



TO: Financial Commission
FROM: Jon Maginot, Staff Liaison
SUBJECT: Fiscal Year 2024/25 Mid-Year Budget Adjustments

RECOMMENDATION:

Review the Fiscal Year 2024/25 Mid-Year Budget Adjustments

BACKGROUND

On June 11, 2024, the City Council adopted the FY 24/25 Operating Budget and Five-Year Capital Improvement and Major Maintenance Program. The budget sets forth expected revenues and allocates funds to be expended in implementing programs and services within the community. As part of the budget process, the City reviews the budget after the mid-way point of the year and makes adjustments as needed.

The following are proposed mid-year budget adjustments:

Workers' Compensation Insurance Fund (\$1,000,000 from General Fund)

The City's Workers' Compensation Insurance Fund, which covers claims and premium costs for work-related injuries, requires additional funding due cover current year expenditure and financial buffer for potential future claims.

Equipment Replacement Fund (\$98,000 from General Fund)

This adjustment re-appropriates funding that expired at the end of FY 2024 for a previously approved equipment purchase.

Development Services Department (\$500,000 Increase from Revenue & Expenditure)

The Development Services Department anticipates increased expenditures due to higher demand for plan check services. The additional costs will be fully offset by a corresponding \$500,000 increase in revenue from plan check service fees.

LEAP Grant Reimbursement (\$150,000 Increase in Revenue)

As part of the 2023 Housing Element Update, the City anticipated receiving funds from the LEAP Grant for California Department of Housing and Community Development (HCD). These funds were not received until November 2024 and will reimburse the Capital Improvement Fund.

Legal Reimbursement (\$493,000 Increase in Revenue)

The City received reimbursement for legal fees expended in a prior fiscal year in the amount of \$493,000. These funds will be a one-time General Fund revenue.

Legislative Department (\$50,000 from General Fund)

The Legislative Department requests an additional \$50,000 in expenditure appropriation to fund a research project exploring the feasibility of implementing a Real Property Transfer Tax. This study will assess potential revenue impacts, legal considerations, and best practices from comparable jurisdictions.

Council Chambers AV Maintenance (\$50,000 from PEG Fund)

The City is proposing the use of PEG funds to correct some issues with the AV equipment in the Council Chambers. These fixes will make the existing equipment easier to use and correct several issues that have been encountered in recent months.

FY 2023/24 Operating Surplus

As identified in the FY 2023/24 Annual Comprehensive Financial Report, the City realized a \$11.5 million General Fund surplus. As part of the mid-year budget adjustment, staff recommends allocating the surplus dollars in the following way:

PERS Reserve	\$5,000,000
Facility Maintenance Fund	\$2,000,000
Fleet Vehicle Fund	\$1,000,000
Workers Compensation Fund	\$1,000,000
Liability Fund	\$500,000
Unassigned Fund Balance	\$3,000,000
Total	\$11,500,000

ATTACHMENTS

1. All Funds – Fund Balance Schedule as of December 31, 2024
2. Governmental Activities – Fund Balance Summary as of December 31, 2024