



STAFF REPORT
7/27/2022

TO: Honorable Mayor and City Council Members
FROM: Nathan Statham, Finance Director
SUBJECT: Adopt an Annual Budget And Organizational Structure for Fiscal Year 2022-23

STAFF RECOMMENDATION:

Adopt Resolutions No. 2022-47, WA-2022-04, SD-2022-03, FD-2022-03 and CBL-2022-02 approving the annual budget and organizational structure for fiscal year 2022-23 for the City of Coachella and its component units.

BACKGROUND:

In the proposed budget for fiscal year 2022/2023, the City of Coachella and its component units have budgeted revenues of \$95.4 million and appropriations of \$91.9 million. \$17.5 million of these appropriations are for capital expenditures. The City's General Fund has budgeted revenues of \$31.8 million and expenditure appropriations of \$31.8 million resulting in a balanced budget. The General Fund is projected to have total reserves of \$25.3 million and unrestricted reserves of \$17.8 million at June 30, 2023. Details are provided in the schedules and tables that follow.

During the City Council meetings on June 22, 2022 and July 13, 2022 Council members raised concerns about the approval of six new general fund positions recommended by City staff. City staff provided details on the needs for the six positions and City Council agreed that four positions made sense based on the facts and circumstances presented. Council asked for further analysis on the recommended management analyst position for the Public Works Department and department assistant position recommended for the City Manager Department in the Grants Division. City staff re-evaluated both positions and is recommending the approval of both positions based on the re-evaluation performed.

Budget Preparation and Presentation

The budget process has been ongoing since February of this year. Department request budgets were prepared and presented to Council at the June 8, 2023 budget study session. These request budgets resulted in a deficit budget of \$978,488. The City manager made adjustments reducing the deficit to \$181,202 prior to proposing this budget. Based on the feed back from the Council study session and further analysis of the projected revenues and expenditures, the City Manager is recommending a balanced budget. The balanced budget allows for the increased service capacity discussed with Council at the study session but does not expend any General Fund reserves.

History

During the prior two fiscal years (2020-2021 - 2021-2022) the City of Coachella has seen a steady

economic recovery for our community notwithstanding the effects of COVID-19. The voters passed Measure U, a sales tax rate increase of 1% in November of 2014 and initiated a cannabis tax in 2018. These funds and increases in other revenue sources along with under budget expenditures have provided for significant surpluses in the past two years. However, the City incurred steep increases in contract costs with Riverside County Sheriff and Riverside County/Cal Fire for Police and Fire services. Measure U sales tax revenue and the City’s Public Safety CFD (2005-1) continue to allow the City to cover these increased public safety cost levels into FY 2022-2023 with no reductions in levels of service but these Public Safety contracted service increases by Riverside County continue to be a principal fiscal challenge for the City.

ECONOMIC FORECASTS:

As the local and national economies have struggled to cope with the rising inflation and turbulence in the stock and oil markets, the broader economy is seeing significant growth. National unemployment has dropped significantly from pandemic highs of 14.8% in April 2020 to 6.1% in April 2021 to 3.6% in April 2022 according to the U.S. Bureau of Labor Statistics. City revenues are largely driven by consumer spending, home prices and broader economic growth. Although there have been pull backs in these areas recently, the pull backs are insignificant when compared to the gains seen over the past couple of years.

Given this unprecedented volatility in economic data, City staff focused on evaluating City revenues based on historical data while accounting for likely effects that will occur from current known factors. The estimates used are conservative and will hold if the broader economy stagnates or encounters a temporary recessionary dip as inflation and interest rates normalize. Finance staff will continue to monitor economic data throughout the year. The City of Coachella will continue to endeavor to maintain a diversified and stable revenue base to minimize the effects of economic fluctuation. All estimates are conservative and based on historical perspectives or known events.

General Fund

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.

City of Coachella
General Fund Historical and Projected Revenues by Type
Fiscal Year 2022-2023

	FY 2020-21	FY 2021-22	FY 2021-22	FY 2022-23
	Actual	Budget	Estimated Year End	Budget
Taxes	\$ 23,371,431	\$ 20,647,000	\$ 22,212,907	\$ 23,894,380
Licenses and Permits	648,250	508,000	508,000	523,000
Charges for Services	560,751	585,000	585,000	765,000
Intergovernmental	1,193,516	1,199,349	1,199,349	1,270,816
Fines and Forfeitures	141,647	166,598	166,598	173,000
Interest and Other Revenue	609,114	178,000	178,000	576,000
Transfers	4,159,009	4,038,198	4,038,198	4,616,091
Total	\$ 30,683,718	\$ 27,322,145	\$ 28,888,052	\$ 31,818,287

Taxes are the largest component of City revenues accounting for nearly 88% of general fund

revenues. With 2022-23 revenues expected to increase \$1.7 million from the prior year projected total. The largest component of these increases is sales tax.

Intergovernmental revenues are substantial in comparison to other categories. The largest components of this category are the lease payment from the water system and the rental of City facilities.

The general fund’s position as the originating fund for all service components, i.e., Water, Sanitary, Fire, Police, Streets, etc. has resulted in the general fund now receiving service charges from operating funds.

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 Year 2022-2023

Department Name	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
	Actual	Actual	Estimated Year End	Budget
General Government	\$ 3,029,788	\$ 3,762,882	\$ 4,093,992	\$ 5,302,664
City Manager	628,950	724,606	918,013	1,019,928
Economic Development	145,605	176,045	214,717	205,331
Finance	1,171,464	1,220,641	1,558,072	1,776,450
Engineering	1,082,265	985,678	926,873	1,165,419
Development Services	1,751,798	1,746,843	2,190,282	2,635,420
Public Works	4,789,452	5,001,782	5,925,681	6,495,627
Police	9,743,571	9,964,430	10,350,306	10,902,902
Fire	1,699,652	1,617,763	2,123,308	2,314,547
	<u>\$ 24,042,545</u>	<u>\$ 25,200,670</u>	<u>\$ 28,301,246</u>	<u>\$ 31,818,287</u>

Water Authority

The Water Authority's revenue budget projects total revenues of approximately \$7.56 million which represents an increase of 2.8% decrease over the prior fiscal year. The decrease in revenue is largely the result of shifts in grant funding. Overall operating revenues are projected to remain flat compared to the prior year.

The Authority's expenditures are projected to be \$7.76 million which is 6.9% greater than last year. This is due to expected increases in energy costs and the purchase of a field service vehicle.

City of Coachella
Water Authority Projected Revenues and Expenses
Fiscal Year 2022-2023

	Projected 2021-22	Budget 2022-23
<u>Beginning Net Position</u>		
Restricted	\$ 8,366,260	\$ 8,916,260
Unrestricted	3,902,675	3,871,495
Total Beginning Net Position	12,268,935	12,787,755
<u>Revenues</u>		
Connection Fees	550,000	550,000
Utility Service	6,200,000	6,200,000
Ground Water Replenishment	450,000	550,000
Interest, Grants , & Other Revenue	577,000	257,500
Total Revenue	7,777,000	7,557,500
<u>Expenditures</u>		
Operating Costs	2,796,019	3,308,896
Administrative Costs	2,505,505	2,737,523
Depreciation & Amortization	1,400,000	1,200,000
Debt Service - Interest Payments	556,655	509,437
Total Expenditures	7,258,180	7,755,857
Surplus (Deficit)	518,820	(198,357)
<u>Ending Net Position</u>		
Restricted	8,916,260	9,466,260
Unrestricted	3,871,495	3,123,139
Total Ending Net Position	\$ 12,787,755	\$12,589,399

Sanitary District

The Sanitary District's 2022-2023 budget includes revenues projected at \$6.88 million, which represents a decrease of 3.8% over the prior fiscal year. This results from projected decreases in service charges based on current year activity.

District expenditures are budgeted at \$6.75 million, which is 8.7% lower than last year. The decrease is due to reductions in operating and administrative costs.

City of Coachella
Sanitary District Projected Revenues and Expenses
Fiscal Year 2022-2023

	Projected 2021-22	Budget 2022-23
<u>Beginning Net Position</u>		
Restricted	\$ 6,359,699	\$ 7,259,699
Unrestricted	(1,156,355)	(2,294,585)
Total Beginning Net Position	5,203,344	4,965,114
<u>Revenues</u>		
Connection Fees	900,000	900,000
Utility Service	6,050,000	5,850,000
Property Taxes	160,000	99,000
Interest & Other Revenue	52,702	39,527
Total Revenue	7,162,702	6,888,527
<u>Expenditures</u>		
Operating Costs	2,677,555	2,485,408
Administrative Costs	2,533,875	2,181,291
Depreciation & Amortization	1,522,623	1,472,623
Debt Service - Interest	666,879	614,964
Total Expenditures	7,400,932	6,754,286
Surplus (Deficit)	(238,230)	134,241
<u>Ending Net Position</u>		
Restricted	7,259,699	8,159,699
Unrestricted	(2,294,585)	(3,060,344)
Total Ending Net Position	\$ 4,965,114	\$ 5,099,355

Fire Protection District

The Coachella Fire Protection District (the District) was created in December 1990 to provide fire protection services to the residents of the City of Coachella. The Riverside County Fire Protection District provides all necessary services that are described in a contract between the two entities. The District is funded through transfers from the City's general fund, property tax collected, interest earned on investments, and miscellaneous sources.

The District's 2022-2023 budget includes revenues projected at \$4.14 million which represents an increase of 8.9% over the prior fiscal year. This results from expenditure increases since the additional costs are passed along to the City's general fund through a transfer.

District expenditures are budgeted at \$4.14 million, which is a 19.9% increase from last year. The

increase is due in projected increases in Riverside County contract costs.

The District is currently staffed by one (1) fire engine company with a (municipal) Fire Captain and (Advanced Life Support) Paramedic for a total of four personnel daily. The cooperative agreement includes three (3) Fire Captains, one (1) Fire Apparatus Engineer, one (1) Fire Apparatus Engineer/Paramedic, one (1) Firefighter II, and four (4) Firefighter-II/Paramedic positions.

In addition to the staffed positions, an active Volunteer Reserve Firefighter Program boasts a company of approximately 6 volunteer firefighters.

City of Coachella
Fire Protection District Projected Revenues and Expenses
Fiscal Year 2022-2023

	Projected 2021-22	Budget 2022-23
Beginning Fund Balance	\$ -	\$ 350,000
<u>Revenues</u>		
General Fund Transfer	2,051,999	2,314,547
Community Facility District Transfer	763,800	874,000
Property Taxes	885,400	912,000
Interest & Other Revenue	102,000	42,000
Grants	-	-
Total Revenue	3,803,199	4,142,547
<u>Expenditures</u>		
Other Professional Services	3,118,456	3,661,000
Administration/Other	334,743	481,547
Total Expenditures	3,453,199	4,142,547
Surplus (Deficit)	350,000	-
Projected Ending Fund Balance	\$ 350,000	\$ 350,000

Cable Public Access

This component unit no longer has an active funding source and has expensed all resources. The expected revenue and expenditure budgets for fiscal year 2022-23 are \$0.

Other Funds

The City has various funds which are used to account for the flow of resources with specific purposes. For the most part these directly interact with the general fund or one of the other operating component unit funds (Water Authority, Sanitary District, Fire Protection District).

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 grant/program revenues, development impact fees, landscape and lighting maintenance districts and special assessments collected through community facility districts.

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 (CIP) 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 2022-23 fiscal year. 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.

RECOMMENDED ALTERNATIVE(S):

1. Approve the 2022-23 City Manager Recommended Budget as presented.
2. Implement increases/decreases in expenditure appropriations and approve the 2022-23 City Manager Recommended Budget approving the 2022-23 budget as amended.

ATTACHMENTS:

Fiscal year 2022-23 City Manager Recommended Budget
Resolution No. 2022-47
Resolution No. WA-2022-04
Resolution No. SD-2022-03
Resolution No. FD-2022-03
Resolution No. CBL-2022-02