



Staff Report

City Council

Item No. {{section.number}}.E

Meeting Date: October 23, 2024

From: Kevin Biersack, Financial Services Director

Title: FY 2023/2024 Preliminary Financial Results

RECOMMENDATION:

City Council approve a fiscal year (FY) 2024/2025 General Fund budget adjustment in the amount of \$395,968.88 from the previously obligated/unspent FY 2023/2024 expenditure budget.

BACKGROUND:

The purpose of this presentation is to update City Council on the status of the City's General Fund Year End Balance as of June 30, 2024 (FY 2023/2024). The City is closing the year with a \$2M+ surplus for FY 2023/2024. This brings the City's General Fund "savings account" balance to more than \$41M.

The City is ending FY 2023/2024 with a 62% Fund Balance reserve. It is worth noting that during times of extraordinary events such as Tropical Storm Hilary, it is essential the City maintain its Fund Balance at a minimum target balance of 33% of budgeted expenditures.

DISCUSSION:

The adopted budget for FY 2024/2025 was originally budgeted with a 52% Fund Balance reserve. With previously approved budgeted adjustments in FY 2023/2024 and the first quarter of FY 2024/2025, there are various one-time costs in the current fiscal year, e.g., Tropical Storm Hilary and Esperanza Park construction; and increased ongoing costs, e.g., insurance and ground emergency medical transport (GEMT). As a result, the City is currently projecting a Fund Balance reserve at 37% for the year ending June 30, 2025 (FY 2024/2025), which validates our City Council's historical decision to prioritize achieving/maintaining a minimum 33% Fund Balance reserve ("savings account").

In comparing the financial results for FY 2023/2024 to FY 2022/2023, the City recognized revenues totaling almost \$69.3M in FY 2023/2024, representing a small decrease from the previous fiscal year when revenues totaled almost \$70.7M. The primary factor in the revenue

decrease is due to the decrease in revenue recognized from the American Rescue Plan Act (ARPA) COVID-19 funding. After removing/adjusting for the ARPA revenue, FY 2023/2024 revenue totaled \$63,718,716 versus \$62,451,952 in FY 2022/2023 resulting in a revenue increase of almost \$1.3M. The following breakdown identifies the changes for the various revenue and expense categories:

REVENUE TYPES	2024 REVENUE	2023 REVENUE	INCREASE/ (DECREASE)
SALES TAX	\$ 13,489,607	13,871,872	(382,265)
TRANSACTION AND USE TAX	8,871,049	9,706,198	(835,149)
PROPERTY TAX	7,059,695	6,371,951	687,744
IN-LIEU VEHICLE LICENSE FEE	6,053,664	5,644,072	409,592
TRANSIENT OCCUPANCY TAX	5,070,749	5,413,963	(343,214)
USER UTILITY TAX	3,777,878	3,627,037	150,842
FRANCHISE FEES	3,026,731	2,914,705	112,026
CANNABIS TAX	2,837,618	3,001,871	(164,253)
TOTAL TAXES	\$ 50,186,992	50,551,669	(364,678)
SERVICES & FEES	6,240,522	5,439,006	801,516
LICENSES & PERMITS	3,427,345	3,530,107	(102,762)
PROPERTY/INTEREST	2,088,358	766,798	1,321,560
INTERGOVERNMENTAL	427,795	447,813	(20,018)
CITATIONS	354,490	389,501	(35,011)
MISC REVENUES & TRANSFERS	993,215	1,327,058	(333,843)
ARPA COVID-19 ASSISTANCE	5,568,116	8,223,261	(2,655,145)
TOTAL REVENUE	\$ 69,286,833	70,675,213	(1,388,381)
ADJUSTED REVENUE W/O ARPA COVID-19	63,718,716	62,451,952	1,266,764

EXPENSE TYPE	2024 EXPENSES	2023 EXPENSES	INCREASE/ (DECREASE)
SALARY & BENEFITS	\$ 36,564,738	40,980,549	(4,415,811)
OPERATING	30,495,687	27,146,438	3,349,249
TOTAL EXPENSES	\$ 67,060,425	\$ 68,126,986	(1,066,561)
SURPLUS/DEFICIT	2,226,408	2,548,227	
ADJUSTED SURPLUS/(DEFICIT) W/O ARPA COVID-19	(3,341,709)	(5,675,034)	

Even with the improved year-end financial position over the past few fiscal years, the City must continue to manage expenditures carefully, particularly due to extraordinary fiscal impacts from Tropical Storm Hilary. During the past 14 months, the City incurred more than \$3M in emergency and cleanup costs along with more than \$800K in road repairs and improvements. In the upcoming year, we anticipate spending more than \$3M in extraordinary costs for additional cleanup and repair. In the end, the City is currently forecasting \$7M in Tropical Storm Hilary costs being claimed through Federal Emergency Management Agency (FEMA) and Cal Office of Emergency Services (CalOES). If this \$7M in expenditures is approved by FEMA/CalOES, we will receive 93.75% reimbursement. We are currently

projecting those reimbursements to be received over the three-year period from FY 2025/2026 through FY 2027/2028. With this time lag in reimbursement, this reemphasizes the foresight our City Council had in establishing a Fund Balance Policy for the City's General Fund "savings account" to have a minimum of 33% target during these times of volatility.

The table below is a snapshot for FY 2023/2024 actuals and the next two years' projections (FY 2024/2025 and FY 2025/2026). This includes the previously approved budgeted adjustments in FY 2023/2024 and the first quarter of FY 2024/2025. It also includes the recommended \$395,968.88 in previously obligated, but unspent funds that need to be rolled forward to the FY 2024/2025 expenditure budget.

	FY 2023/2024 Results	FY 2024/2025 Original Budget	FY 2024/2025 Projected	FY 2025/2026 Projected
Beginning General Fund Balance*	\$ 39,276,890	41,503,297	41,503,297	29,177,994
Revenues	69,286,833	64,600,726	64,646,766	67,278,677
Expenditures	67,060,426	70,425,394	78,910,410	74,737,482
Operating Surplus / (Deficit)	2,226,407	(5,824,668)	(14,263,644)	(7,458,805)
General Fund Balance	\$ 41,503,297	35,678,629	27,239,653	21,719,189
ARPA Revenue comprised of:	5,568,116	685,655	-	-
Rehiring Public Sector Staff	1,569,000	-	-	-
Revenue Recovery	3,999,116	685,655	-	-
FEMA Revenue:	-	-	1,938,341	1,938,341
Surplus / (Deficit)	(3,341,709)	(5,139,013)	(12,325,303)	(5,520,465)
Ending General Fund Balance	\$ 41,503,297	36,364,284	29,177,994	23,657,529
33% Fund Balance Reserve Policy	22,353,475	23,475,131	26,303,470	24,912,494
50% Target Fund Balance Policy	33,530,213	35,212,697	39,455,205	37,368,741
Projected Fund Balance Reserve	62%	52%	37%	32%

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

At the November 13, 2024, City Council meeting, staff will present additional budget adjustment considerations for City Council review, e.g., Other Post Employment Benefit (OPEB), CalPERS, IT Master Plan, etc. City staff realizes the critical need to be fiscally conservative and plans to proactively monitor current financial activities. In addition, we plan to be prudent in our upcoming budgeting for the next biennial budget for FY 2025/2026 and 2026/2027.

FISCAL IMPACT:

City Council to approve a FY 2024/2025 General Fund budget adjustment in the amount of \$395,968.88 from the previously obligated/unspent FY 2023/2024 expenditure budget.

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.

ATTACHMENTS:

None