

City of Palm Springs



FISCAL YEARS 2023-24 & 2024-25 COUNCIL STUDY SESSION

MAY 8, 2023

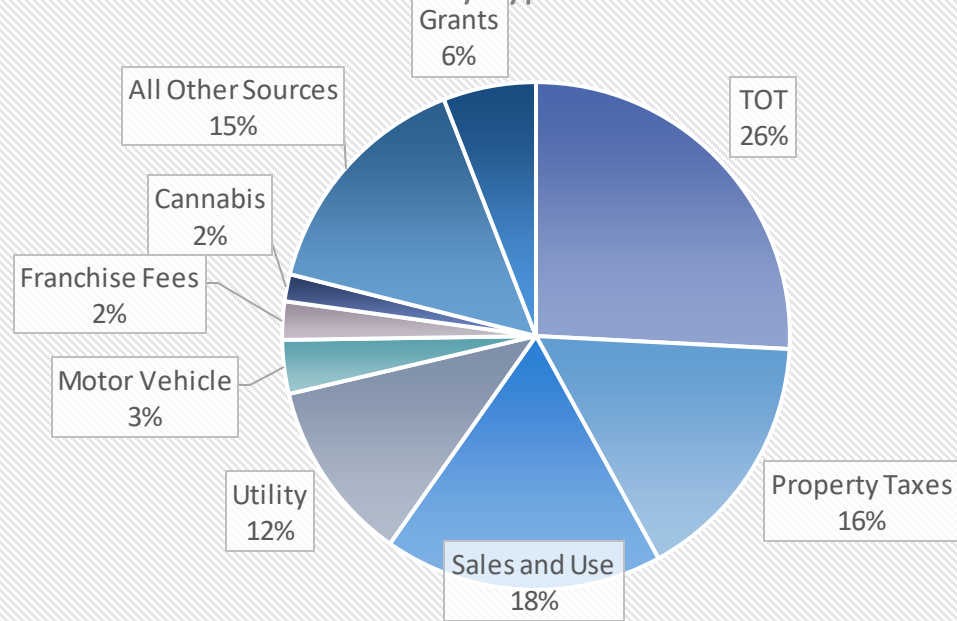
General Fund

Revenue Highlights

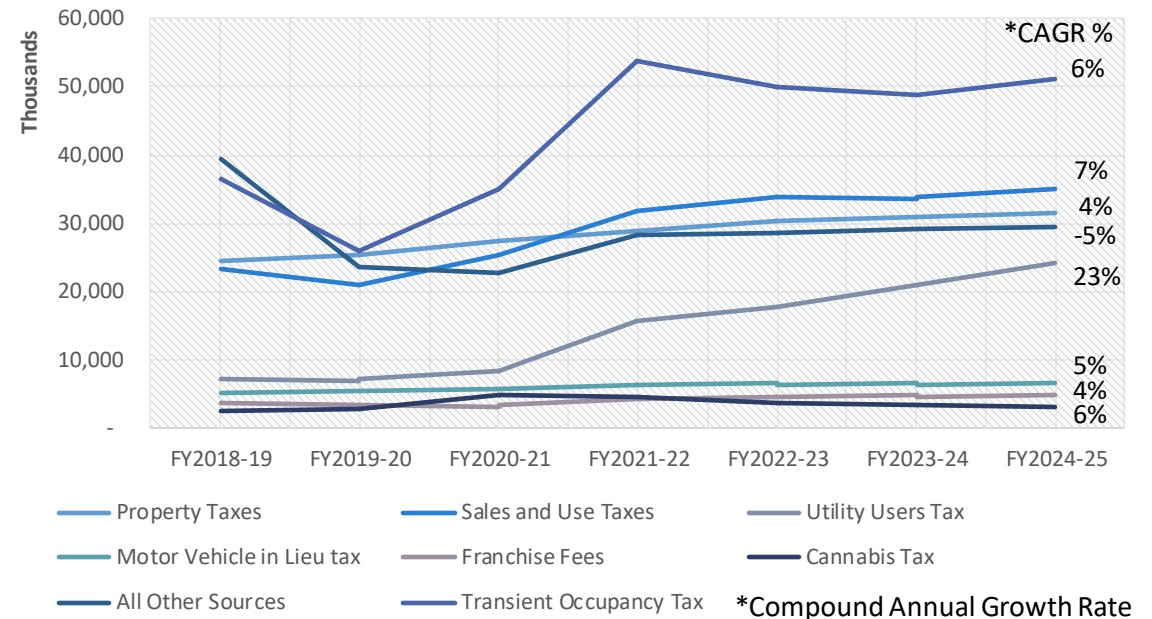
- **Transient Occupancy Tax -**
 - Largest revenue line item
 - **On target to meet forecast in FY23.**
 - **Vacation Rental Revenue down 11.3% from \$13.2M to \$11.7 YTD. Slow start to the year but the last two months have exceeded FY22 revenue.**
 - **Budgeted slightly down (2%) FY24**
 - **Increase in FY25, up 4.5%**
- **Property taxes assume steady low single digit growth at 2% for both FY24 & FY25**
- **Utility Users Tax (UUT) is expected to continue its robust growth in both FY24 and FY25, 16.6% and 15.6% respectively. Projections are in line with what the City's tax consultants are forecasting.**
- **All Other Sources includes fees for city services, licensing & permits, fines & penalties, interest income, etc.**

	<u>FY2022-23</u> Forecast	<u>FY2023-24</u> Draft Budget	<u>FY2024-25</u> Draft Budget
Total Revenue	\$ 186,446,205	\$ 199,578,555	\$ 187,930,247
Transient Occupancy Tax	49,919,475	48,921,085	51,122,534
Property Taxes	30,407,637	31,015,768	31,636,084
Sales and Use Taxes	33,912,338	33,811,056	35,061,718
Utility Users Tax	17,835,699	20,801,918	24,056,277
Motor Vehicle in Lieu tax	6,435,921	6,564,639	6,695,932
Franchise Fees	4,584,399	4,676,087	4,769,609
Cannabis Tax	3,606,427	3,426,106	3,254,801
All Other Sources	28,558,244	29,230,503	29,568,814
Grant Revenue	9,936,066	21,131,392	1,764,478
Transfers From Other Funds	1,250,000	-	-
Total Expense	\$ 177,713,131	\$ 216,353,547	\$ 184,108,827
General Government	52,781,254	63,186,418	67,582,115
Police	42,017,426	43,380,779	44,723,596
Fire	24,836,102	27,992,314	29,478,509
Parks and Recreation	10,846,125	15,086,625	15,782,444
PERS Future Cost Reserve	6,000,000	6,000,000	6,000,000
Transfers	27,331,298	19,731,879	18,777,686
Set Aside Items	3,964,860	19,844,140	-
Grant Expense	9,936,066	21,131,392	1,764,478
Surplus/(Deficit)	\$ 8,733,074	\$ (16,774,992)	\$ 3,821,419

Revenues by Type - FY24 & FY25



Revenue Category Trend FY19-FY25



Revenue Highlights Continued:

- Grant revenue expected to decline significantly from FY24 to FY25. Mostly for homelessness, these funds are assumed to be used in FY24 with some carrying over to FY25.
- TOT, Property Tax, Sales and Use Tax, and Utility Users Tax make up 75% of operating revenue.
- Sales and Use Tax is forecasted to be flat for FY2023-24 and growth of 3.7% in FY2024-25. Budget is in line with what the City's tax consultants are forecasting.
- Cannabis tax revenues continue to decline, 5% each of the next two years.

General Fund

	FY2022-23 Forecast	FY2023-24 Draft Budget	FY2024-25 Draft Budget
Total Revenue	\$ 186,446,205	\$ 199,578,555	\$ 187,930,247
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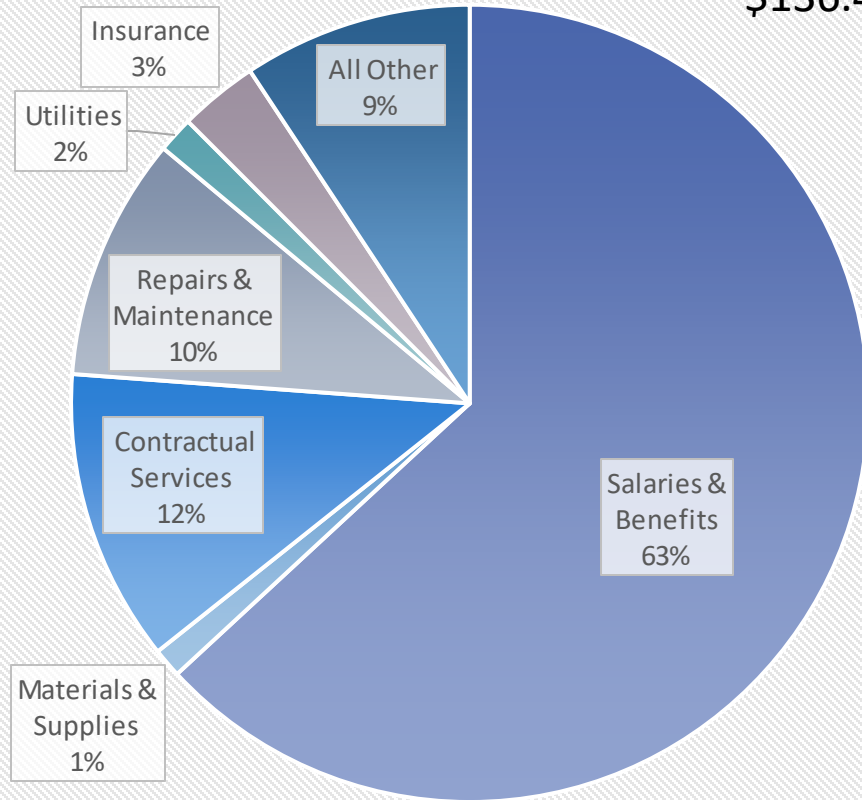
Expenditure Highlights

- **The \$7M remaining in set aside will be used over the next two years for Affordable housing initiatives such as Rental Assistance, Low-income housing rehabilitation, and additional funding to facilitate development opportunities.**
- **Continue to partner with DWA on turf conversion opportunities at \$1.2M**
- **\$950,000 for electrical system design and infrastructure for 25 new charging stations**
- **Purchase of Motor Grader at a cost of \$500,000 to help open roads faster when they are closed due to weather events.**
- **Grant funds to be used for the construction and operation of the Navigation Center project in FY2023-24.**

General Fund Operating Expenditures at a Glance

Operating Expenditures by Category - Total FY23*

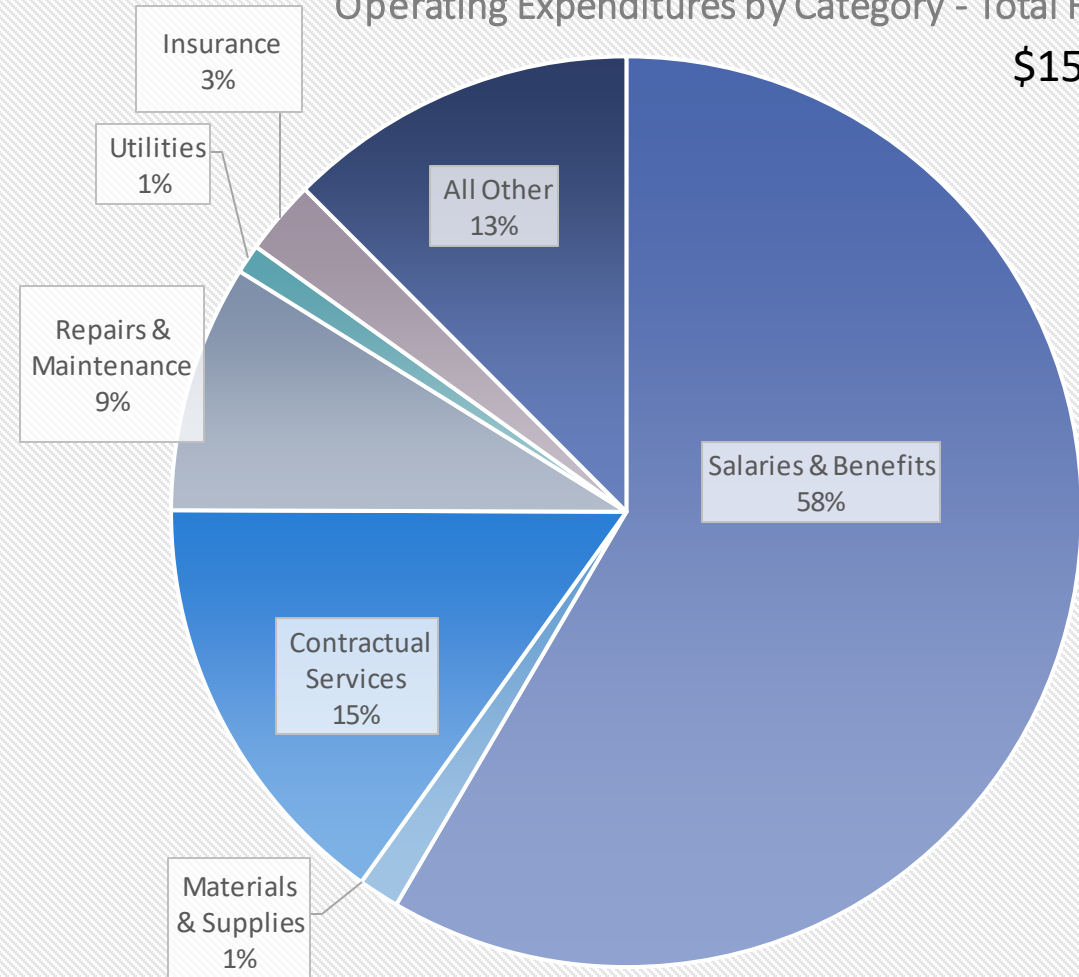
\$136.4M



*Forecast

Operating Expenditures by Category - Total FY24*

\$155.5M



*Budgeted

Staffing Highlights

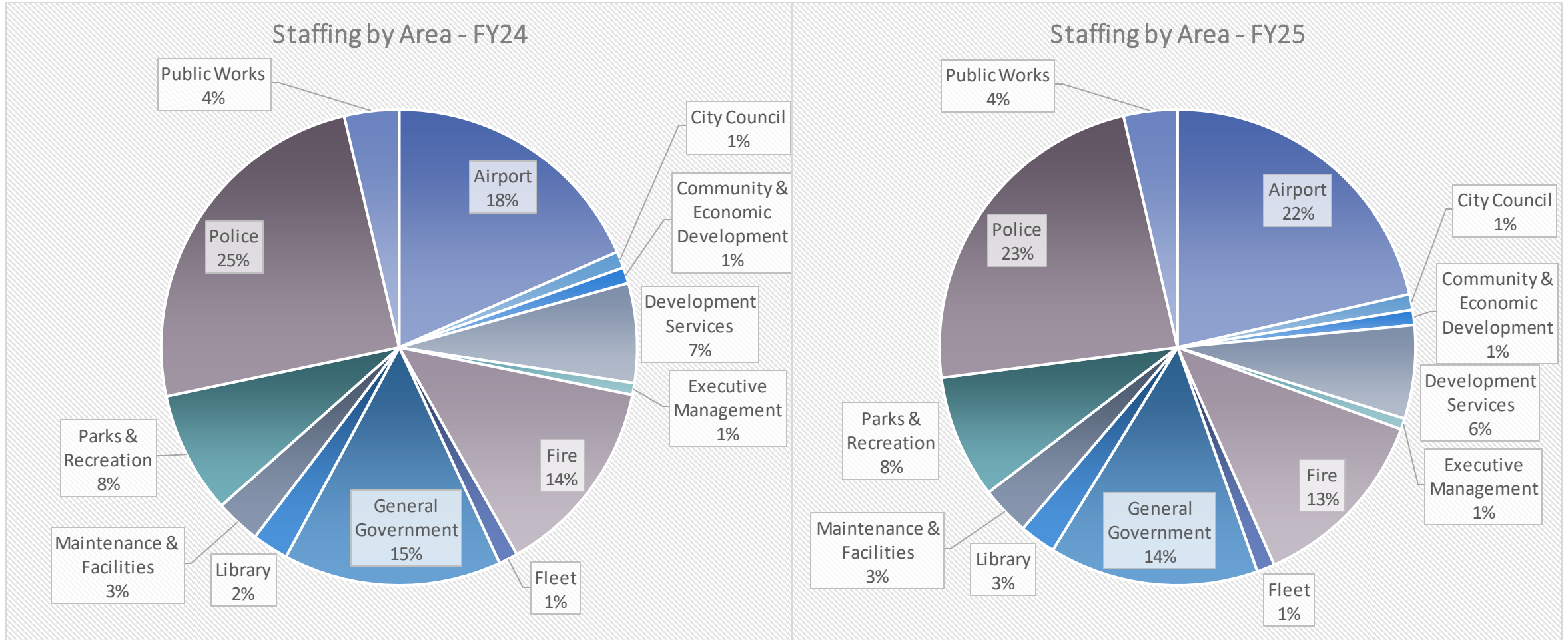
FY24		
Department	New FTEs	Salaries & Benefits
Fire	3	\$ 550,910
Maintenance & Facilities	3	464,607
Parks & Recreation	2	270,435
Police	2	243,417
General Government	2	237,549
Development Services	1	119,680
Grand Total	13	\$ 1,886,597

FY25		
Department	New FTEs	Salaries & Benefits
Parks & Recreation	4	\$ 518,952
Maintenance & Facilities	3	352,401
General Government	2	286,295
Police	2	249,365
Library	1	110,276
Public Works	1	103,186
Grand Total	13	\$ 1,620,474

- **The City plans to add 13 positions in FY24 which include the following:**
 - **3 Firefighter/EMT's to meet NFPA 1710 adequate staffing resources on 4 out of 5 engine companies.**
 - **2 Police Dispatchers**
 - **2 Park and Recreation Staff**
 - **1 Lifeguard**
 - **1 Recreation Assistant at Demuth Park**

- **The City plans to add 13 positions in FY25:**
 - **2 Police Dispatchers**
 - **4 Park and Recreation Staff:**
 - **2 Project Managers and 2 Administrative staff**

City Staffing at a Glance



**City of Palm Springs
Council Study Session Review**

Fund Balance

	FY 2021-22 Actual	FY 2022-23 Revised Budget	FY 2022-23 Estimated Actual	FY 2023-24 Draft Budget	FY 2024-25 Draft Budget
Beginning Fund Balance - Unrestricted	\$ 81,804,817	\$ 103,941,580	\$ 103,941,580	\$ 112,674,654	\$ 95,899,662
Operating Revenues	166,871,734	155,985,228	175,260,139	178,447,162	186,165,768
Add: Grant Revenue	12,102,934	32,134,208	9,936,066	21,131,392	1,764,478
Transfers In	6,391,800	1,012,516	1,250,000	-	-
Total Revenues	185,366,468	189,131,952	186,446,205	199,578,555	187,930,247
Operating Expenditures	(123,720,434)	(156,190,738)	(136,480,907)	(155,646,136)	(163,566,664)
Transfers Out	(10,095,765)	(27,331,298)	(27,331,298)	(19,731,879)	(18,777,686)
Operating Surplus / (Deficit)	33,055,535	(27,536,808)	11,447,934	3,069,148	3,821,419
Set Asides		(23,809,000)	(3,964,860)	(19,844,140)	-
Operating Exp. Incl. Set Aside & Transf.	(133,816,199)	(207,331,036)	(167,777,065)	(195,222,155)	(182,344,349)
Less: Grant Expense	(1,163,506)	(27,216,631)	(9,936,066)	(21,131,392)	(1,764,478)
Total Expenditures	(134,979,705)	(234,547,667)	(177,713,131)	(216,353,547)	(184,108,827)
Surplus / (Deficit)	50,386,763	(45,415,715)	8,733,074	(16,774,992)	3,821,419
Proposed Minimum Fund Balance				30,028,269	30,028,269
Remaining Unassigned Fund Balance	103,941,580	58,525,865	112,674,654	65,871,393	69,692,813
Total Fund Balance Before CalPERS	103,941,580	58,525,865	112,674,654	95,899,662	99,721,081
CalPERS Reserve Set-Aside	28,250,000	34,250,000	34,250,000	40,250,000	46,250,000
CalPERS Set-Aside/Fund Balance	\$ 132,191,580	\$ 92,775,865	\$ 146,924,654	\$ 136,149,662	\$ 145,971,081
Required Minimum Fund Balance Total				19.29%	18.36%
Fund Balance Total	77.67%	28.23%	67.16%	61.61%	60.97%
Fund Balance CalPERS Reserve Total	21.11%	16.52%	20.41%	25.86%	28.28%
Fund Balance % Total	98.79%	44.75%	87.57%	87.47%	89.24%

- The City has a plan for most of the remaining Council approved set aside dollars, most of which will be used in FY24 but some will likely carry into FY25. Remaining set asides are Police (\$4M) and workforce development (\$1.6M)
- In June, City Staff plan to bring Council a Fund Balance policy for approval that is in line with Government Finance Officers Association (GFOA) guidelines
- In FY24, City Staff will bring a plan to Council for approval which outlines various options to pay down the CalPers Unfunded Accrued Liability (UAL)

Capital Funds

Fiscal Year 2023-24 Capital Budget							
Fund	Beg Fund Balance	Revenue	Transfer In	Expenditures	Transfer Out	Ending Fund Balance	Use of Funds
Gas Tax	2,453,548	1,394,633	-	1,000,176	-	2,848,005	Streets
Measure A	8,491,377	7,878,780	-	9,007,381	-	7,362,776	Streets
Drainage	2,349,965	525,000	-	617,260	-	2,257,705	Drainage
RMRA	2,132,861	1,113,536	-	-	-	3,246,397	Transportation
Quimby	3,799,942	635,000	-	837,555	-	3,597,387	Parks and Rec
Measure J	35,964,245	22,770,046	-	25,916,976	3,133,700	29,683,615	General
Capital Fund	24,250,634	37,524,600	2,000,000	46,422,868	-	17,352,366	Various
Total	79,442,572	71,841,595	2,000,000	83,802,216	3,133,700	66,348,251	

Fiscal Year 2024-25 Capital Budget							
Fund	Beg Fund Balance	Revenue	Transfer In	Expenditures	Transfer Out	Ending Fund Balance	Use of Funds
Gas Tax	2,848,005	1,225,000	-	1,225,000	-	2,848,005	Streets
Measure A	7,362,776	6,208,526	-	5,715,920	-	7,855,382	Streets
Drainage	2,257,705	520,000	-	-	-	2,777,705	Drainage
RMRA	3,246,397	1,151,193	-	-	-	4,397,590	Transportation
Quimby	3,597,387	652,401	-	-	-	4,249,788	Parks and Rec
Measure J	29,683,615	23,655,226	-	20,218,552	3,133,200	29,987,089	General
Capital Fund	17,352,366	21,902,904	2,000,000	21,995,324	-	19,259,946	Various
Total	66,348,251	55,315,250	2,000,000	49,154,796	3,133,200	71,375,505	

**NOTE THAT ANY CAPITAL FOR THE AIRPORT OR WASTEWATER PLANT WILL GET FUNDED OUT OF THEIR OWN FUND

Capital Improvement Program

- **5-Year CIP**
 - **Over 70 active projects**
- **Budget Requests Increased by 30% for Most Projects**
- **Only adding one additional CIP Project**
 - **Rim Road Widening Study and Design**
- **Engineering Staff - 2 Project Managers this Fiscal Year**
- **Advertising for 2 Engineering Positions to Start by Next Fiscal Year**

Capital Improvement Program

14 Completed Projects in FY2022-23

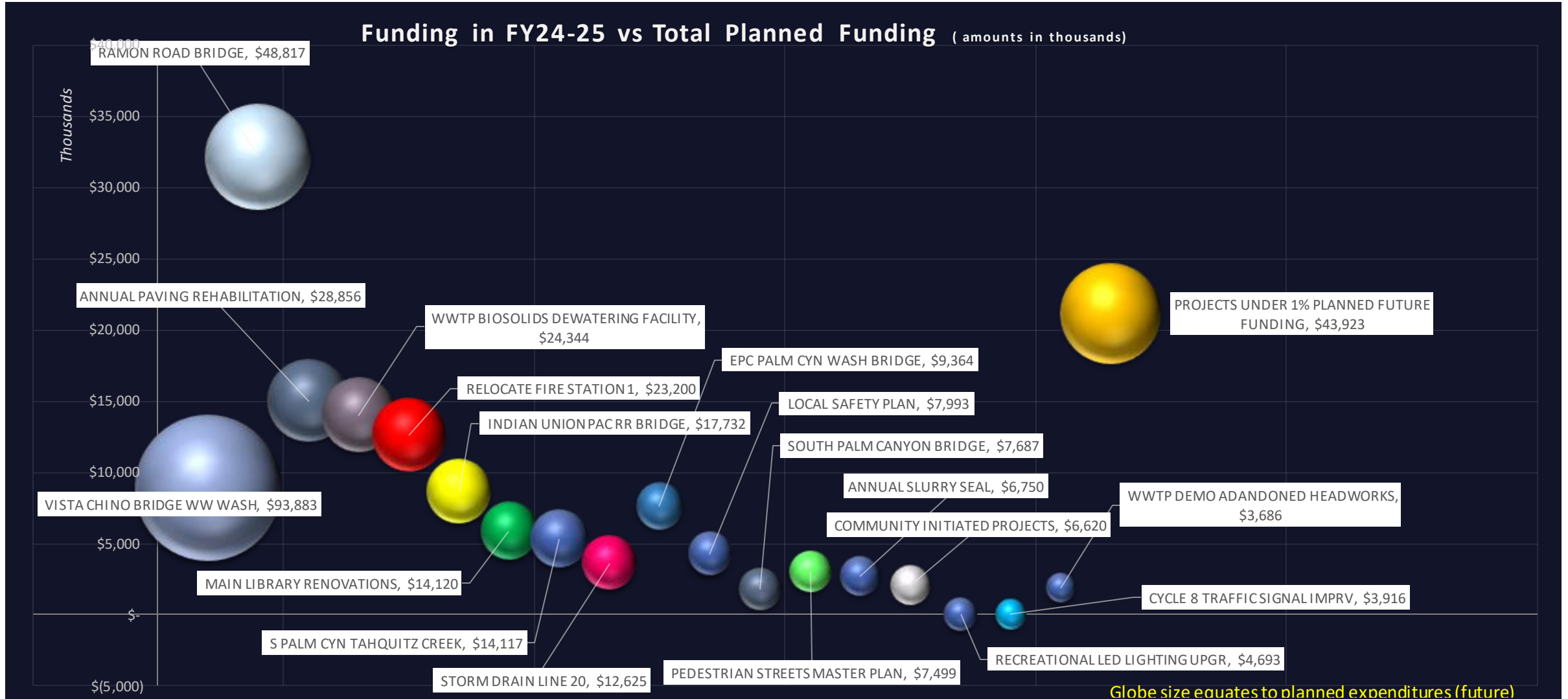
- 15-32 HSIP Cycle 7 – 17 Traffic Signal Upgrades (minor items pending)
- 16-19 Flashing Beacon and Dynamic Message Sign (Part of HSIP 8)
- 17-07 North Palm Canyon Traffic Signal Project (minor items pending)
- 19-14 Demuth Community Center Air Conditioning Project
- 19-19 City Yard Roof Replacement
- 19-34 Airport Passenger Boarding Bridgers
- 20-27 Pavilion Center Acoustic Upgrades
- 20-30 Demuth and Desert Highlands Park Restrooms
- 21-02 2022 Slurry City Project
- 21-22 Desert Highland Ball Park Improvements
- 21-32 Swim Center Shade Structures
- \$6.9 Million Annual Pavement Rehabilitation Project
- 22-23 Traffic Calming Projects
- Community Initiated - Measure J Funded – Visitor Center Uplighting

Capital Improvement Program

17 Projects in Construction FY2022-23 thru FY 2023-24

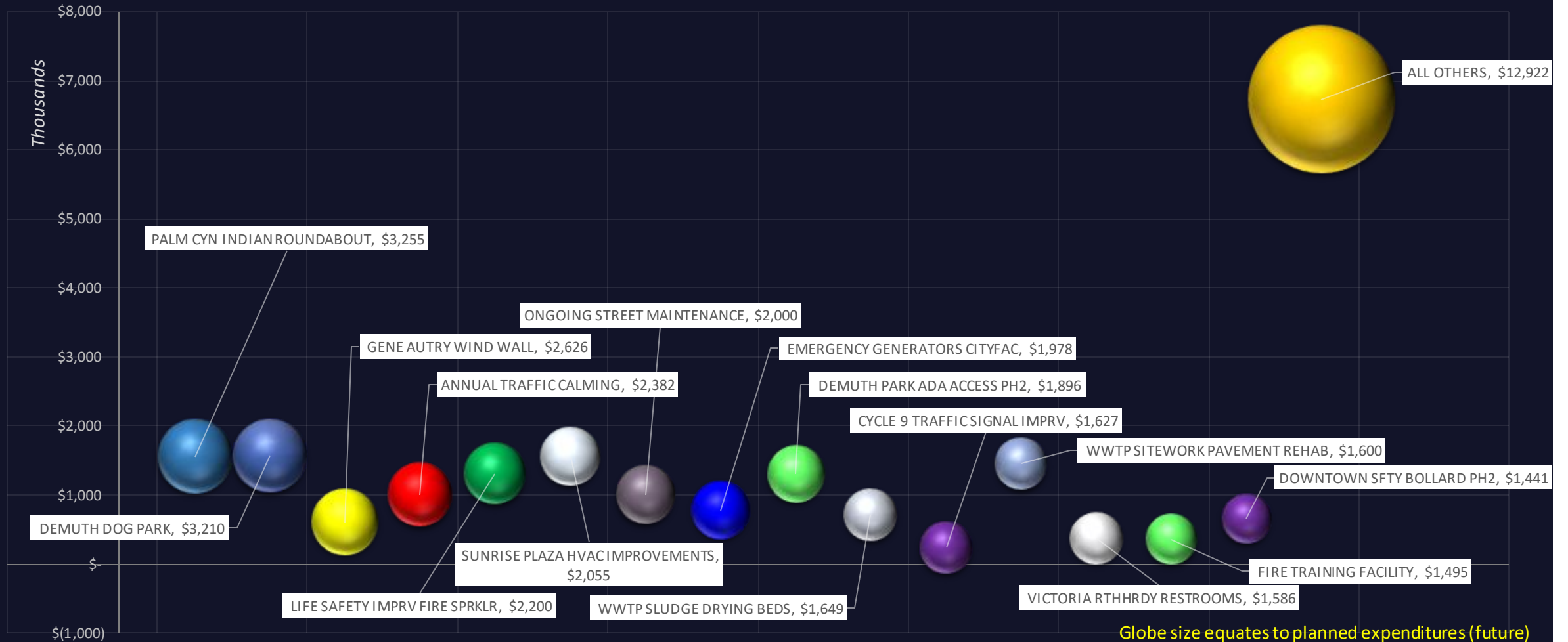
- 01-11 – Indian Canyon Bridge over UPRR (\$44 million)
- 16-18 – HSIP Cycle 8 – 14 Traffic Signal Upgrades
- 18-04 – Plaza Theater Renovation
- 18-18 – Bogert Trail Lift Station
- 18-20 – Skylight Railing Project
- 19-15 – Storm Drain Line 20
- 19-28 – Recreational Field Lighting Upgrades
- 19-36 – Traffic Management Center and Signal Timing Optimization
- 20-19 – Desert Highland (Rosa Parks/Indian) Traffic Signal
- 20-33 – San Rafael at Avenida Caballeros Traffic Signal
- 21-12 – Pedestrian Traffic Signal (HAWK) at Racquet Club
- 21-17 – Arnico Tract Sewer
- 22-05 – Navigation Center
- Annual Paving Project (\$9 million)
- Annual Slurry Project (\$2 million)
- WWTP Digester Number 2 and Gas Flare (\$16 million)
- WWTP 11- Sludge Drying Bed Rehabilitation

Capital Improvement Program - Project Universe



Capital Improvement Program (Detail of Projects under 1% of All Future Planned Funding)

Funding in FY24-25 vs Total Planned Funding (amounts in thousands)



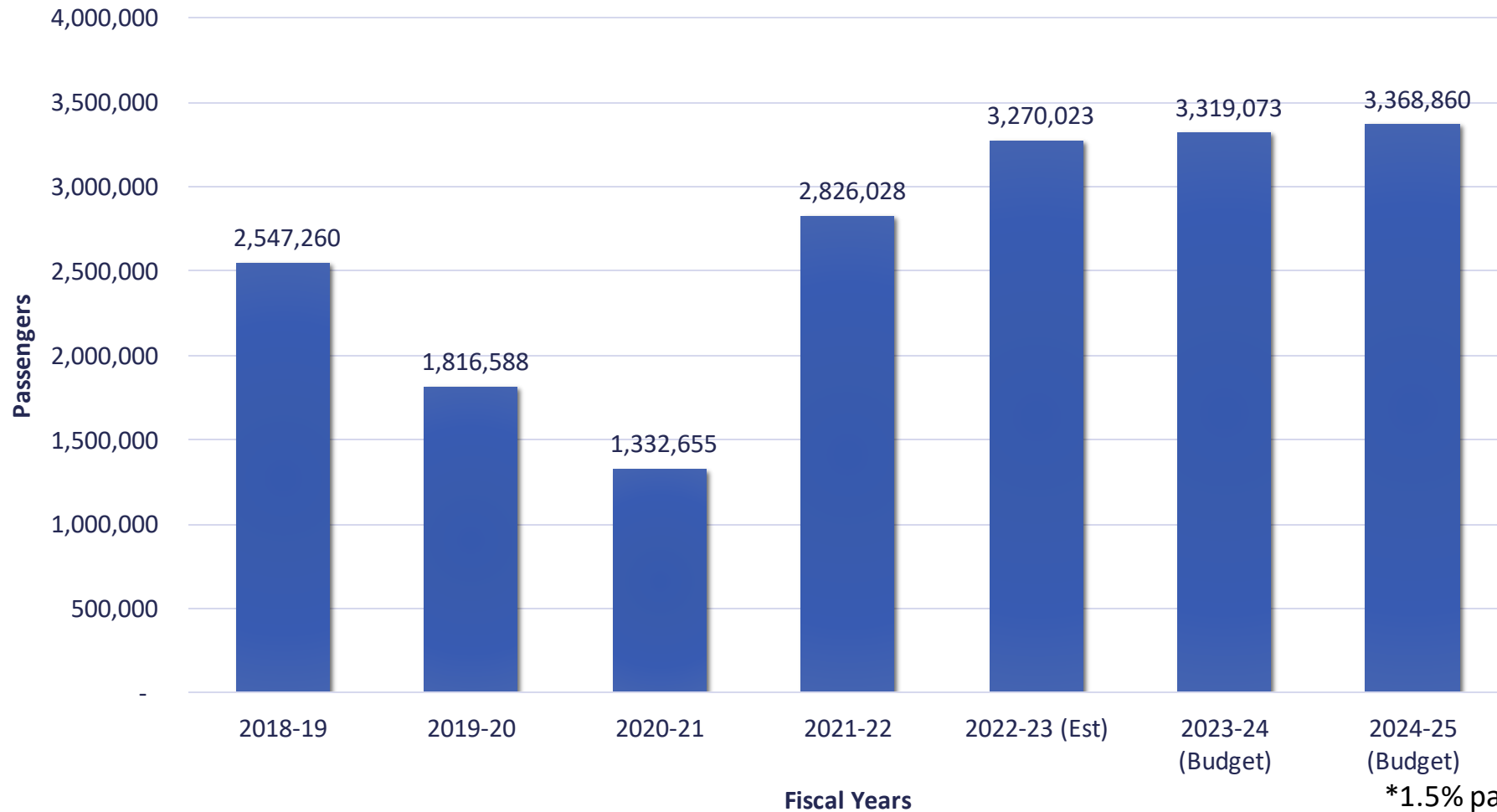
Airport Fund

- Budgeted FY24 revenues to be 16.5% over forecasted revenues in FY23. Budgeted FY25 revenues over FY24 budgeted revenues by 10.5%.
- Airport revenue growth driven mainly by increased passenger traffic, new concessions and airline rates
- Budgeted expenses in FY24 expected to increase 44% over forecasted FY23. Budgeted FY25 expenditures expected to increase 24% over FY24.
- Airport requesting 49 additional positions and robust Capital Projects for FY2023-24 & FY2024-25 to address passenger capacity and operational constraints

	FY2022-23 Forecast	FY2023-24 Draft Budget	FY2024-25 Draft Budget
Total Revenue	\$ 53,623,663	\$ 62,488,919	\$ 69,102,200
Airline Revenue	9,665,025	21,000,019	27,413,506
Non-Airline Revenue	27,256,648	35,223,694	41,688,694
Grant Revenue	16,701,990	6,265,206	-
Total Expense	\$ 33,894,665	\$ 48,781,691	\$ 60,405,427
Administration	5,212,996	7,990,385	8,847,224
Information Technology	420,000	784,777	682,047
Law Enforcement	3,053,885	3,147,659	3,229,436
Aviation Security	-	1,696,241	1,813,039
Airside Operations	1,309,963	5,288,984	5,454,221
Rescue-Fire	3,681,436	4,881,146	5,041,960
Landside Operations	1,699,475	2,178,178	2,759,661
Ground Maintenance	664,899	686,823	639,147
Terminal Building Operations	7,788,259	8,191,023	10,605,447
Passenger Boarding Bridges	13,759	120,000	120,000
Baggage Handling System	299,493	897,000	900,000
Control Center Operations	3,330,431	4,160,405	4,101,807
Customs	284,240	336,296	303,996
Planning and Projects	-	689,140	669,444
PERS Future Cost Reserve	750,000	750,000	750,000
Transfer Out	5,385,828	6,983,634	14,488,000
Surplus/(Deficit)	\$ 19,728,998	\$ 13,707,229	\$ 8,696,773

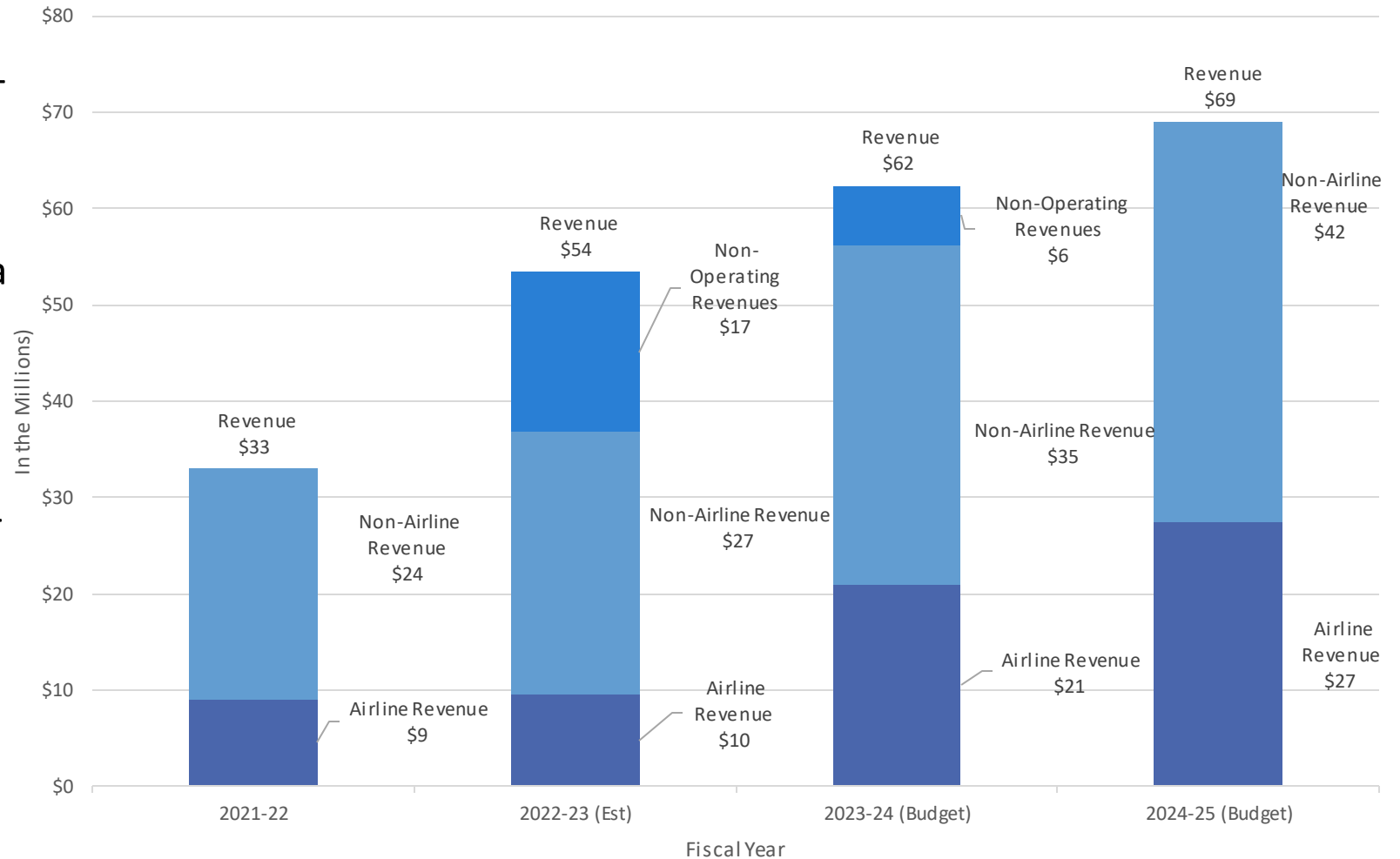
Airport Total Passengers

Total Passengers



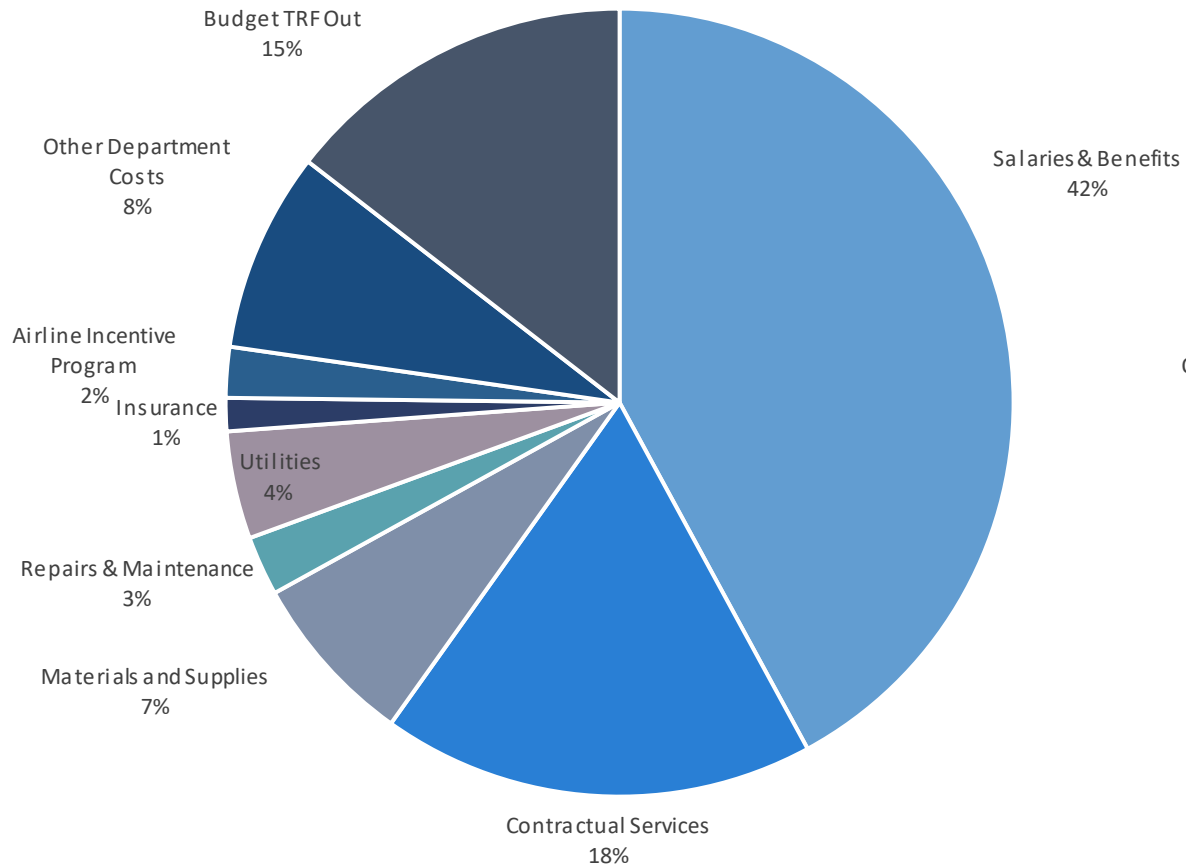
Airport Fund Revenue Highlights

- Revenues continue to increase as passenger traffic increases over FY 2023-24 and FY 2024-25
- Airline revenue expected to rise by \$16.7M in the FY 2023-24 as a result of a newly negotiated Airport Use and Lease Agreement.
- Non-Airline revenue is expected to increase by \$4.9M or 10% in FY 2023-24 as a result of rental car revenue, new retail and food/beverage concessions, and parking revenue
- Non-Operating (COVID relief funds) revenue is expected to be exhausted by FY25

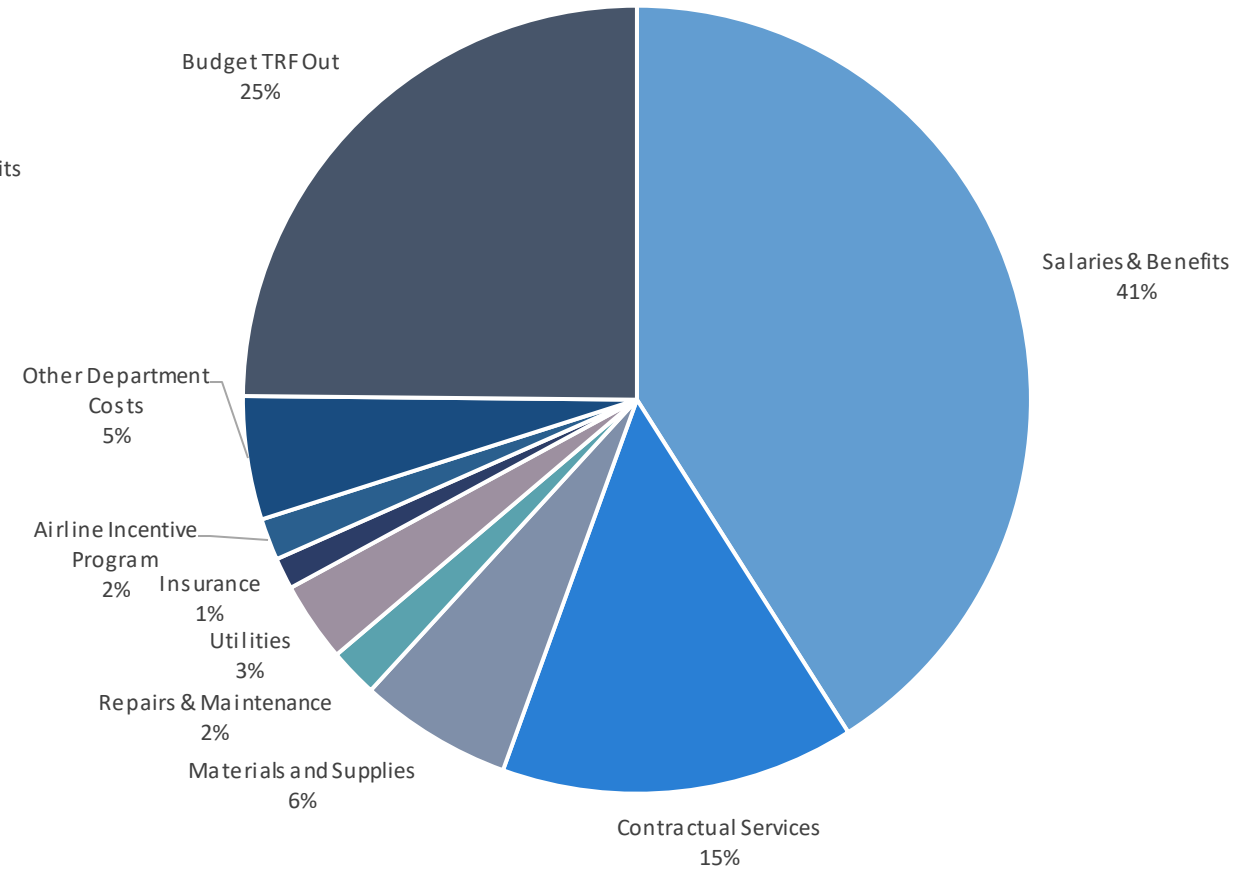


Airport Fund Expenditures

Operating Expenditures by Category - Total FY24

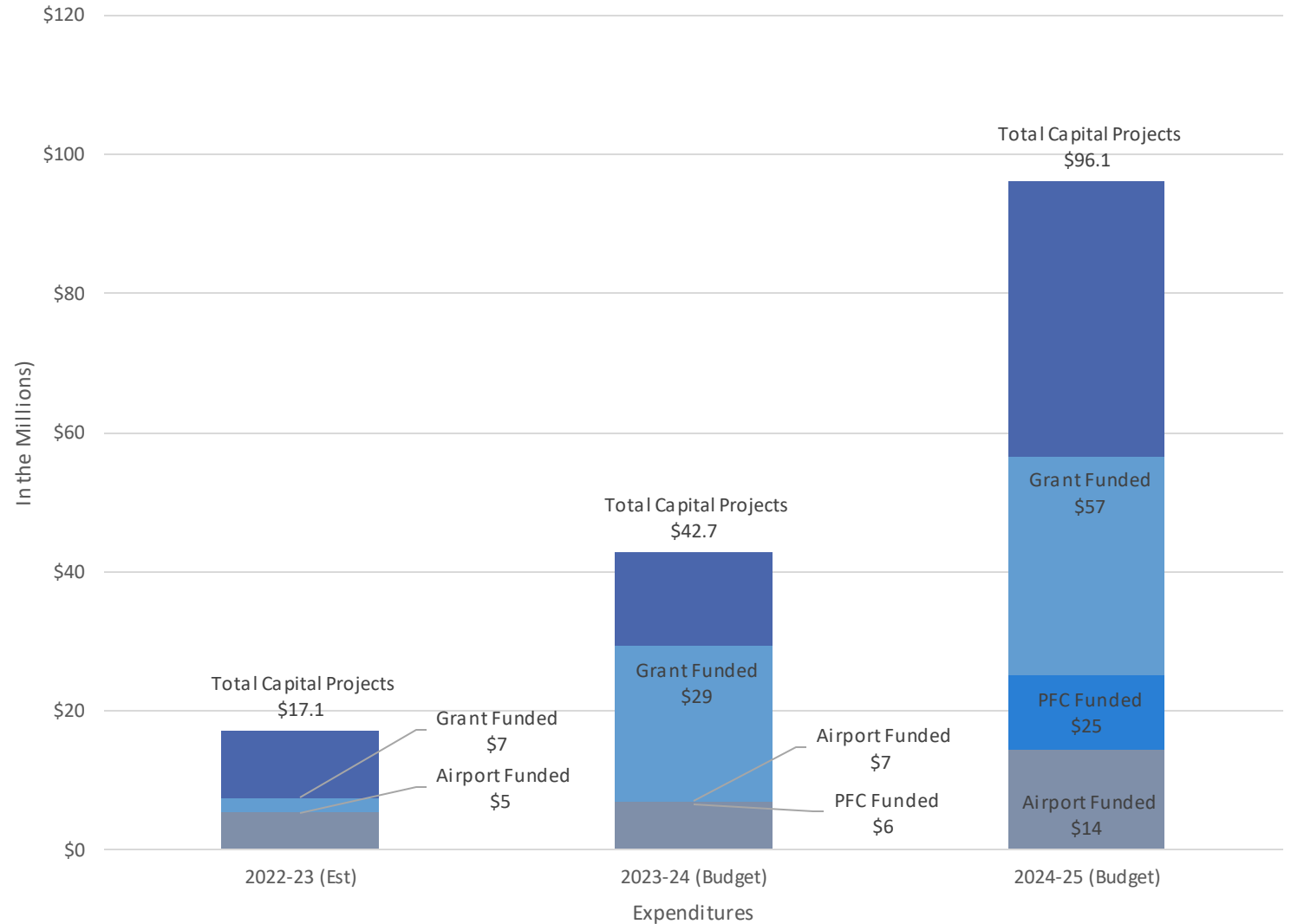


Operating Expenditures by Category - Total FY25



Airport Capital Projects Highlights

- FY24 - \$42.7 million in Capital Expenditures for 16 projects
 - Baggage Handling System
 - Parking Expansion
 - Baggage Claim Renovation
 - Restroom Renovation
- FY25 - \$96.1 million in Capital Expenditures for 17 projects
 - Zero Emissions Buses
 - Main Terminal Façade
 - HVAC Infrastructure Replacement
- All Capital Projects will set aside 1% towards Arts improvements around the Airport





THANK YOU

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BASICS OF DEBT ISSUANCE AND FINANCING OPTIONS

May 8, 2023



Overview

- **Use of Municipal Bonds**
- **Types of Municipal Bonds**
- **Issuance Process**
- **Financing Costs**
- **Financing Options**

Use of Municipal Bonds

To fund CIP and other projects important to sustained economic growth or quality of life, City has 3 options:

- Pay-as-you-go
- Intergovernmental revenue (grants)
- Borrowing (municipal bonds)

Bonds provide long-term financing for capital facilities with a longer useful life

- Fire Station No. 1
- Library Upgrade

Municipal Bonds to Fund General Fund Projects

General Obligation Bonds

- Secured by property tax levy; Requires voter approval
- Bond amount limited to a % of assessed value
- The City has no General Obligation Bonds

Lease Revenue Bonds

- Secured by lease payments paid by General Fund for use of one or more City assets pursuant to a lease with the Financing Authority
- Lease payments subject to annual appropriation to comply with debt limitations contained in the State Constitution
- Debt service may be allocated internally to other funds
- City has used Lease Revenue Bond financing for over 30 years

Debt Issuance Process

Lease Revenue Bonds issued by Financing Authority

- Financing Authority Board of Directors = City Council

Approval of bond issuance by resolution of both Authority and City Council after a public hearing

Approximately 60 day process:

- Approvals by City Council
- Credit rating process
- Marketing the bonds to investors
- Locking in interest rate
- Closing and funding of project

Financing Participants

Financing Participant	Firm
Bond Counsel	Best Best & Kreiger
Municipal Advisor	Harrell & Company Advisors
Underwriter	Stifel Nicolaus
Disclosure Counsel	Norton Rose Fulbright
Trustee	US Bank
Rating Agency	S&P
Title Insurance Company	Chicago Title Company

Financing Costs

Interest rates are the most significant cost factor

- Vary based on credit rating (City AA) and time to maturity

Maturity	Average Interest Rate*	Debt Service Per \$1M	Total Debt Service Per \$1M	Total Debt Service Per \$1M + 0.25%
10 Years	2.55%	\$115,000	\$1,150,000	\$117,000
30 Years	4.03%	\$ 58,000	\$1,740,000	\$ 60,000

* Rates as of May 3, 2023

Financing Costs

- **Capitalized interest during construction**
 - **City not permitted to pay lease payments for an asset under construction (must have use and occupancy)**
 - Use an existing asset to secure the lease during construction (begin paying debt service immediately)
 - Borrow to pay interest on the bonds during construction (begin paying debt service after completion)
 - Set aside existing funds with trustee to pay interest on the bonds during construction (begin paying debt service after completion)
- **Use of capitalized interest depends on leased asset used and when the City wants to or can make lease payments**

Financing Costs

■ Costs of issuance

- Bond Counsel, MA, etc. charge fixed fees based on bond size
- Underwriting fee based on a % of bonds sold
- Average costs about 1.0-1.5% of bond amount depending on size

■ Reserve fund (if required)

- Not required for General Fund financings because of AA rating
- Typical = 1 year debt service and held by trustee

Debt Service Scenarios

Existing Bond and Lease Debt Service

Fiscal Year	Existing Debt Service	Paid from Measure J	Net General Fund Cost
23-24	\$13,369,364	\$(3,133,620)	\$10,235,744
24-25	13,471,135	(3,133,198)	10,337,938
25-26	13,600,192	(3,135,806)	10,464,387
26-27	13,560,867	(3,137,913)	10,422,954
27-28	12,454,924	(3,135,650)	9,319,274
28-29	11,857,005	(3,136,881)	8,720,125
29-30	11,957,378	(3,136,142)	8,821,236
30-31	12,091,563	(3,135,119)	8,956,444
31-32	12,145,676	(3,137,114)	9,008,563
32-33	12,017,643	(3,134,527)	8,883,117
33-34	12,166,579	(3,133,357)	9,033,222
34-35	7,351,148	-	7,351,148
35-36	4,673,634	-	4,673,634

Debt Service Scenarios

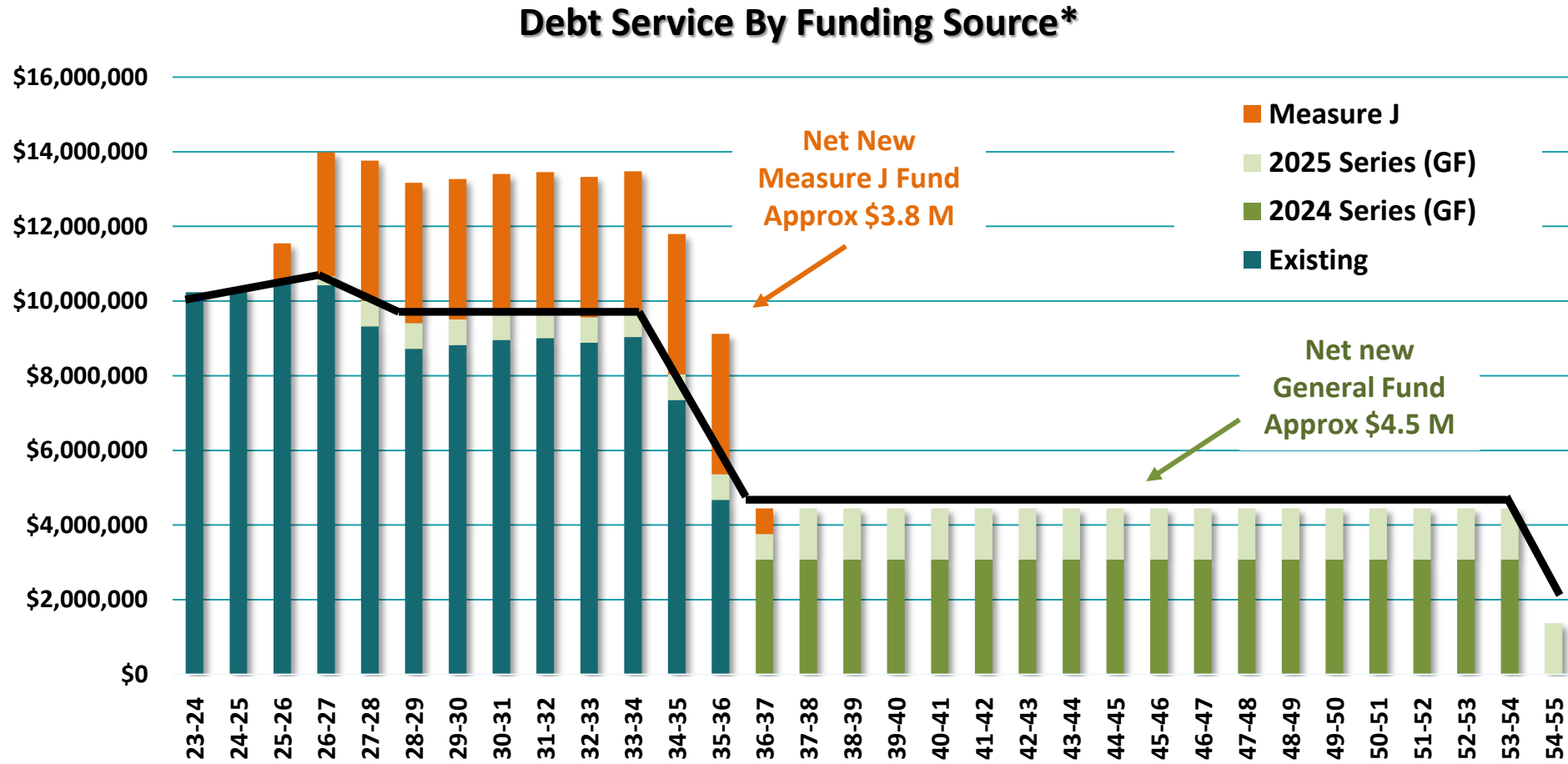
■ 2024 Series

- \$50 million project fund for Fire Station No. 1
- 2 year construction period
- Set aside 2 ½ years interest from existing Measure J (in lieu of borrowing capitalized interest) = \$5.4M
- 30 year maturity
- Measure J contributes full debt service until Convention Center debt paid in full

■ 2025 Series

- \$20 million project fund for Library
- 2 year construction period
- Borrow 2 ½ years capitalized interest
- 30 year maturity
- Measure J contributes 50% debt service until expiration

Debt Service Scenarios



* Rates as of May 2023

Questions

BASICS OF DEBT ISSUANCE AND FINANCING OPTIONS

May 8, 2023

