



STAFF REPORT
6/23/2021

TO: Honorable Mayor and City Council Members

FROM: Nathan Statham, Finance Director

SUBJECT: Resolution No. 2021-34, a Resolution of the City Council of the City Of Coachella, Adopting an Annual Budget And Organizational Structure for Fiscal Year 2021-22

STAFF RECOMMENDATION:

Adopt Resolution No. 2021-34 approving the annual budget, organizational structure, and policy changes for fiscal year 2021-22 for the City of Coachella and its component units.

BACKGROUND:

I am pleased to submit for your review and approval the proposed budget for the City of Coachella for all funds and departments and its component units for the fiscal year beginning July 1, 2021 and ending June 30, 2022.

In the proposed budget for Fiscal Year 2021/2022, the City of Coachella and all its component units have budgeted revenues of \$94.1 million and appropriations of \$104.2 million. \$16.8 million of these appropriations are for non-general fund capital expenditures. The City's General Fund has budgeted revenues of \$27.3 million and expenditure appropriations of \$26.8 million resulting in a \$517,657 budgeted surplus that is largely due to projected sales tax recoveries after the COVID-19 Pandemic restrictions have been relaxed. The General Fund is projected to have unrestricted reserves of \$10.6 million at June 30, 2022. Details are provided in the general fund schedules and tables that follow.

HISTORY:

During the prior three fiscal years (2018/2019 - 2020/2021) the City of Coachella has seen a steady recovery for our community. The prolonged slow recovery from the 2008 recession continues to affect our local economy. The voters passed Measure U, a sales tax rate increase of 1% in November of 2014. These funds were critical in allowing us to finish last fiscal year within budget. However, during these three fiscal years the City incurred steep increases in our contracts with Riverside County Sheriff and Riverside County/Cal Fire for Police and Fire services. Measure-U sales tax revenues and increases in cannabis taxes have allowed the City to cover the increase in FY 2021/2022 public safety costs with no reductions of service level; however, public safety cost increases for contracted service are not sustainable over time.

CHALLENGES AND PRIORITIES:

COVID-19 Pandemic

The City has weathered the challenges resulting from the COVID-19 Pandemic. The Pandemic had little impact on City services and City revenues, primarily sales tax revenues have largely returned to pre-pandemic levels. Utility revenues in the Water Authority and Sanitation District are still seeing delays in payments that will cause time lags in receiving cash payments, but total revenues have not been significantly affected. Payment delays are also expected in property tax receipts as foreclosure moratoriums expire, but overall property tax revenues are expected to remain relatively flat. The proposed budget appropriations anticipate a continuity of current service levels despite the Pandemic and operations are not expected to be negatively impacted going into fiscal year 2021-22. The City will continue to prioritize the assessment and shifting of funds if cash needs arise from revenue payments delayed by the lingering economic effects of the Pandemic.

Public Safety Cost Increase

Increases in public safety costs continue to be a challenge for the City. The County of Riverside's continuous increase to public safety services is limiting the amounts available to address capital needs, maintenance and operations in existing and future facilities. In Fiscal Year 2020-21, there was a total increase over the previous Fiscal Year to Police and Fire of \$1,173,349, which represents slightly over 9.2%. For the 2021-22 Fiscal Year, the total amount is expected to remain flat with a slight decrease in fire service costs offset by a slight increase in police service costs. The City anticipates the increases to continue as Riverside County shifts more cost recovery of police services on to its contract cities.

ECONOMIC FORECASTS:

The City of Coachella will endeavor to maintain a diversified and stable revenue base to minimize the effects of economic fluctuations. All estimates are conservative. General fund revenues are categorized into seven broad categories taxes, licenses and permits, charges for services, intergovernmental, fines and forfeitures, interest and other revenues and transfers in from other funds.

	FY 2019-20 Actual	FY 2020-21 Budget	FY 2020-21 Estimated Year End	FY 2021-22 Budget
Taxes	\$ 18,409,029	\$ 18,700,016	\$ 18,449,516	\$ 20,647,000
Licenses and Permits	458,179	390,000	510,000	508,000
Charges for Services	477,963	590,000	585,000	585,000
Intergovernmental	1,100,511	1,099,278	1,121,919	1,199,349
Fines and Forfeitures	395,433	460,000	450,000	166,598
Interest and Other Revenue	871,971	316,000	217,500	178,000
Transfers	3,788,772	4,312,774	4,258,381	4,038,198
Total	<u>\$ 25,501,857</u>	<u>\$ 25,868,068</u>	<u>\$ 25,592,316</u>	<u>\$ 27,322,145</u>

Intergovernmental revenues are substantial in comparison to other categories and consists of payments from other government entities including admin fees for administration of the Successor Agency and the Waste Transfer Station JPA. The general fund's position as the originating fund for all service components, i.e., Water, Sanitary, Fire, Police, Streets, and Redevelopment efforts has resulted in the

general fund now receiving service charges from all service components. City’s employee salary costs are disbursed among departments and service components to be able to ascertain both direct and indirect costs for City services rendered.

General Fund Expenditures by Department

The general fund is the main operating fund of the City of Coachella. It is used to account for all financial resources except where legal, administrative or Generally Accepted Accounting Principles (GAAP) requirements cause them to be accounted for in another fund.

The City’s general fund activity includes departments that serve the general public as well as functions that provide administrative support to the various departments within the government and its agencies. The table shown below provides a summary list of the general fund Departments and their respective budgets.

City of Coachella
General Fund Historical and Projected Expenditures by Department
Fiscal Years 2021-2022

Department Name	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
	Actual	Actual	Estimated Year-End	Budget
City Council	\$ 148,056	\$ 189,175	\$ 212,269	\$ 282,598
City Clerk	140,948	100,218	124,059	103,024
City Attorney	658,167	671,589	585,000	652,000
City Manager	322,194	334,506	428,162	498,806
Human Resources	199,289	220,418	258,437	270,567
Grants Manger	68,735	74,067	83,905	92,080
Economic Development	141,433	145,605	148,208	214,717
Finance Department	544,189	651,361	625,713	782,536
General Government	2,680,431	2,170,801	1,647,082	2,258,138
Information Technology	492,589	520,104	578,099	539,408
Emergency Operations Services	71,320	76,916	95,404	87,459
Development Services - Planning	680,046	701,896	875,916	956,086
Development Services - Building	354,812	308,991	269,943	323,625
Development Services - Code Enforcemen	541,716	653,912	569,906	619,080
Development Services - Graffiti	86,630	81,964	122,544	234,872
Engineering Department	900,558	1,082,265	1,003,752	875,788
Public Works - Administration	160,547	204,237	253,331	217,352
Public Works - Parks and Recreation Progr	201,117	288,496	321,439	323,069
Public Works - Seniors Program	293,619	334,118	335,418	337,691
Public Works - Fleet Maintenance	540,201	378,774	596,135	509,296
Public Works - Building Maintenance	646,603	698,493	806,141	857,759
Public Works - Streets	1,284,939	1,298,287	1,381,367	1,504,684
Public Works - Parks	1,504,129	1,563,917	1,721,460	1,741,573
Public Safety - Police Services	8,744,510	9,487,472	9,955,639	10,016,406
Public Safety - Fire Services	1,224,826	1,630,963	2,126,978	1,576,941
Public Safety - Animal Control	228,416	256,100	250,000	318,000
Transfers Out	616,225	-	612,131	610,931
Total	\$ 23,476,245	\$ 24,124,644	\$ 25,988,438	\$ 26,804,488

Other Funds

The City has various funds and special districts which are designated subdivisions of the general fund or are classified as component units. These other funds all have the Coachella City Council as the governing body and have their respective budgets approved by the Council for the fiscal year ended June 30, 2022.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. Special Revenue funds include State and Federal grants, funds to be used solely for capital projects, and the property taxes and charges collected by the County Tax-Collector's Office for the Successor Agency of the Former Coachella Redevelopment Agency and the Coachella Fire Protection District.

Capital Improvement Funds are used to account for project costs for the building of infrastructure to attract business and expand capacities. The Capital Improvement Program found in the last budget section is a listing of proposed and existing projects for the acquisition and construction of capital assets. These programs are outlined in the proposed five-year capital budget and existing capital projects. The five-year Capital Improvement Plan includes proposed financing for the 2021-22 fiscal year with projected revenue sources and project costs for the next four fiscal years. The Engineering Department has provided a comprehensive capital improvements plan that utilizes developer impact fees, grants and self-generated funds from the City's enterprise operations. Although the funds required for the proposed fiscal year projects are available, future year's projects may have a "To Be Determined" footnote if funds have not yet been identified.

Budget Preparation and Presentation

Individual general fund departments have included their accomplishments for the current fiscal year, their goals for the 2021/22 budget year and are presenting budget issues to the Council for your review and approval that will allow the Council to standardize future budget matters and keep the Council's policies in line with the City's priorities.

I would like to thank Public Works Director Maritza Martinez, City Engineer Andrew Simmons, Utilities Manager Castulo Estrada, the Finance Department staff, and all the City personnel who contributed to the entire budget process.

ATTACHMENTS:

Fiscal year 2021-22 Draft Proposed Budget