

REPORT TO THE CITY COUNCIL



DATE: October 1, 2019

TITLE: Budget Adjustments for the 2019-2020 Fiscal Year

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RECOMMENDATION

Approve budget adjustments for Fiscal Year 2019-2020

BACKGROUND

Beginning with Fiscal Year (FY) 2016-2017, the City moved to a two-year budget format, whereby the operating budget would be presented by staff and ultimately approved by the City Council every two years. On June 5, 2018, City Council approved the budgets for the 2018-2019 and 2019-2020 fiscal years. During the regular course of business, adjustments to the budget become necessary as new information for more accurate estimates become available and actual changes to programs or services levels occur. These adjustments allow for the City to continue to fund daily operations, including on-going repairs, maintenance, and improvements to the City's public facilities and equipment.

The City's Finance Staff worked in cooperation with staff from all other City departments to determine the changes for FY 2019-2020. The items presented here are the adjustments for FY2019-2020 (Exhibit 1).

DISCUSSION:

Consolidated General Fund:

The Consolidated General Fund consists of three funds used to account for virtually all required services funded predominantly with discretionary revenue sources:

General Fund (Fund 001)
Emergency Reserve Fund (Fund 212)
Public Safety Fund (Fund 245)

The summary of budget adjustments for FY2019-2020 in the Consolidated General Fund are as follows:

Consolidated General Fund	FY2019-2020 Adjustments
Revenues	\$ 2,920,284
Operating Expenses	\$ 2,920,165
Surplus	\$ 119
Increased amount to the 25% set aside of cannabis revenues	\$ 334,410

There are several changes to the revenues of the Consolidated General Fund. The largest changes are due to cannabis tax revenue increases, based on past revenue collections for dispensaries and new cultivators that have opened during the past year. Other significant increases include transient occupancy taxes, sales & use taxes, franchise fees, and building permits, which all result from increased economic activity in the City.

The increases in expenses are comprised of many items. The budget adjustments for FY2019-2020 include cost increases for commitments previously approved by City Council such as increases for the trash abatement program, general plan update, OneFuture Coachella Valley, Palm Springs Unified School District, and on-call environmental services. Adjustments also address changes in the MOUs for the Police Officers Association and the Desert Hot Springs Employees Union, along with corresponding increases for non-represented employees. Other significant increases include attorney services for litigation costs, updating the City's DIF study, an additional transfer to the City-Wide Landscape Maintenance District Fund, the Civic Scholars program, and an additional transfer to the Debt Service Fund for payment of the Series 2018 bonds.

Restricted Funds:

State Gas Tax Fund (140): - Decrease of personnel expenditures in the amount of \$16,286 due to changes in staffing assigned to that fund.

Health & Wellness Fund (211): - Decrease in the transfer in from the General Fund by \$515,421. This revenue source will be covered by the additional revenue from the John Furbee trust.

City-wide Landscape/Lighting Maintenance District Fund (501): - Increase in costs by \$156,047, to cover additional maintenance due to new medians, traffic lights and street lamps. These costs will be offset by an additional transfer from the General Fund.

RDA Obligation Retirement Fund (911): - Increased staff costs in the amount of \$72,164 which will be offset by the administrative fee portion of the tax increment revenue.

FISCAL IMPACT

For FY 2019-2020, these proposed adjustments will change the projected revenues and expenditures in the Consolidated General Fund as follows:

Consolidated General Fund	FY2019-2020 Budget
Revenues	\$ 22,394,692
Operating Expenses	\$ 22,124,440
Surplus	\$ 270,252
Total amount to the 25% set aside of cannabis revenues	\$ 1,053,232

State Gas Tax Fund (140) – The overall fiscal impact to reduce expenditures by \$16,286.

Health & Wellness Fund (211) – The overall fiscal impact is a net \$0 in changes.

City-wide Landscape/Lighting Maintenance District Fund (501) – The overall fiscal impact to increase revenues by \$140,000 and increase expenditures by \$156,047 for a net total (revenues less expenditures) of \$16,047.

RDA Obligation Retirement Fund (911) – The overall fiscal impact to expenditures is an increase of staff costs of \$72,164.

EXHIBIT(S)

1) FY2019-2020 Budget Adjustments