

	CITY OF PALM DESERT ADMINISTRATIVE PROCEDURES	
	<i>Subject</i>	Operating Budget Policy
	<i>Policy No.</i>	FIN – 015
	<i>Date</i>	Issued: January 22, 2026
	<i>Approved by</i>	Resolution No. 2026- ____ Authorizing an Operating Budget Policy
	<i>Authored by</i>	Finance Department

OPERATING BUDGET POLICY

I. PURPOSE

The Government Finance Officers Association (GFOA) recommends that governments adopt a policy that defines a balanced budget, commits to ensuring a balanced budget is maintained in order to provide the best possible services to taxpayers, and provides disclosure when a deviation from a balanced budget occurs.

These Budget Policies establish the City of Palm Desert’s guidelines for budgetary decision-making and standards for sound fiscal performance. Adopting and consistently following these policies supports the City’s current and long-term goals in a fiscally responsible and sustainable manner, consistent with recognized municipal budgeting best practices. Objectives are as follows:

- Ensure timely adoption of a balanced annual budget.
- Promote long-term financial sustainability and structural balance.
- Strengthen transparency and public participation.
- Ensure effective internal controls and budget compliance.
- Improve capital planning and infrastructure lifecycle management through the Ten-Year CIP.
- Support service delivery through performance and outcome measures.

II. SCOPE

1. Fiscal Year

The City of Palm Desert fiscal year is July 1 through June 30.

2. Roles

- City Council: Adopts budget and appropriations; establishes budget goals and priorities.
- City Manager: Directs budget development and implementation.
- Finance Department: Leads forecasting, budget development, monitoring, reporting, and internal controls.

- Departments: Submit service level needs, staffing requests, and CIP proposals meeting priorities and goals of City Council.
- Public: Provides input through hearings and accessible budget information.

3. Annual Budget Phases

1. Budget Development
2. Budget Review
3. Budget Adoption
4. Budget Monitoring

III. OPERATING & CAPITAL BUDGET POLICIES

1. Balanced Budget Requirement

The City shall adopt and maintain a balanced annual operating budget and an integrated capital budget. Annual operating expenditures shall not exceed annual operating revenues plus available unrestricted fund balance, subject to reserve policy requirements.

Structural Balance: The City shall strive for a structurally balanced budget where ongoing expenditures are supported by ongoing revenues. The City shall not rely on one-time revenues, reserves, or deferrals to sustain ongoing costs, except as permitted under FIN003.

a. Administrative Policy No. FIN003 (Reserve Compliance)

The City shall maintain reserves consistent with the City's adopted Reserve Policy FIN003. Use of reserves in budget development or budget execution shall comply with FIN003 requirements, including minimum targets, approved purposes, replenishment requirements, and Council approval thresholds as applicable.

Reserves shall be used primarily for emergencies, disaster recovery, economic downturn stabilization, one-time strategic investments, and cash flow or timing needs consistent with FIN003.

2. Public Involvement & Transparency

Public participation shall be encouraged through public hearings, outreach and interactive publication of accessible budget materials and summaries on the City's webpage. The City will strive to provide a user-friendly online budget portal, plain-language summaries, and ADA-compliant formats.

3. Council Role & Budget Priorities

City Council shall establish budget priorities early enough to inform the City Manager's proposed budget. Council priorities may be adopted by resolution, incorporated into Council goal-setting, or otherwise communicated through the adopted budget calendar.

4. Multi-Year Financial Forecasting

The City shall prepare a multi-year financial forecast projecting revenues and expenditures over a five to ten-year period (or longer as available) to guide long-term fiscal planning and serve as the framework for annual budgeting. Forecasts will be implemented using

best practices and should include baseline trends and alternative scenarios, and identify risks, long-term obligations, and known cost drivers.

5. Operating Budget Standards

The operating budget shall include revenue and expenditure appropriations, staffing levels, department missions and objectives, and performance measures and targets. Departments shall identify service impacts for proposed reductions and expected outcomes for enhancements.

6. Administrative Policy No. FIN-015 (Capital Improvement Program (CIP) Plan and Budget — Ten-Year CIP)

The City of Palm Desert shall develop and maintain a Ten-Year Capital Improvement Program (CIP) to plan for the repair, rehabilitation, replacement, and construction of municipal infrastructure and major assets.

The Ten-Year CIP shall be informed by asset condition assessments and lifecycle needs; service level priorities; regulatory requirements and risk reduction needs; strategic plans, Council priorities, and community input; funding constraints; and deliverability/readiness considerations.

The annual CIP budget shall be developed in conjunction with the operating budget to ensure the City can afford both the construction of assets and the long-term operating and maintenance impacts associated with completed projects.

In order to support informed decision making, the following enhancements will be included as part of the CIP Plan:

- Require a lifecycle or long-term asset impact statement for capital projects seeking funding (including estimated operating impacts when applicable).
- Periodically evaluate stalled or inactive projects and reprogram funding when warranted to maintain deliverability and financial flexibility.
- Use an adopted CIP prioritization framework to score and rank projects transparently and consistently.
- Use the Ten-Year horizon to identify long-term funding gaps and develop strategies (grants, partnerships, phased delivery, cost control).

7. Basis of Budgeting & Fund Inclusion

The City shall prepare budgets consistent with applicable accounting standards. The budget document shall present a comprehensive view of the General Fund and other budgeted funds, including the Ten-Year CIP and annual CIP appropriations.

8. Long-Term Infrastructure Affordability

The City will evaluate the affordability of the Ten-Year CIP by comparing projected capital needs with projected funding capacity and long-term operating impacts, and will identify funding gap strategies such as grant planning, phased delivery, prioritization adjustments, and O&M planning.

IV. BUDGET EXECUTION & CONTROLS

1. Budgetary Control

Budgetary control shall be established through the City's annual appropriation authority. Departments shall not expend beyond authorized appropriations unless revised through approved processes. The City Manager has the authority to move budgets inter and intra to support operating needs of the organization.

2. Financial Reporting & Monitoring

Finance shall monitor revenues and expenditures throughout the fiscal year, identify significant variances, and present regular monitoring reports to Council. At minimum, the City should provide a mid-year update to City Council (if necessary) and quarterly monitoring reports to Department Heads.

3. Budget Variance Response Policy (FIN003-Aligned)

When a deficit is projected, the City shall identify alternative funding sources, reductions, reallocations, or deferrals; require departments to submit mitigation plans when material overages are forecasted; and use reserves only in accordance with Reserve Policy FIN003, with required documentation and replenishment plans.

Deficit Trigger Protocol:

- Early Warning Trigger: projected variance > 1% of General Fund.
- Action Trigger: projected variance > 2% of General Fund (activate spending controls and Council briefing).

4. Performance Reporting

Budgets shall include performance data and targets when feasible. The City should publish an annual performance and outcomes summary alongside the budget.

5. Encumbrances

Departments shall encumber funds expected to be spent in the current fiscal year and close unnecessary encumbrances prior to year-end. Exceptions may be granted for major contractual obligations in coordination with Finance.

V. REVENUE POLICIES

1. General Revenue Policies

Forecasts shall be supported by objective data and internal methodologies. General Fund revenues shall not be earmarked unless required by law or accounting standards.

2. One-Time Revenues

One-time revenues shall be used for one-time expenditures. Ongoing expenditures shall be funded by ongoing revenues. Surpluses should prioritize debt reduction, infrastructure backlog reduction, technology modernization, or reserve replenishment.

3. User Fees

User fees shall follow the City's adopted user fee policy and be reviewed periodically.

4. Economic Indicators & Forecasting

The City shall consider multiple economic indicators and historical trends when developing revenue projections and maintain a revenue risk register for major revenue sensitivities.

5. Legislative & Policy Monitoring

Finance shall monitor State and federal policy changes affecting City revenues and adjust projections as needed.

VI. EXPEDENTURE POLICIES

1. General Expenditure Policies

The budget process shall weigh competing requests within fiscal constraints. New initiatives outside the annual budget process should be limited to urgent needs, accompanied by a funding plan, and may use reserves only in accordance with Reserve Policy FIN003 (Productivity Savings/Innovation Reserve).

2. Pension & OPEB Obligations

The City shall include appropriate funding for long-term obligations consistent with actuarial recommendations and legal requirements and include trends and risks in the multi-year forecast.

3. Budgeted Positions & Vacancy Factor

All positions shall be budgeted. Grant-funded positions shall be limited to grant duration. Vacancy factors may be used where appropriate to align budget with expected actuals.

4. Employee Organization MOU's

The City shall budget compensation and benefits consistent with labor agreements and include multi-year labor cost projections and fiscal impact analysis for significant changes.

VII. IMPLEMENTATION & COMPLIANCE

- 1) Finance shall publish annual budget instructions, calendar dates, and templates.
- 2) Departments shall comply with submission requirements and provide supporting evidence for requests.
- 3) Deviations from these policies require documentation and approval by the City Manager and/or City Council as applicable.
- 4) Policies shall be reviewed annually and updated as needed.

VIII. ATTACHMENTS (TEMPLATES)

- Attachment A — Annual Budget Calendar (Template)
- Attachment B — Operating Budget Request Form (Enhancement Template)
- Attachment C — Deficit Response Playbook (FIN003-Aligned)
- Attachment D — Ten-Year CIP Integration Summary

Attachment A — Annual Budget Calendar (Template)

Department Submissions Due	March 1st
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City Manager Proposed Budget Released	April 25th
Public Workshops/Hearings	May
Council Budget Adoption	2 nd Meeting in June
Quarterly Monitoring Reports	Dependent on Scheduled Department Meetings
Mid-Year Update	1 st Meeting in February

Attachment B — Operating Budget Request Form (Enhancement Template)

Request Title: _____

Department: _____

Description: _____

Objective/Outcome:

Full Cost (staffing/operating/maintenance):

Funding Source:

Sustainability Plan:

Performance Measures:

Service Impacts if Not Funded:

At this time, all Requests are Done in Laserfiche and will continue to be electronic as systems change.

Attachment C — Deficit Response Playbook

Trigger Thresholds:

- Early Warning: >1% GF variance
- Action: >2% GF variance

Mitigation Menu:

- Spending controls
- Hiring review/freeze
- Reduction tiers
- Reallocations
- Deferrals
- Reserve use (FIN003 compliant) with replenishment plan

Reporting:

Quarterly and as needed to Council; Mid-Year amendments as required.

Attachment D — Ten-Year CIP Integration Summary

- Ten-Year CIP updated annually with the budget process.
- Capital projects include lifecycle and operating impact statements.
- CIP projects prioritized using the adopted scoring framework.
- Public transparency includes project maps, summaries, and progress reporting.
- Coordination between CIP and operating budget ensures affordability of new assets.