STAFF REPORT
6/24/2026

TO: Honorable Mayor and City Council Members

FROM: Gustavo J. Romo, City Manager

PREPARED BY: Lincoln G. Bogard, Finance Director

SUBJECT: Adoption of the Fiscal Year 2026-27 Annual Budget (Resolution 2026-41) and Approval of the Fiscal Year 2025-26 Final Budget (Resolution 2026-42)

STAFF RECOMMENDATION:

Staff recommends the City Council take the following actions:

1. Adopt Resolution 2026-41 approving the City of Coachella Requested Annual Budget for Fiscal Year 2026-27 (July 1, 2026 – June 30, 2027), appropriating funds for all City operations, capital projects, debt service, and component unit activities in the amounts set forth therein; and
2. Adopt Resolution 2026-42 approving the City of Coachella Final Budget for Fiscal Year 2025-26, incorporating all mid-year adjustments and final year-end appropriations as presented.

EXECUTIVE SUMMARY:

The City of Coachella Requested Annual Budget for Fiscal Year 2026-27 (July 1, 2026 – June 30, 2027) is presented to the City Council for consideration and adoption. The budget has been prepared in compliance with California Government Code § 29000 et seq. and reflects City Council priorities for public safety, infrastructure, community services, and long-term fiscal sustainability.

The FY 2026-27 General Fund budget projects revenues of $47,396,127 and appropriations of $47,622,254, resulting in a reported deficit of $226,127. Of this amount, $534,026 reflects a General Fund transfer to the Capital Projects Fund (182) to help finance capital infrastructure — a deliberate capital investment decision rather than an operating cost. Excluding this capital transfer, the General Fund's core operating budget is projected to run a surplus of approximately $307,899 for FY 2026-27. The City enters the fiscal year with an audited General Fund balance of $42,391,376 (June 30, 2025), including a committed fiscal contingency reserve of $9,804,903 representing 20.6% of FY 2026-27 appropriations — in compliance with the City's 20% reserve policy. Across all funds, the budget reflects approximately $227.7 million in revenues and $250.3 million in appropriations, with the difference attributable to planned drawdowns of prior-year capital and grant fund balances for approved infrastructure projects.

Council is also asked to approve the FY 2025-26 Final Budget, formalizing all mid-year adjustments enacted during the fiscal year ending June 30, 2026. General Fund revenues for FY 2025-26 are estimated at $40,584,155 against expenditures of $40,873,275.

BACKGROUND:

California Government Code § 29000 et seq. requires each city to adopt an annual budget at or before the start of the fiscal year. For the City of Coachella, the fiscal year begins July 1, 2026. The City Manager is required to submit a proposed budget to the City Council for review and public hearing prior to adoption.

The FY 2026-27 budget process commenced in January 2026 with distribution of budget instructions and worksheets to all departments. The Finance Department compiled departmental requests, revenue projections, and payroll schedules through February and March 2026. Finance Director Lincoln Bogard presented a recommended budget to the City Council earlier this month. A budget study session was held with the full Council in May prior to this public hearing on June 24, 2026.

The City Council also acts as the governing board for the following component units included in the consolidated budget:

3. Coachella Sanitary District (Fund 361)
4. Coachella Water Authority / Coachella Financing Authority (Fund 178)
5. Coachella Fire Protection District (Fund 240)
6. Community Facility District 2005-1 – Police Services (Fund 242)

DISCUSSION/ANALYSIS:

General Fund Overview. The FY 2026-27 General Fund budget is structurally near-balanced, with revenues of $47,396,127 and appropriations of $47,622,254 (deficit of $226,127, or 0.5% of budget). Key expenditure categories include: Police Services $14,299,835 (30.0%); General Government $6,258,399 (including the City's 60% Fire District contribution of $3,956,944); Finance Department $2,354,157; Parks Maintenance $2,814,523; and Engineering $1,517,542. The structural deficit will be absorbed by the unassigned General Fund balance projected at approximately $12.2 million after the draw.

Fund Balance. The audited June 30, 2025 General Fund balance of $42,391,376 comprises: $13,097,809 nonspendable (advances to Development Impact Fee funds); $9,804,903 committed (fiscal contingency reserve, 20.6% of FY 2026-27 appropriations, satisfying the City's 20% policy requirement); $7,238,113 assigned (capital and software carryforwards); and $12,250,551 unassigned. The City projects an ending fund balance of approximately $41,876,128 at June 30, 2027.

Cost Allocation Plan. The FY 2026-27 budget reflects a revised Cost Allocation Plan (CAP) methodology pursuant to 2 CFR Part 200, reclassifying approximately $2.7 million in Water Authority and Sanitary District administrative overhead costs to the General Fund. These costs are fully offset by $6,627,639 in Transfers In from those enterprise funds, resulting in no net General Fund impact.

Enterprise and Special Revenue Funds. The Water Authority (Fund 178, inclusive of Fund 177 – Water Connection Fees) and Sanitary District (Fund 361, inclusive of Fund 360 – Sewer Connection Fees) budgets reflect significant capital investment funded by DWSRF state revolving loans and federal grants. On a full-accrual (GAAP) basis, the Water Authority is projected to record a net loss of $1,683,724 for FY 2026-27, while the Sanitary District is projected to record net income of $1,362,356; these figures differ from budgetary appropriations because enterprise funds capitalize capital outlay and record debt principal payments as reductions of liabilities rather than as expenses. Proposition 218 rate proceedings for Water and Sanitary services are anticipated in calendar year 2026 to address long-term infrastructure needs, including the Chromium-6 compliance mandate estimated at $50–70 million. The Grants Fund (Fund 152) reflects $66.1 million in appropriations from federal infrastructure grants (RAISE, NBIL, STBGP, TCC), and the Capital Projects Fund (Fund 182) reflects $63.9 million in project appropriations, all fully revenue-matched.

FY 2025-26 Final Budget. The FY 2025-26 Final Budget formalizes the adopted budget as amended through mid-year adjustments previously approved by the City Council during the fiscal year ending June 30, 2026. General Fund revenues are estimated at $40,584,155 and expenditures at $40,873,275 (net use of fund balance: $289,120). Approval of the Final Budget has no incremental fiscal impact beyond actions already authorized by the Council.

ALTERNATIVES:

1. Adopt Resolution 2026-41 approving the FY 2026-27 Annual Budget and adopt Resolution 2026-42 approving the FY 2025-26 Final Budget as presented. (RECOMMENDED)
2. Adopt the FY 2026-27 Annual Budget with modifications as directed by the City Council, and continue the item to the next regular meeting for adoption of an amended budget resolution.
3. Continue the public hearing and budget adoption to the next regularly scheduled City Council meeting with specific direction to staff on changes.
4. Take no action. Note: California Government Code § 29000 et seq. requires adoption of a budget at or before the start of the fiscal year. Failure to act may jeopardize the City's legal authority to make appropriations and disbursements beginning July 1, 2026.

FISCAL IMPACT:

Adoption of the FY 2026-27 Annual Budget establishes legal appropriation authority for the fiscal year beginning July 1, 2026. The General Fund budget appropriates $47,622,254 against projected revenues of $47,396,127. Of the reported $226,127 shortfall, $534,026 is a transfer to the Capital Projects Fund for capital investment; the General Fund's core operating budget is projected to run a surplus of approximately $307,899 once this capital transfer is excluded. The City's committed contingency reserve of $9,804,903 (20.6% of GF appropriations) will be maintained in compliance with Council policy, and the total audited General Fund balance of $42,391,376 (June 30, 2025) provides adequate fiscal cushion.

All-funds appropriations total approximately $250.3 million across all funds, against $227.7 million in revenues. Capital and grant fund appropriations (Funds 152 and 182, totaling approximately $128 million) are fully matched by corresponding grant revenues and represent no net General Fund cost. No new debt issuance is proposed; existing debt service of $1,987,626 is provided in Fund 195. On a full-accrual basis, the Water Authority enterprise fund is projected to record a net loss of $1,683,724 and the Sanitary District a net income of $1,362,356 for FY 2026-27; both utilities anticipate Proposition 218 rate proceedings later in calendar year 2026.
Approval of the FY 2025-26 Final Budget formalizes previously authorized appropriations and has no incremental fiscal impact beyond actions already approved by the Council during the fiscal year.

RECOMMENDED ALTERNATIVE(S):

Alternative 1. Staff recommends adoption of both resolutions as presented. The FY 2026-27 budget reflects disciplined fiscal management, maintains all reserve policy requirements, funds priority public services, and advances the City Council's strategic goals. The General Fund structural deficit of $226,127 (0.5% of budget) represents sound stewardship and positions the City for continued fiscal health through anticipated revenue growth and the 2034 retirement of Redevelopment Agency bonds.

Attachments:
(1) Resolution 2026-41 – Adopting the FY 2026-27 Annual Budget (including Exhibit "A" – Fund-Level Summary);
(2) Resolution 2026-42 – Approving the FY 2025-26 Final Budget (including Exhibit "A" – Fund-Level Summary);
(3) City of Coachella Requested Annual Budget, Fiscal Year 2026-27.