At \$109.4 million we are well within the legal limit
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Staff Allocation and Out of State Travel:

In alignment with Section 2.52 of the Municipal Code, the City Council routinely adopts a resolution authorizing its classification groups, allocated positions, and the salary schedule with the Financial Plan. These resolutions operationalize that authority by specifying:

- What positions can exist
- How employees are classified
- What their salaries will be
- Gives the City Manager authority to modify if necessary for business, within budget

The City's Travel Policy requires that all Out of State travel be approved by the City Council at a public meeting. The list of anticipated conference, seminar, and travel for each department in FY 2025-26 has been included in this packet. Any out of state travel not included on the list will have to be requested individually (via staff report) prior to any costs being incurred.

Conclusion:

This FY 2025-26 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 cost savings can be achieved while maintaining expected service levels.

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, provided such adjustments do not exceed the approved total budget. Staff will continue to monitor 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 2025-26 Financial Plan and Capital Improvement Program as presented, in addition to all other required documents.

FINANCIAL IMPACT:

The FY 2025-26 Financial Plan, as presented, results in a revenue surplus, does not require the use of Reserves for operations, and aligns with the 2025 City Council Goals.

The anticipated General Fund Balance at FYE June 30, 2025 is estimated to be \$99.4 Million. \$76 million of that balance must be maintained as committed and assigned reserves for FY 2025-26, per the policy. Staff will return after summer break to provide additional information during a study session on the 10-year cash flow projections, impact to reserve balance, and potential policy options for consideration. Key takeaways are as follows:

- **Projected Surplus as Proposed: \$319,813**
- **No reserves used for operations**
- **Measure G is fully allocated per plan and reviewed by the Finance Committee**
- **Aligns with the 2025 City Council Goals and Priorities**

Attachments:

1. Resolution Approving the FY 2025-26 Financial Plan and Capital Improvement Program
2. Resolution Establishing the FY 2025-26 Appropriations Limit
3. Resolution Approving the FY 2025-26 Housing Authority Financial Plan
4. Resolution Approving the FY 2025-26 Staff Allocation Plan and Salary Table
5. FY 2025-26 Out-of-State Travel Memo