



# CITY COUNCIL AGENDA REPORT

CITY HALL

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CITY OF SONORA 94 N. WASHINGTON STREET, SONORA, CA 95370 P: (209) 532-4541

*SERVICE, INNOVATION, INTEGRITY, COLLABORATION, RESPECT, LEADERSHIP*

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**DATE:** March 17, 2025

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Chris Gorsky, Administrative Services Director

**SUBJECT:** Consider Acceptance of the Mid-Year Budget Update for Fiscal Year 2024/25; Consider Approving the Recommended Budget Adjustments as Presented on Page 22 of the Report.

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## **RECOMMENDATION:**

Consider Acceptance of the Fiscal Year 24/25 Mid-Year Budget Update with Recommended Adjustments, as Presented on Page 22 of the Report.

## **BACKGROUND:**

The annual Mid-Year Budget Review is a crucial component in ensuring financial transparency and stability. It allows the City Council to assess the General Fund Budget, make necessary adjustments based on actual fiscal outcomes, and gain a clear understanding of the City's current financial health. Additionally, the Mid-Year review supports the Council in shaping the upcoming Fiscal Year 2025-26 budget. The City Council adopted a balanced FY24/25 Budget on June 17, 2024. The budget update looks at revenue and expenditures for the six months ending December 31, 2024.

## **DISCUSSION / ANALYSIS:**

Revenue trends are beginning to show signs of weakness, reflecting broader economic challenges. Total sales tax revenues are approximately 3.5% below original estimates and 9% below the prior fiscal year. Bradley Burns Sales Tax revenues are down 5% from our conservative budget estimates, while Measure Y, the 1% sales and use tax passed by voters in November 2022, is down by 1.2% from our earlier estimates. While Transient Occupancy Tax (TOT) and the Public Benefit Fee for Cannabis dispensaries are both within budget estimates, they are both down from the prior fiscal year. These revenue declines highlight a slowing local economy, impacted by several factors. Higher interest rates, introduced to curb inflation, have reduced consumer spending on discretionary goods and services, which are key drivers of sales tax and transient occupancy tax revenues in the City.

Staff have identified a set of Mid-Year Budget adjustments for Council's consideration. The proposed budget changes reflect the revised estimates to revenues and expenditures as detailed on page 22 of the FY24/25 Mid-Year Budget report.



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## **FISCAL IMPACT:**

The General Fund started the fiscal year, July 1, 2024, with a fund balance available of approximately \$10 million and at the Mid-Year Update, December 31, 2024, at approximately \$12 million. The FY24/25 General Fund budget changes are a net \$0 change, funds that are not used will either be budgeted in the next fiscal year or are transferred to various reserve accounts as presented on page 22 of the Mid-Year Budget Update.

## **ATTACHMENTS:**

- **Mid-Year Budget Update**

## **CORE COUNCIL PRIORITIES:**

Fiscal Responsibility and Stability, Infrastructure and Engineering, Public Safety and Disaster Preparedness, Economic Development/Growth and General Plan, Homelessness Issues, Staffing - Salary, Benefits, Training, and Retention