



Staff Report

City Council

Item No. 2.A

Meeting Date: April 9, 2025

From: Kevin Biersack, Financial Services Director

Title: Fiscal Year (FY) 2025/2026 and 2026/2027 Biennial Budget General Fund Overview Discussion

RECOMMENDATION:

This item is presented for information and discussion only.

BACKGROUND:

The City of Cathedral City is proud to participate in the Government Finance Officer Association's (GFOA's) Distinguished Budget Presentation Award program for the City's Biennial Budget. Since FY 2008/2009, we have received this prestigious award for all nine (9) budget documents submitted, covering 17 years of annual budgets. The FY 2025/2026 and FY 2026/2027 Biennial Budget will be the City's 10th submission to GFOA for this award.

Here is a review of our six-month biennial budget process:

MILESTONE	COMPLETION
Workbook Preparation	December and January
City Council Introduction to Budget Process	January
Strategic Planning	January
Department Reviews/Inputs	February
Management Review/Council Budget Book	March
Dept Staffing Review with Council	February through April
Council & Staff Discussions	April
Budget Adoption	May

During the month of April, there are two Study Session discussions to review the budget workbooks and associated Council questions. The April 9th session will be dedicated to the General Fund. The General Fund, including Measure W, is for "necessary City operations" and accounts for all financial resources except those accounted for in another fund. The April 23rd session will be devoted to the Special Revenue Funds, Proprietary Funds, the Capital Improvement Program (CIP) Plan and the Parks Improvement Program Plan.

The proposed budget will be presented at the May 14th Council Meeting. This proposed budget will include updates and changes from the two budget reviews and discussions held in April. With the Council's concurrence at the May 14th meeting, the proposed FY 2025/2026 and FY 2026/2027 Biennial Budget will be submitted to Council for final approval at the May 28th meeting.

DISCUSSION:

For the purposes of this Study Session discussion focusing on the General Fund, City staff performed budget balancing analysis to identify expenditure reductions so that forecasted expenditures are on par with forecasted revenues. These reductions included position reductions, operational reductions, and reductions to improvement budgets, as well as detailed review of Public Works projected expenditures to reflect any savings attributable to the implementation of the Desert Recreation District agreement for park maintenance.

The proposed Biennial Budget currently reflects the projected balance changes in the General Fund for each year, calculated as follows:

	FY 2025/2026 Budget Projection	FY 2026/2027 Budget Projection
REVENUES	\$ 70,201,184	\$ 73,195,625
EXPENDITURES - RECURRING	71,126,562	73,045,709
SUBTOTAL	(925,378)	149,916

Additionally, extraordinary expenditures were identified to include the proposed Other Post Employment Benefit (OPEB) payments, as well as one-time expenditures. If the City Council approves these expenditures to be paid from the General Fund's balance, the proposed budgeted expenditures and fund balance would be:

EXPENDITURES - OPEB	2,299,078	2,485,572
EXPENDITURES - ONE-TIME	2,360,577	1,903,924
NET SURPLUS (DEFICIT)	\$ (5,585,033)	\$ (4,239,580)

General Fund revenues above are comprised of the following sources:

- Taxes
 - Property Tax
 - Utility User Tax
 - Sales Tax
 - Transactions and Use Tax, including Measure W
 - Cannabis Tax
 - Transient Occupancy Tax
 - Franchise Fees
- Licenses and Permits

- Fees and Services
- Fines and Forfeits
- Intergovernmental
- Use of Money and Property
- Miscellaneous
- Transfers In (from other funds into the General Fund)

For FY 2025/2026, taxes are 71.1% of revenues. Licenses and permits and fees and services are 20.4% of revenues, while the remaining revenues come from the other categories at 8.5%. For FY 2026/2027, the percentages are nearly identical. Taxes are 71.3% of revenues. Licenses and permits and fees and services are 20.6% of revenues, while the remaining revenues come from the other categories at 8.1%.

Expenditures budgeted for the General Fund are comprised of the following areas:

- Salaries and Benefits
- Operations, utilizing 3rd party labor
 - Operations and Maintenance
 - Professional/Technical Services
- Operations
 - Materials and Supplies
 - Fleet
 - Transfers
 - Utilities
 - Training and Travel
 - Public Employee Retirement System (PERS) and Other Post Employment Benefits (OPEB) Annual Allocations
 - Infrastructure
 - Street Improvements \$900K for both Fiscal Years
 - Park Improvements \$0 FY 2025/2026 and \$400K FY 2026/2027

For FY 2025/2026, salaries and benefits are 57.6% of expenditures. Operations utilizing third-party labor are 28.0% of expenditures, and the remaining 14.4% of expenditures are other operations as listed above. Similar percentages were calculated for FY 2026/2027. Salaries and benefits are 57.9% of expenditures, operations utilizing third-party labor are 28.1% of expenditures, and other operations are 14.0%.

The following are significant expenditures in the currently proposed budget for the General Fund, related both to staffing and to operations:

	FY 2025/2026 Budget Projection	FY 2026/2027 Budget Projection
Public Employees Retirement System (PERS) Annual Allocation	\$ 2.299M	\$ 2.486M
Other Post-Employment Benefits (OPEB) Annual Allocation	2.299M	2.486M
Maintenance of Effort (MOE) CIP match for RMRA (SB1) Funds	.900M	.900M
Parks Improvement Program Plan	-	.400M
Fleet Replacement Annual Allocation - Current Inventory	1.227M	1.202M
Employee Leave Cashouts, including forecasted retirements	2.1M	1.7M

The General Fund provides salary and benefits for 231 Full-Time Equivalent (FTE) Staff Members, comprised of:

- 6 Elected Positions
- 82 City Hall / Public Works
- 61.5 Fire, including 48 sworn
- 81.5 Police, including 53 sworn

Of the 231 FTE staff positions, 215.3 are funded through the General Fund, which includes 6 from Measure W. Other funds provide the funding for 15.7 of the positions.

To assist with understanding other major expenditures, staff are providing one-time, extraordinary expenditure items. These are investments in the City and for the community. They are to be funded by the reserves in our General Fund (100) savings account (Fund Balance). These expenditures consist of:

- One-time Professional Services and Trainings
- One-time Major Repairs and Replacements
- One-time Furniture and Fixtures.

The following are one-time expenditures for FY 2025/2026:

DEPARTMENT/DIVISION	EXTRAORDINARY ONE-TIME:	FY 2025/2026	DESCRIPTION
CITY MANAGER	PROFESSIONAL SERVICES	\$ 50,000	COMMUNITY SURVEY
HUMAN RESOURCES	PROFESSIONAL SERVICES	67,000	COMP AND CLASS STUDY
HUMAN RESOURCES	TRAINING	5,000	SPECIALTY TRAINING FOR STAFF
COMMUNITY AND EVENTS	PROFESSIONAL SERVICES	75,000	WAYFINDING SIGNS
INFORMATION TECHNOLOGY	PROFESSIONAL SERVICES	50,000	TYLER IMPLEMENTATION AND CLIENTFIRST CONSULTING SERVICES
PLANNING	PROFESSIONAL SERVICES	400,832	HISTORICAL PRESERVATION SURVEY, MINTIER HARNISH AND ADU PLANS
CODE COMPLIANCE	PROFESSIONAL SERVICES	80,000	DEPLOYMENT OF CITY DETECT (AI CODE COMPLIANCE TOOL)
ENGINEERING	NONCAPITAL FURNITURE & FIXTURE	4,000	WORKSTATION FOR DEVELOPMENT ENGINEER
ENGINEERING	REPAIRS AND REPLACEMENTS	14,600	ADDITIONAL PRINTING NEEDS
POLICE-DISPATCH	NONCAPITAL FURNITURE & FIXTURE	1,800	WORKSTATION COMPUTERS NEW STAFF
FIRE-ADMIN	NONCAPITAL FURNITURE & FIXTURE	14,000	UPGRADE FIRE ADMINISTRATION WORKSPACE TO ACCOMMODATE MEASURE W STAFF
FIRE-EMERGENCY SERVICES	NONCAPITAL FURNITURE & FIXTURE	6,000	BEDS, CHAIRS, DINNERWARE AND FURNITURE FOR MEASURE W STAFF
FIRE-EMERGENCY MANAGEMENT	NONCAPITAL FURNITURE & FIXTURE	25,000	EMERGENCY OPERATION CENTER (EOC) UPGRADES
FACILITIES	REPAIRS AND REPLACEMENTS	1,362,345	PARKING STRUCTURE, LIBRARY, PUBLIC WORKS, FS412 / FS413, CIVIC CENTER
FACILITIES	PROFESSIONAL SERVICES	125,000	FACILITIES MASTER PLAN PHASE II
PARKS	REPAIRS AND REPLACEMENTS	80,000	DRD MAJOR REPAIRS AND REPLACE DECOMPOSED GRANITE AT CV LINK
		TOTAL \$ 2,360,577	

Repairs and replacements for Facilities for FY 2025/2026 are comprised of the following:

LOCATION	FY	
	2025/2026	DESCRIPTION
PARKING STRUCTURE	\$ 10,587	REPLACE SEALANTS (FACILITIES MASTER PLAN RECOMMENDATION)
PARKING STRUCTURE	69,413	APPLY ELASTOMERIC COATING BASED (FACILITIES MASTER PLAN RECOMMENDATION)
PARKING STRUCTURE	24,345	REPLACE BARRIER CABLES (FACILITIES MASTER PLAN RECOMMENDATION)
PARKING STRUCTURE	225,000	SAFETY PANELS INSTALL
PARKING STRUCTURE	350,000	SOLAR PANEL REPLACEMENTS
LIBRARY	66,000	RESEAL AND RECOAT PARKING LOT INCLUDING BIG LEAGUE DREAMS
LIBRARY	7,000	ROOF ACCESS LADDER
PUBLIC WORKS	67,000	REPLACE GENERATOR (FACILITIES MASTER PLAN RECOMMENDATION)
PUBLIC WORKS	250,000	SECURITY FENCE AND GATES
FIRE STATION 412	75,000	BUILD DORMS PER ESTIMATE
FIRE STATION 412	8,000	ROOF ACCESS LADDER
FIRE STATION 412	10,000	REPLACE CARPET
FIRE STATION 413	40,000	WEIGHTROOM FLOORING
FIRE STATION 413	10,000	ROOF ACCESS LADDER
CIVIC CENTER	100,000	REPLACE FIVE AIR CONDITIONING UNITS
CIVIC CENTER	50,000	SANDBLAST AND RESURFACE PASEO WALKWAY WITH NON-SLIP EPOXY FOR SAFETY
TOTAL		\$1,362,345

The following are one-time expenditures for FY 2026/2027:

DEPARTMENT/DIVISION	EXTRAORDINARY ONE-TIME:	FY	
		2026/2027	DESCRIPTION
HUMAN RESOURCES	PROFESSIONAL SERVICES	\$ 133,000	COMP AND CLASS STUDY
HUMAN RESOURCES	TRAINING	5,000	SPECIALTY TRAINING FOR STAFF
COMMUNITY AND EVENTS	PROFESSIONAL SERVICES	75,000	WAYFINDING SIGNS
CITY CLERK	PROFESSIONAL SERVICES	85,000	RIVERSIDE COUNTY VOTERS ELECTION, SPECIAL ELECTION AND/OR FEE STUDY
INFORMATION TECHNOLOGY	PROFESSIONAL SERVICES	50,000	TYLER IMPLEMENTATION AND CLIENTFIRST CONSULTING SERVICES
PLANNING	PROFESSIONAL SERVICES	47,972	MINTIER HARNISH CONTRACT
CODE COMPLIANCE	PROFESSIONAL SERVICES	80,000	DEPLOYMENT OF CITY DETECT (AI CODE COMPLIANCE TOOL)
ENGINEERING	NONCAPITAL FURNITURE & FIXTURE	2,000	OFFICE FURNITURE
ENGINEERING	REPAIRS AND REPLACEMENTS	14,600	ADDITIONAL PRINTING NEEDS
POLICE-DISPATCH	NONCAPITAL FURNITURE & FIXTURE	1,800	WORKSTATION COMPUTERS NEW STAFF
FIRE-ADMIN	NONCAPITAL FURNITURE & FIXTURE	4,000	MAINTAIN UPGRADE'S TO FIRE ADMINISTRATION WORKSPACE
FIRE-EMERGENCY SERVICES	NONCAPITAL FURNITURE & FIXTURE	6,000	BEDS, CHAIRS, DINNERWARE AND FURNITURE FOR MEASURE W STAFF
FIRE-EMERGENCY MANAGEMENT	NONCAPITAL FURNITURE & FIXTURE	25,000	EMERGENCY OPERATION CENTER (EOC) UPGRADES
FACILITIES	REPAIRS AND REPLACEMENTS	1,169,552	PARKING STRUCTURE, FOUNTAIN OF LIFE, LIBRARY, CITY HALL, FS412 / FS413
FACILITIES	PROFESSIONAL SERVICES	125,000	FACILITIES MASTER PLAN PHASE II
PARKS	REPAIRS AND REPLACEMENTS	80,000	DRD MAJOR REPAIRS AND REPLACE DECOMPOSED GRANITE AT CV LINK
TOTAL		\$ 1,903,924	

Repairs and replacements for Facilities for FY 2026/2027 are comprised of the following:

LOCATION	FY	
	2026/2027	DESCRIPTION
PARKING STRUCTURE	\$ 175,452	REPAIR CRACKS (FACILITIES MASTER PLAN RECOMMENDATION)
PARKING STRUCTURE	225,000	SAFETY PANELS INSTALL
PARKING STRUCTURE	350,000	SOLAR PANEL REPLACEMENTS
FOUNTAIN OF LIFE	30,000	DETAIL WORK FOR MOSAIC RESTORATION
LIBRARY	80,000	PAINT BUILDING
FIRE STATION 410	3,600	RESEAL AND RECOAT PARKING LOT
FIRE STATION 410	50,000	PAINT, UPGRADE LIGHTING, REPLACE CARPET/CABINETS/COUNTERTOP
FIRE STATION 412	3,600	RESEAL AND RECOAT PARKING LOT
FIRE STATION 413	50,000	BUILD DORMS
FIRE STATION 413	8,400	RESEAL AND RECOAT PARKING LOT
CIVIC CENTER	100,000	REPLACE FIVE AIR CONDITIONING UNITS
CIVIC CENTER	40,000	REPLACE FOUR WINDOWS
CIVIC CENTER	45,000	POLICE DEPARTMENT PARKING LOT RESEAL AND RECOAT
CITY HALL	8,500	EMPLOYEE LUNCHROOM CABINETS AND COUNTERTOPS
TOTAL		\$1,169,552

With the comparison of anticipated revenues, including anticipated FEMA Revenue, to proposed expenditures for FY 2025/2026 and FY 2026/2027 for the General Fund, the anticipated fund balance summaries are below:

	FY 2024/2025 Amended Budget	FY 2024/2025 Projected Actuals	FY 2025/2026 Projected Actuals	FY 2026/2027 Projected Actuals
Beginning General Fund Balance*	41,503,297	41,503,297	38,351,663	37,426,286
Revenues	65,240,848	66,371,140	67,910,434	70,904,874
Expenditures	77,927,115	70,377,814	71,126,562	73,045,709
Operating Surplus / (Deficit)	(12,686,267)	(4,006,674)	(3,216,128)	(2,140,835)
General Fund Balance	28,817,030	37,496,623	35,135,535	35,285,451
ARPA Revenue comprised of:	685,655	685,655	-	-
FEMA Revenue**:	-	169,385	2,290,751	2,290,751
Surplus / (Deficit)	(12,000,612)	(3,151,634)	(925,378)	149,916
Ending General Fund Balance	29,502,685	38,351,663	37,426,286	37,576,201
33% Fund Balance Reserve Policy	25,975,705	23,459,271	23,708,854	24,348,570
50% Target Fund Balance Policy	38,963,558	35,188,907	35,563,281	36,522,855
Projected Fund Balance Reserve	38%	54%	53%	51%

FY 2024/2025 Projected Includes - Bridges TS Hilary soil removal, Esperanza Park, Insurance Increase, GEMT Program
* CV Rep loan receivable of 900k excluded
** FEMA/CalOES revenue for FY 2024/2025 is only for Emergency Protective Measures and Parks

If the Council approves the proposed Other Post Employment Benefit (OPEB) payments, as well as the one-time expenditures, to be paid out of General Fund balance, the resulting fund balance summary is as follows:

	FY 2024/2025 Amended Budget	FY 2024/2025 Projected Actuals	FY 2025/2026 Projected Actuals	FY 2026/2027 Projected Actuals
Beginning General Fund Balance*	41,503,297	41,503,297	38,351,663	32,766,631
Revenues	65,240,848	66,371,140	67,910,434	70,904,875
Expenditures	77,927,115	70,377,814	75,786,217	77,435,205
Operating Surplus / (Deficit)	(12,686,267)	(4,006,674)	(7,875,783)	(6,530,330)
General Fund Balance	28,817,030	37,496,623	30,475,880	26,236,301
ARPA Revenue comprised of:	685,655	685,655	-	-
FEMA Revenue**:	-	169,385	2,290,751	2,290,751
Surplus / (Deficit)	(12,000,612)	(3,151,634)	(5,585,033)	(4,239,580)
Ending General Fund Balance	29,502,685	38,351,663	32,766,631	28,527,051
33% Fund Balance Reserve Policy	25,975,705	23,459,271	25,262,072	25,811,735
50% Target Fund Balance Policy	38,963,558	35,188,907	37,893,109	38,717,603
Projected Fund Balance Reserve	38%	54%	43%	37%

FY 2024/2025 Projected Includes - Bridges TS Hilary soil removal, Esperanza Park, Insurance Increase, GEMT Program
* CV Rep loan receivable of 900k excluded
** FEMA/CalOES revenue for FY 2024/2025 is only for Emergency Protective Measures and Parks

In addition, the \$5 million budget forecasted for the Measure W Fund and its five primary elements is provided below:

- Ambulance Services
- Community Center Programs and Operations
- Community Center Debt Service
- Parks Operations
- Road Improvements

MEASURE W	FY	FY
	2025/2026 Budget Projection	2026/2027 Budget Projection
REVENUES	\$ 5,000,000	\$ 5,000,000
EXPENDITURES		
AMBULANCE SERVICES	\$ 1,000,000	\$ 1,000,000
COMMUNITY CENTER PROGRAMS AND OPERATIONS	547,408	547,408
COMMUNITY CENTER DEBT SERVICE	1,000,000	1,000,000
PARKS OPERATIONS	1,452,592	1,452,592
ROAD IMPROVEMENTS	1,000,000	1,000,000

FISCAL IMPACT:

There is no fiscal impact at this time. The full proposed budget will be presented to City Council in May for approval.

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.

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