

PALM SPRINGS BUDGET STUDY SESSION- MAY 8, 2023

CITY MANAGER REMARKS FOR 2023

Mayor, Mayor Pro Tem, and Members of Council:

Thank you for scheduling time for this budget study session. I would like to begin by making some overall remarks about the budget. This is the first of several points of discussion with the Council. We are tentatively scheduled for a joint budget meeting with the Measure J Commission on June 5, followed by Council meeting discussions on June 5 and June 29. Per State law, Council budget approval is required by July 1, 2023. No formal approval of items is being asked of the Council this evening.

With me today for this presentation is Kris Mooney, our Acting Finance Director, and Andrew Neri, our Budget Manager. Our Executive Budget Committee, that includes Asst City Manager, Teresa Gallavan, and Deputy CMs Flinn Fagg and Jeremy Hammond, were also key to this effort, and of course our Department Directors are here to answer any operational questions that might come up. Great thanks to them and their staff for their development work.

We will be walking through the General Fund budget this evening, followed by the Capital and Airport budgets.

BIENNIAL BUDGET TO YOU FOR FY 2023-24 AND FY2024-25.

The staff and I are pleased to present this draft Biennial Budget to you for FY 2023-24 and FY2024-25. The total All-Funds budget is \$482.9M for FY 2023-24 and \$494M for FY 2024-25. The General Fund operating budget is \$199.6M for FY 2023-2024 and \$187.9M for FY 2024-25.

This is a structurally balanced budget, meaning that projected operating expenditures do not exceed projected operating revenue, and no one-time Internal Service Fund dollars are being used to balance the budget.

As we continue to recover in a post-Covid economy, we want to prepare for continued prosperity, while also addressing critical needs, all in the context of managing for future long-term financial stability.

You will note that the material we are presenting tonight is comprehensive and includes a number of graphical depictions of the budget that we believe will make it easier for the public to understand this complex subject matter. We want to continue working in this area to further enhance community transparency.

Attached for your review is:

- our staff report;
- Budget in Brief addendum;
- detailed and itemized capital budget;
- detailed and itemized airport budget.

We have worked diligently to keep this Biennial Budget faithful to our Community Mission Statement which states that:

“Palm Springs is an inclusive world-class city dedicated to providing excellent and responsive public services to enhance the quality of life for current and future generations.”

BUDGET HIGHLIGHTS AND CHALLENGES

So...let me talk a bit about some of the budget highlights and challenges.

More than anything else, this budget reflects our commitment to rebuild the capacity necessary to carrying out our mission.

The two priority areas that you have asked us to remain focused on include:

- 1. Quality of Life** with a focus on improving homelessness, public safety and crime reduction, affordable housing, and economic development;
- 2. Community Infrastructure** with the goals of improving city facilities, attention on the 5-year Capital Improvement Plan, and overall community design.

RECOMMENDATIONS:

To rebuild capacity, this biennial budget is recommending a number of actions and strategies:

- Addition of 26 positions to General Fund departments;
- Addition of 49 positions to support unprecedented growth at the Palm Springs International Airport;
- Reclassification of a Fund Development position to a Chief Economic Development Officer at the Assistant Director level to drive new development opportunities and support business initiatives.

In addition, we have kept our commitment to public safety when **Measure J** was passed in November, 2011. **We are strengthening our Fire and Police departments** with added staffing, equipment, and new technology. That public safety commitment continues in this biennial budget, specifically to include:

- 2 new PD dispatchers in FY24 and 2 more in FY25 at an annual cost of \$243,000 and \$249,000 respectively;
- Full Measure J funding of \$2.75M over the next two years for implementing the new Computer Aided Dispatch/Records Management System;
- 3 new Firefighter/EMT's in the biennial budget at an annual cost of \$551,000.

Full-Time Equivalent (FTE) positions for non-public safety City staff includes:

- 6 positions in Parks & Rec, including project mgr., admin spec, admin asst, lifeguard, and recreation program asst at DeMuth Park;
- 5 facility maintenance positions;
- Additional admin positions including full funding for a dedicated HR position to support airport operations.
- \$750k for Swim Center locker rooms/ADA ramp/fence installation from a supplemental Measure J funded project;
- \$850k for next round of playground equipment and shade structure installation for Ruth Hardy and Baristo Parks plus \$100k for an interactive water play design consultant;
- In the City's Capital Plan there is approximately \$7 million budgeted to aid in the renovation of the **Library**. The Library received a grant in FY 2022-23 for approximately \$6.5 million and, in total, the City has \$13.5 million for Library renovation that will be completed over the next two fiscal years. The Measure J

Commission is expected to have further discussions to potentially fund additional Phase 1 improvements.

- The City remains committed to improving the lives of its residents through its **affordable housing initiative**. Previously, the City Council approved to set aside \$10 million for Affordable Housing. On April 27, 2023, the City Council approved funding in the amount of \$3 million for the Aloe Palm Canyon project, leaving a balance of approximately \$7 million in the set-aside funds which the City has plans to disburse in the fiscal year 2023-24 and fiscal year 2024-25 budgets.
- Along with the affordable housing initiative, providing resources to the vulnerable homeless population that calls Palm Springs home has been a top priority of the City. Underway is the City's construction of a **permanent Navigation Center** to temporarily house some of the City's unhoused population. The City will be funding the construction and some of the operations with grant funds from the State. Prior to the completion of the permanent Navigation Center, the City continues to pursue additional opportunities for temporary and emergency shelter needs.
- In addition to the Navigation Center, the City is budgeting the remaining set aside funds of \$900,000 (\$4 million originally approved by Council in FY 23) **to address further needs related to the homeless population** such as cool & warm centers and encampment cleanup;
- \$100k/year to **CVAG** over the next two years for **homeless outreach services**;
- The City has been proactively working to engage residents on becoming more **sustainable and reducing the carbon footprint** of the City in an impactful way. After

the success of the City's first turf conversion program, the City will build on this success by deepening the program with help from Desert Water Authority. The program will feature \$400,000 for dwellings, \$500,000 for Homeowner Associations, and \$250,000 for low-income property owners;

- To meet upcoming CARB requirements, the **City will begin transitioning its fleet replacements to EV-only**. The City is planning a multi-year project targeted at electrical upgrades and the installation of 25 charging stations with a cost of \$470,000 for the infrastructure (realized in FY 2023-24) and approximately \$30,000 in ongoing expenses. This is in conjunction with the plan of using \$450,000 of the climate set-aside funding on electric system design and upgrade work in support of this initiative;
- **Keeping the City's main thoroughfares open and in safe working order** is top of mind for the City. Throughout 2022, main roads have closed 38 times for an average of 76 days in total, with an estimated annual servicing cost of \$81,000. Staff is recommending the purchase of an industrial grade motor grader to reduce the time taken to clear away the roads with a cost of \$500,000 and annual servicing costs of \$47,000;
- **We are proposing to increase street maintenance** from \$6M to \$9M in FY24 funded by Measure J;
- For Fiscal Year 2024-25, the City is creating a **rapid response street repair team** to address troubled spots throughout the City for increased readiness and safer road conditions through the ability to hot-patch street areas for longer lasting repairs.

Part of this is to acquire two industrial vehicles: hot patching and arrow board trucks for a cost of \$275,000.

ADDITIONAL INITIATIVES

Additional initiatives include:

- \$6.2M in FY24 for park maintenance and \$6.3M in FY25;
- funding environmental initiatives with organic waste and street sweeping;
- full support for continued Convention Center and Tourism Bureau operations;
- \$212k annually in IT reinvestment with EnerGOV for integrating permitting and licensing efficiency;
- continued funding for the world-class Palm Springs Intn'l Film Festival;
- funding to meet all pension and labor contract obligations;
- and, a full complement of street, wastewater projects, and upgrades that will be mentioned later in the Capital budget presentation.

Before wrapping up, I wanted to make just a couple of additional points.

We are giving great thought to three large capital projects on the immediate horizon that include a renovation/expansion of the public library, the relocation/construction of a new District 1 fire station, and implementation of the Parks & Recreation Master Plan. Thanks to the community support of Measure J and the work of the Measure J Commission, we can envision financing strategies that will allow us to advance these initiatives now, rather than waiting on a “pay until fully funded” philosophy. In the next 5-10 years, the city will have a significant amount of public debt coming off our books, and we’ve arranged for Suzanne Harrell, our longtime Financial Advisor from Harrell & Company Advisors, LLC, to give us an update in a few minutes on how that can help us, similar to how the Downtown Revitalization financing program was managed.

Also, next month our Finance team will be bringing forward a Reserve Fund Policy for your considered approval, that will work hand-in-hand with Suzanne's remarks. That policy could include plans for Capital Replacement Reserves, Infrastructure, and Asset Management. Later in the year, we want to also bring forward a Pension Stabilization Plan.

Finally, I want to thank the staff...Kris and Drew for all their hard work.

With that, I will turn the General Fund budget presentation over to Kris and Drew.