



Staff Report

City Council

Item No. {{section.number}}.{{item.number}}

Meeting Date:	November 13, 2024
From:	Kevin Biersack, Financial Services Director
Title:	Fiscal Year 2024/2025 Budget Adjustments

RECOMMENDATION:

To approve a fiscal year (FY) 2024/2025 budget decrease to the General Fund in the amount of \$1,871,853 and non-General Fund decrease totaling \$96,985.

BACKGROUND:

The City of Cathedral City utilizes a biennial budget process – two separate, one-year budgets during the same approval cycle. Doing so has proven to be a good, effective strategy for these reasons:

- Cost and time savings by reducing staff preparation time
- Allows more time for program review and analysis of expenditures
- More conducive to long-term strategic planning, forecasting and analysis/results of decisions
- De-politicize the budget process by adopting biennial budgets in non-election years

There are government agencies utilizing an annual budget process, creating more pressure on staff with almost simultaneous actions to:

- Close the previous year's budget
- Administer the new year's budget, and
- Plan for the following year's budget

DISCUSSION:

Fiscal Year (FY) 2024/2025 is year two of the City's current biennial budget. This budget was adopted with a \$5.8+M deficit in May of 2023. In addition, FY 2024/2025 expenses

incurred from Tropical Storm Hilary, one-time costs for Esperanza Park construction, and increased insurance costs have resulted in extraordinary expenses being charged to the City's General Fund.

A. Proposed Budget Cut to FY 2024/2025

With the increased costs discussed above, staff has identified an area for cost reduction to alleviate additional expenses incurred to meet operating and/or strategic goals. With the continued increase in city staffing under the California Public Employees' Retirement System (CalPERS) Public Employees, Pension Reform Act (PEPRA) retirement program and our decreased staffing enrollment in the CalPERS Classic retirement program, we continue to see a decrease in our Other Post Employment Benefit (OPEB) liability. As a result, staff recommends the budgeted OPEB payments for FY 2024/2025 could be set aside in the current fiscal year resulting in a one-time savings of:

- OPEB General Fund (100) \$2,412,015
- Other Funds (241, 243 & 246) \$ 122,985

B. Budget Increases for FY 2024/2025

With the budget savings above, staff proposes using some of that savings to absorb the proposed expenses below. These items are requests for budget adjustments due to unexpected costs, e.g., IT Master Plan, and our continued proactive approach to funding some of our CalPERS obligation/liability – the Tier 2 and PEPRA retirement plans. These additional costs will assist in continued efficiencies in City operations.

PERS payments	
Miscellaneous Second Tier	33,982
Miscellaneous PEPRA	98,648
Safety Fire Second Tier	8,844
Safety Fire PEPRA	182,632
Safety Police PEPRA	154,769
PERS payment total	\$ 478,875
Agenda management (PEG Fund)	26,000
Website improvements	25,000
Mass communication system(codeRED)	25,000
International Board of Credentialing and Continuing Education Standards (I.B.S.S.E.S. autism Training)	11,287
Total Expenditure budget adjustments	\$ 566,162

These proposed budget expense authorizations total \$566,162, resulting in an overall:

- net decrease in General Fund (100) expenditure totaling \$1,871,853,

- net decrease in Gas Tax (241), Measure A (243) and AB 939 Environmental (246) totaling \$122,985, and
- budget adjustment to the Public Education and Government (PEG) Fund (236) totaling \$26,000 for the Agenda Management upgrade

FUND BALANCE PROJECTIONS

For the fiscal year ending (FY 2024/2025), General Fund financial data is provided below identifying the adopted/original Biennial Budget along with the associated projected Fund Balance “Savings Account” reserves for this year and forecasted net reserves in the following fiscal year:

	FY 2024/2025 Original Budget	FY 2024/2025 Projected	FY 2025/2026 Forecasted
Beginning General Fund Balance*	\$ 41,503,297	41,503,297	31,735,502
Revenues	64,600,726	64,646,766	67,278,677
Expenditures	70,425,394	77,038,557	74,737,482
Operating Surplus / (Deficit)	(5,824,668)	(12,391,791)	(7,458,805)
General Fund Balance	\$ 35,678,629	29,111,506	24,276,697
ARPA Revenue comprised of:	1,000,000	685,655	-
Rehiring Public Sector Staff	-	-	-
Revenue Recovery	-	-	-
FEMA Revenue**:	-	1,938,341	1,938,341
Surplus / (Deficit)	(4,824,668)	(9,767,795)	(5,520,465)
Ending General Fund Balance	\$ 36,678,629	31,735,502	26,215,037
33% Fund Balance Reserve Policy	23,475,131	25,679,519	24,912,494
50% Target Fund Balance Policy	35,212,697	38,519,278	37,368,741
Projected Fund Balance Reserve	52%	41%	35%
FY 2024/2025 Projected Includes - Bridges TS Hilary debris removal, Esperanza Park, Insurance Increase, GEMT Program			
FY 2025/2026 Projected Includes - Recurring costs of Insurance, Fire Overtime, Homelessness camps, Art in Public places, Flock Camera maintenance, GEMT Program			
* CV Rep loan receivable of 900k excluded			
** FEMA revenue is anticipated for FY 2024/2025 and subsequent year but not guaranteed			

With that said, it becomes even more important and prudent for City staff to be more deliberate and focus on efficiencies and priorities of our internal operations in supporting the community/constituents while safeguarding the financial stability of the City's General Fund. In doing so, we anticipate current year General Fund savings ranging from \$300,000-500,000.

- Staff vacancies will be evaluated and strategically filled based on department needs and goals while focusing on efficient operations.
- With our increased staff efficiencies, e.g., leveraging our Tyler Enterprise Resource Planning (ERP) systems, departments are continuing to maximize

those gains through streamlined processes.

With the City incurring extraordinary expense related to Tropical Storm Hilary in FY 2023/2024, it has become even more important for City staff to be prudent and continue being fiscally responsible. In future council meetings, we will brief Council on upcoming plans for road improvement projects using General Fund Maintenance of Effort (MOE), Measure A, SB-1 and/or available Assessment District funds. In addition, we will brief Council on the status of the various projects and damages related to the Federal Emergency Management Agency (FEMA) and California Governor's Office of Emergency Services (CalOES) Tropical Storm Hilary claims.

FISCAL IMPACT:

City Council approve FY 2024/2025 budget adjustments:

- General Fund (100) decrease totaling \$1,871,853
- Other Funds (241, 243 & 246) decrease totaling \$122,985
- PEG Fund (236) increase for \$26,000

FIVE-YEAR STRATEGIC PLAN:

Goal C: Fiscal Stability and Sustainability

Objective: Cathedral City has economically prospered by facilitating the investment of private dollars in high quality development which benefits the community. We remain financially solvent by instituting prudent fiscal policies and transparent financial practices.