



Staff Report

City Council

Item No. 3.A

Meeting Date: April 23, 2025

From: Kevin Biersack, Financial Services Director

Title: FY 2025/2026 and FY 2026/2027 Biennial Budget
Presentation for Special Revenue Funds, Proprietary Funds,
and Capital Improvement Projects (CIP) Plan and Parks
Improvement Program Plan

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 |

In February, drafts of the five-year Capital Improvement Projects (CIP) Plan and Parks Improvement Program Plan were prepared and submitted to the Engineering and Public Works Department for review, discussion, and changes. A coordinated plan was agreed upon in March.

During the month of April, there are two Study Session discussions to review the budget workbooks and associated Council questions. The April 9th session was 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. In addition, the proposed budget will also include a separate budget for the other funds, those that do not have an ongoing operational budget. 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 Special Revenue Funds, Proprietary Funds, and Capital Improvement Project (CIP) Plan and Parks Improvement Program Plan, City staff analyzed expenditures anticipated in the forthcoming two fiscal years, along with forecasted revenues, for the funds below. These expenditures include operations, equipment purchases, facility improvements, and depreciation expenses, among other types of expenditures. Revenues are comprised of funds resulting from State and Federal programs, County programs, city fees, various grant programs, interest, and transfers from the General Fund, among other sources.

The proposed Biennial Budget for FY 2025/2026 and FY 2026/2027 is comprised of fifty-three (53) funds, which are included in the City’s Annual Comprehensive Financial Report (ACFR). Additionally, the City is custodian for six (6) fiduciary funds which do not require a budget. The fifty-three funds can be divided into two general categories listed below.

Operating funds, specifically these four types:

- General Fund
- Special Revenue
- Proprietary (Internal Service)
- Capital Improvement Projects (CIP) Plan

Restricted-Nondiscretionary funds, more than forty (40) funds, with purposes such as:

- Match
- Grant
- Development Impact Fee
- Assessment District
- Debt

For this session, the topics to be discussed are Special Revenue Funds with Operating Budgets, Proprietary Funds, the Capital Improvement Projects (CIP)

Plan, and the Parks Improvement Program Plan. Please see the attachment for tables detailing the proposed budget items presented to Council for discussion.

Special Revenue Funds with Operating Budgets

- Public, Education and Government (PEG) – Table 1
- Gas Tax – Table 2
- Measure A – Table 3
- Solid Waste – Tables 4a and 4b
- Housing Successor – Table 5

Proprietary Funds

- Proprietary Funds (Internal Service) Cash Balance – Table 6
- Equipment Replacement – Table 7
- Insurance – Table 8
- Technology (no impact) – no attachment
- Facilities – Table 9

Capital Improvement Projects (CIP) Five-Year Plan

There is \$36+M in projected funding in the upcoming biennial budget, consisting of:

- CIP Projects General Fund (Fund 100, 17 total) – Table 10
- CIP Projects Measure W (Fund 151, 7 total) – Table 11
- CIP Projects Measure A (Fund 243, 19 total) – Table 12
- CIP Projects RMRA (Fund 248, Road Maintenance and Rehabilitation Account SB-1, 7 total) – Table 13
- CIP Projects Capital Projects (Fund 331, 17 total) – Table 14
- CIP Projects Miscellaneous (Various Funding Sources, 18 total) – Table 15
- Forecasted CIP Funding Summary – Table 16
- Unfunded CIP Projects – Table 17

Careful evaluation was given to the selection of the street reconstruction and/or rehabilitation projects during this upcoming 5-year period. This evaluation was based on street conditions, “Good” or “Poor” and available funding as explained below.

Utilizing the city’s Pavement Management Program’s (PMP) listed evaluation of each city street segment’s pavement condition index (PCI) rating, streets with lower “poor” ratings are typically given priority rating to be reconstructed. Notwithstanding, side-by-side, within this same 5-year period and using the same data within the PMP, street sections that are newer and in “good” PCI condition were also programmed as projects to receive maintenance treatments that will prolong the life of these higher “PCI” rated “Good” streets.

Available funding is the other factor in determining which street projects are selected for the 5-year CIP. Funding is from available programs as follows:

- General Fund MOE (“Maintenance of Effort”) - match obligation to receive SB 1 funding)
- Measure W
- Measure A
- SB 1, Road Maintenance and Rehabilitation Account (RMRA)
- Miscellaneous, including Assessment Districts with available funding
- One-time special project local, state and federal grant awards, such as:
 - ATP Cycles (Active Transportation Program)
 - HSIP Cycles (Highway Safety Improvement Program)
 - SB 821 Cycles (Bicycle and Pedestrian facilities)
 - Community Development Block Grant (CDBG)

In summary, both the above factors are weighted in order for a street project to be included in the 5-year CIP.

Parks Improvement Program Plan with \$4.6+M in projected funding from the General Fund, from non-General Fund funds, and from Grant sources in the upcoming biennial budget:

- American Disabilities Act (ADA) – Table 18
 - Century Park
 - Dennis Keat Soccer Park
 - Panorama Park
 - Ocotillo Park
- Upgrades and New Features – Table 19a and 19b
 - Century Park
 - Downtown Dog Park
 - Ocotillo Park
 - Panorama Park
 - Misc Plans
- Parks Improvement Program Plan – Table 20

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.

ATTACHMENTS:

1. BUDGET SUMMARY TABLES for the FY 2025/2026 and FY 2026/2027 Biennial Budget Presentation for Special Revenue Funds, Proprietary

Funds, and Capital Improvement Projects (CIP) and Park Improvement Program Plan