



STAFF REPORT
6/10/2020

TO: Honorable Mayor and City Council Members

FROM: William Pattison, City Manager

SUBJECT: Resolution No. 2020-34, a Resolution of the City Council of the City Of Coachella, Adopting an Annual Budget And Organizational Structure for Fiscal Year 2020-21

STAFF RECOMMENDATION:

Adopt Resolution No. 2020-34 approving the annual budget, organizational structure, and policy changes for fiscal year 2020-21 for the City of Coachella and its component units.

BACKGROUND:

I am pleased to submit for your review the proposed budget for the City of Coachella for all funds and departments and its component units for the fiscal year beginning July 1, 2020 and ending June 30, 2021.

In the proposed budget for Fiscal Year 2020/2021, the City of Coachella and all its component units have budgeted revenues of \$76.3 million and appropriations of \$89.9 million. \$11.1 million of these appropriations are for non-general fund capital expenditures. The City's General Fund has budgeted revenues of \$24.3 million and expenditure appropriations of \$24.9 million resulting in a \$670,751 budgeted deficit that is largely due to projected sales tax reductions due to the COVID-19 Pandemic as discussed below. The General Fund is projected to have unrestricted reserves of \$8.9 million at June 30, 2021. Details are provided in the general fund schedules and tables that follow.

HISTORY:

During the prior three fiscal years (2017/2018 - 2019/2020) 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. The Police Department expenditures increased by \$1,485,352 (18.2%) and the Fire Department Expenditures increased by \$647,496 (22.4%) for a combined total of \$2,132,848 or a 19.3% increase in Public Safety expenditures over the three years. The Measure U sales tax

revenue will allow the City to cover the increase in FY 2020/2021 public safety costs with only limited reductions of service level but these Public Safety contracted service increases by Riverside County are not sustainable over time.

In response to the 2008 recession the Council reduced the 2009/2010 general fund budget by \$1.6 million eliminating 19 positions. Service levels were cut due to mandatory furloughs and the associated reduction in hours at City Hall and other City locations. Many cities in the Coachella Valley and throughout California experienced similar shortfalls and severe reductions. In January of 2010 a midyear cuts of \$1.16 million were necessary as the economy continued to erode. A Utility Users Tax was approved by voters on June 8, 2010 in order to forestall service reductions especially in the area of public safety.

CHALLENGES AND PRIORITIES:

COVID-19 Pandemic

The City faces currently unfolding economic challenges resulting from the COVID-19 Pandemic. The Pandemic has affected operations and City revenues, primarily sales tax revenue. The 2020-21 budget projects a 20% (\$825,000) reduction in sales taxes from Measure U and a 20% (\$725,000) reduction in general sales taxes resulting in a budget deficit of \$670,751. Utility revenues in the Water Authority and Sanitation District are expected to see delays in payments that will cause time lags in receiving cash payments, but total revenues are not expected to be significantly affected. Payment delays are also expected in property tax receipts as mortgages go into forbearance, 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 2020-21. The City will continue to prioritize the assessment and shifting of funds as cash needs arise from revenue payments delayed by the 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 2019-20, there was a total increase over the previous Fiscal Year to Police and Fire of \$1,644,632, which represents slightly over 14.2%. For the 2020-21 Fiscal Year, the total amount is expected to increase another \$345,972 or approximately 2.6%. 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 fluctuation. All estimates are conservative and based on historical perspectives.

General fund revenues are categorized into seven broad categories taxes, charges for services, fines and forfeitures, intergovernmental, use of money and property, other revenues and operating transfers.

MAJOR REVENUE SOURCES GENERAL FUND FISCAL YEAR 2020-21				
	FY 2018-19 Actual	FY 2019-20 Budget	FY 2019-20 Estimated Year End	FY 2020-21 Budget
Taxes	\$ 19,101,831	\$ 18,807,016	\$ 18,700,016	\$ 17,230,516
Charges for Services	878,806	1,080,000	1,080,000	987,500
Intergovernmental	773,211	777,461	839,961	871,919
Administration Fees	299,163	250,000	250,000	250,000
Fines and Forfeitures	374,848	460,000	460,000	450,000
Interest and Other Revenue	523,846	206,000	216,000	215,000
Transfers	4,055,655	4,312,774	4,312,774	4,258,381
Total	\$ 26,007,360	\$ 25,893,251	\$ 25,858,751	\$ 24,263,316

Intergovernmental revenues are substantial in comparison to other categories. 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 funds. The process of ending Redevelopment has resulted in a significant loss of administrative funds. Redevelopment tax increment funds are still available to perform administrative and legal activities required to dispose of assets and restructure financing but they are limited and do not cover the full cost of the redevelopment agency dissolution. The City's 77 employees' salary costs are disbursed among 16 different departments and funds to be able to ascertain both direct and indirect costs from the family of employees 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 2020-2021

Department Name	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Actual	Actual	Estimated Year End	Budget
City Council	\$ 102,766	\$ 148,056	\$ 206,145	\$ 212,268
City Clerk	107,863	140,948	129,789	124,059
City Attorney	771,356	658,167	567,000	585,000
City Manager	205,178	322,194	356,692	366,363
Human Resources	236,726	199,289	202,575	258,437
Grants Manger	237	68,735	75,183	83,905
Economic Development	411,187	141,433	137,639	148,208
Finance Department	433,259	544,189	556,447	625,714
General Government	2,343,763	2,680,797	1,717,366	1,631,382
Information Technology	416,147	492,589	484,287	545,303
Fleet Maintenance	396,631	540,201	420,596	457,261
Building Maintenance	573,079	646,603	644,073	693,434
Development Services/Planning	725,032	680,046	657,705	748,021
Building Department	436,395	354,812	267,815	269,943
Engineering Department	735,513	900,558	855,529	858,752
Parks and Recreation Program	244,686	201,117	306,413	321,438
Seniors Program	294,927	293,619	325,218	335,418
Public Works Administration	155,605	160,547	247,949	253,330
Public Works Streets	1,164,292	1,284,939	1,323,055	1,381,367
Public Works Graffiti	78,655	86,630	125,116	122,545
Public Works-Parks	1,569,573	1,504,129	1,560,632	1,651,862
Police Services	8,450,622	8,744,510	9,656,954	9,955,639
Fire Protection Services	1,560,802	1,224,826	1,922,555	1,776,978
Code Enforcement	468,888	369,210	529,405	399,377
Abandoned Vehicle Program	205,297	172,506	214,024	170,529
Emergency Services	61,953	71,320	85,522	95,403
Animal Control	255,029	228,416	280,000	250,000
Transfer - Coachella Lease Bonds	615,977	616,225	611,709	612,131
Total	\$ 23,021,440	\$ 23,476,610	\$ 24,467,393	\$ 24,934,067

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, 2021.

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 and subventions, impact fees, 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, the Coachella Sanitary District, and the Coachella Fire Protection District.

Capital Improvement Funds are used to account for project costs of permanent general or enterprise fund resources used 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 2020-21 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 bond proceeds from previous issuances, 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 2020/21 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 Gabor Pakozdi, Development Services Director Luis Lopez, the Finance Department staff, and all the City personnel who contributed to the entire budget process.

Respectfully submitted,

William Pattison, City Manager