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# CITY OF POMONA

## COUNCIL REPORT

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November 18, 2024

To: Honorable Mayor and Members of the City Council

From: Anita D. Gutierrez, City Manager

Submitted By: Andrew Mowbray, Finance Director/City Treasurer

**SUBJECT: RECEIVE AND FILE THE FISCAL YEAR 2023-24 UNAUDITED YEAR-END OVERVIEW, REVIEW THE FISCAL YEAR 2024-25 GENERAL FUND 1<sup>ST</sup> QUARTER BUDGET REVIEW, AND ADOPT A RESOLUTION AMENDING THE FISCAL YEAR 2024-25 OPERATING BUDGET**

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### RECOMMENDATION:

It is recommended that the City Council take the following actions:

- 1) Receive and file the Fiscal Year (FY) 2023-24 Unaudited Year-End Overview
- 2) Review the FY 2024-25 General Fund 1<sup>st</sup> Quarter Budget Report
- 3) Adopt the following Resolution:

**RESOLUTION NO. 2024-190– A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POMONA, CALIFORNIA, AMENDING THE FY 2024-25 OPERATING BUDGET BY INCREASING REVENUE ESTIMATES BY \$12,531,130 AND APPROPRIATIONS BY \$12,958,884**

**EXECUTIVE SUMMARY:** This report contains the Fiscal Year (FY) 2023-24 Unaudited Year-End Overview and a review of FY 2024-25 General Fund 1<sup>st</sup> Quarter Budget, which is from an accounting standpoint 25% of the year complete. For FY 2024-25 General Fund revenues are 10% of projections, and expenditures are 21%, as of September 2024. While actual General Fund revenues are only at 10% of budget or \$16M, they are in line overall with prior year actuals during this same time. Actual General Fund expenditures are 21% or \$34.7M, which is in-line with the current FY 2024-25 Budget. This report includes General Fund requests to revise appropriations including the carryover for Police vehicle retrofits that were budgeted but did not occur in the prior fiscal year. In addition, there are Non-General Fund requests, including the carryover for LATA Grant, carryover for ARP Funds, termination of the Proposition 64 Grant, and an appropriation from the Refuse Fund for illegal dumping services. In total, these actions will increase FY 2024-25 Operating funds revenue estimates by \$12.5M and appropriations by \$13M as reflected in Table 1.

# **SB1439/GOVERNMENT CODE §84308 APPLICABILITY:**

☐ When this box is checked, it indicates the agenda item is subject to the Levine Act SB1439 requirements. Councilmembers are reminded to check their campaign contributions and determine whether they have received a campaign contribution of \$250 or more that would require disclosure and/or recusal from discussing or acting on this agenda item. Campaign contributions of \$250 or more made 1) by any person or entity who is identified in the agenda report as the applicant or proposer or 2) on behalf of the applicant or participant, including a parent, subsidiary or otherwise related business entity, or 3) by any person who has a financial interest in the agenda item requires a councilmember to comply with SB1439.

**FISCAL IMPACT:** The adoption of Resolution No. 2024-190 will increase the FY 2024-25 General Fund revenue estimates by \$9k and appropriations by \$172k. In addition, this action will increase FY 2024-25 Non-General Fund Operating revenue estimates by \$12.5M and appropriations by \$12.9M as reflected in Table 1.

**Table 1 – Fiscal Year 2024-25 Appropriations and Revised Revenue Estimates**

General Fund	Revenue Estimate	Appropriation Changes
Carryover PD Vehicle Retrofit (101-2xxx-66182-00000)		\$171,809
Receive Library Reimbursement (101-4501-40873-00000)	\$9,055	
<b>Total General Fund Revenue Estimates/Appropriations</b>	<b>\$9,055</b>	<b>\$171,809</b>
Non General Funds	Revenue Estimate	Appropriation Changes
Carryover of LATA Grant (215-1410-40873/52285-58779	\$1,488	\$1,488
Carryover of ARP Funds (191-xxxxx-xxxxx-xxxxxx)	\$12,726,963	\$12,726,963
Carryover State Homeland Security Program (263-2090-4xxxx/5xxxx-58755	\$72,000	\$72,000
Carryover State Homeland Security Program 2022 (263-2090-4xxxx/5xxxx-58778	\$45,577	\$45,577
Termination of Prop 64 (215-xxxx-xxxxx-58742)	(\$323,953)	(\$323,953)
Refuse Fund Appropriation for Illegal Dumping Contract (582-2505-52285-00000)		\$265,000
<b>Total Non General Fund Revenue Estimates/Appropriations</b>	<b>\$12,522,075</b>	<b>\$12,787,075</b>
<b>Total Revenue Estimates/Appropriations</b>	<b>\$12,531,130</b>	<b>\$12,958,884</b>

**PUBLIC NOTICING REQUIREMENTS:** None Required

**PREVIOUS RELATED ACTION:** City Council approved the Budget Preparation Calendar, Guiding Principles and Process for FY 2024-25 on January 8, 2024. The City Council adopted the FY 2024-25 Operating Budget, Housing Authority Budget and the Five-Year Capital Improvement Program on June 3, 2024. On June 3, 2024, the City Council approved the FY 2024-25 Annual Action Plan, which included funding for Community Development Block Grant (CDBG) Federal Entitlement Programs. There are budget amendments that were approved that impacted the General Fund on July 15, 2024, September 9, 2024, October 7, 2024 and October 21, 2024. Also to note, the approval of Resolution 2024-60 on April 15, 2024 approved and authorized \$4.4M of the \$13.3M Fiscal Year (FY) 2022-23 General Fund Unassigned Fund Balance to be used towards the 3 areas of Section 115 Trust, CIP funding and Reserves for Equipment Replacement as identified in the City’s Consolidated Fiscal Policies and Administrative Procedures.

## DISCUSSION:

### **GENERAL FUND FY 2023-24 UNAUDITED YEAR-END OVERVIEW**

Based on the unaudited figures to date, the FY 2023-24 General Fund revenues will end at 100% of budget; and expenditures are on track to end at 98% of budget, which creates a preliminary net deficit of \$2.7M. See Table 2.

**Table 2 – Unaudited Fiscal Year 2023-24 General Fund Summary**

<b>2023-24</b>	<b>2023-24 ADOPTED BUDGET</b>	<b>2023-24 AMENDED BUDGET</b>	<b>2023-24 ACTUALS TO DATE</b>	<b>% ACTUALS/ BUDGET</b>	<b>2023-24 YEAR END ESTIMATE</b>
Total Revenue	155,811,464	159,897,076	160,478,401	100%	162,862,400
Total Expense	154,595,498	167,091,042	163,153,824	98%	164,622,361
<b>Net</b>	<b>1,215,966</b>	<b>(7,193,966)</b>	<b>(2,675,423)</b>		<b>(1,759,961)</b>

Actual General Fund expenditures exceeded revenues by \$2.7M due to unanticipated decreases in Sales Tax, Utility User Tax, Property Tax and the All-Other Tax Category. In addition, conservative spending in some Departments contributed to some savings in the controllable expense category. Another factor that contributes to the deficit of \$2.7M is the April 2024 council action that appropriated \$4.4M of the \$13.3M Fiscal Year (FY) 2022-23 General Fund Unassigned Fund Balance to be used towards the 3 areas of Section 115 Trust, CIP funding and Reserves for Equipment Replacement as identified in the City's Consolidated Fiscal Policies and Administrative Procedures. Utilizing this FY 2022-23 surplus was reflected in the FY 2023-24 General Fund budget. If this action did not have to be reflected in this manner, the FY 2023-24 General Fund would have netted a surplus of \$1.7M. With the status of the FY 2024-25 budget, as well as the net budget changes discussed herein this report shows the General Fund fund balance (will be discussed at the conclusion) will be at a level over the 24% which is the requirement to be met by June 30, 2025 per the City of Pomona Consolidated Fiscal Policies and Administrative Procedures.

#### **FY 2023-24 GENERAL FUND REVENUES**

As adopted, the City's FY 2023-24 General Fund Revenue Budget reflected \$155.8M in anticipated revenues, after approved budget adjustments the total was amended to \$159.9M. Year-end estimates provided at last year's Mid-Year estimated revenues to total \$162.9M. To date, \$160.5M in revenue has been received and no other significant sources are forthcoming. Actual revenues for Property Tax, Sales & Use Tax and Utility User Tax (also known as the "Big 3" revenues sources) fell short of year-end estimates overall by \$2.6M. The Property Tax category came in \$259k over the expected year end estimates. Most of the shortfall is directly related to a \$2M reduction in revenue in the Sales and Use Tax category. Consultants and experts on Sales Tax are stating that sales in our region and nationwide are flattening out which is resulting in a slight decrease in sales tax revenues. \$825k of the shortfall is a net result of a reduction in Utility User Tax revenue resulting from a drop in the gas commodity amount which had doubled in the previous fiscal year. Also not received was approximately \$700k in Host Fee Revenues from the solid waste transfer station. Currently City staff is working with the vendor on terms of an updated agreement. Revenues that should have been received in FY 2023-24 will be collected in the current fiscal year.

### **FY 2023-24 GENERAL FUND EXPENDITURES**

As adopted, the City's FY 2023-24 General Fund Expenditures Budget reflected \$154.6M in appropriations. With approved budget adjustments, the total was amended to \$167.1M. To date, the preliminary overall expenditures are at \$163.2M, which creates an estimated savings of \$4M compared to the amended budget and \$1M compared to year end estimates. The main contributor to these savings is in the controllable contracts category within several operating Departments that had contracts not utilized or were spent in a conservative manner which in full netted \$2.4M in savings. In addition, \$360k in savings in reduced expenses than anticipated in the City Attorney contract contributed as well.

This \$2.7M deficit will decrease the fund balance and will be discussed more in detail herein. It is important to note that the City Council approved the Consolidated Fiscal Policies and Administrative Procedures in February 2023 and as stated the "The City Manager may recommend the unassigned fund balance be used for one-time expenses." Also related to this Policy, the City Council directed staff on December 19, 2022, to pursue a Pension 115 Trust that allowed the City to build its pension reserve while maintaining oversight of investment management and control over the risk tolerance of the portfolio. With the FY 2022-23 surplus available and these new fiscal policies established to guide the City to be fiscally prudent, this clause was first used and the City Council discussed and approved the use of the FY 2022-23 unassigned fund balance by appropriating \$4.4M in the FY 2023-24 budget thus contributing to this deficit as a financial entry, however without this entry reflected in this manner, the General Fund would have ended the year with a \$1.7M surplus. Discussion will be brought forward in the early months of 2025 to possibly move this \$1.7M surplus to these respective areas again per the Consolidated Fiscal Policies and Administrative Procedures

### **GENERAL FUND**

**FY 2024-25 FIRST QUARTER REVIEW** – As adopted on June 3, 2024 the General Fund budgeted revenues were \$161.3M and appropriations were \$161.3M, resulting in an estimated surplus of \$38k. Additional budget amendments impacting the General Fund approved by City Council after July 1, 2024 are listed below:

- \$250k for Palm Lakes Golf Course for abatement activities on July 15, 2024
- \$500k increase in revenue and \$380k increase in expenditures for Commercial Vehicle Enforcement Administrative Fines relating to Truck Route Violations on September 9, 2024
- \$399k increase in revenue for agreement with Pomona Unified School District for Pomona Resource Officer on September 9, 2024
- \$2.3M for Civic Center Plaza New Playground and Amenities Project on October 7, 2024 that will be returned to the General Fund once Development Impact (DIF) fees
- \$216k increase in expenses for overtime for sidewalk obstruction enforcement on October 21, 2024

With the above-mentioned post budget amendments, the estimated deficit through October 2024 is \$2.2M. As noted in Table 3 the General Fund has expended \$18.8M more than it has collected as of September 30, 2024. This negative cash flow is normal due to the timing of tax receipts and is one of the significant reasons that a 24% Fund Balance Reserve is necessary.

**Table 3 - Fiscal Year 2024-25 1<sup>st</sup> Quarter Summary**

<b>2024-25</b>	<b>Adopted</b>	<b>Amendments To Date</b>	<b>Amended Budget To Date</b>	<b>1st Quarter Proposed Amendments</b>	<b>Proposed Amended Budget</b>	<b>As of Sep 30' 24</b>	<b>% Rec'd/ Exp'd *</b>
Total Revenue	161,298,212	898,598	162,196,810	9,055	162,205,865	16,021,454	10%
Total Expense	161,260,159	3,130,000	164,406,159	171,809	164,577,968	34,777,857	21%
<b>Net</b>	<b>38,053</b>	<b>(2,231,402)</b>	<b>(2,209,349)</b>	<b>162,754</b>	<b>(2,372,103)</b>	<b>(18,756,403)</b>	

*\*Includes appropriations approved from July 2024-October 2024*

## REVENUES

While it may appear General Fund revenues are not performing as projected (10% received at 25% of the year), the reason is many revenue sources are accrued back to the prior fiscal year; while others are received on a quarterly or bi-annual basis and with some not received until late December, January, or spring. Because of this, actual FY 2024-25 year-end results are difficult to predict at this time; however, staff has prepared a preliminary analysis of the top revenue sources based on FY 2024-25 receipts to date. As reflected in Table 4, General Fund revenues in FY 2024-25 are coming in as expected based on budget at 1<sup>st</sup> Quarter end. Sales tax is coming in a little slower than compared to 1<sup>st</sup> Quarter of FY 2023-24. The Utility User Tax – Gas Category is being monitored based on a reduction in remittance revenue in FY 2023-24. The UUT Gas Category came in \$1.5M under budget and will be monitored and adjusted if necessary, at Mid-Year. The “All Other Sources” category is coming in much slower when compared to this time last year due to decreases in Building Permit, New Construction, and Contractor Job Fees. Property Taxes are slightly higher when compared to last fiscal year. Tax revenues make up 85% of the General Fund budgeted revenue and therefore merit a more detailed discussion as presented below.

**Table 4 - Fiscal Year 2024-25 1<sup>st</sup> Quarter Revenue Summary**

	<b>2023-24 AMENDED BUDGET</b>	<b>2023-24 1st Quarter</b>	<b>% ACTUALS/ BUDGET</b>	<b>2024-25 AMENDED BUDGET</b>	<b>2024-25 1st Quarter</b>	<b>% ACTUALS/ BUDGET</b>
All Property Taxes	\$50,110,000	\$488,801	1%	\$51,235,000	\$522,686	1%
All Sales & Use Tax	42,467,000	3,614,742	9%	43,575,914	3,488,853	8%
All Utility Tax	21,777,000	2,856,402	13%	21,989,686	3,976,502	18%
All Other Taxes	21,518,800	2,765,366	13%	21,304,800	3,286,159	15%
All Other Sources	24,024,276	6,185,620	26%	24,091,410	4,747,254	20%
<b>Total Revenue</b>	<b>\$159,897,076</b>	<b>\$15,910,931</b>	<b>10%</b>	<b>\$162,196,810</b>	<b>\$16,021,454</b>	<b>10%</b>

Property Taxes – Typically, a large portion of the property tax revenues is received during the months of November through May. In addition, due to various State actions (i.e. VLF Swap), the City receives “In Lieu” property tax twice a year in January and June. Based on the revenues

received through September 30, 2023, the actuals are slightly higher this year and are expected to continue to come in stronger than FY2023-24, as property values continue to remain stable. The Los Angeles County Assessor's Roll is released each year after budget adoption. Based on this year's Roll and analysis from the City's Tax Consultant, the City has experienced a growth in value of \$759k or 4.9% for the 2024-25 tax roll. Staff does not recommend any changes to property tax categories until after the tax remittances are received in January 2025.

Sales Tax – The total revenue budget from Retail Sales Tax is derived from three distinct sources: a 1.0% share of local sales (from the State and County pools), the Transactions and Use Tax at .75% (Measure PG) and allocations of Public Safety Augmentation Fund (PSAF) sales tax from the County. These three sources were budgeted at \$43.5M. This source of revenue is typically responsive to economic circumstances. Based on the revenues received through September 30, 2024, the total received of these three sales tax revenue sources are about \$3.3M. Based on a thorough review of our sales tax patterns and comparisons to last fiscal year's revenues conducted by the City's Tax Consultant, it has been suggested that the City hold off on any changes to revenue projections pending a possible reduction in consumer spending that would directly affect sales tax revenues.

Utility Users Tax (UUT) – Currently budgeted at \$21.9M, Utility User Tax revenue represents 14% of General Fund revenues. The current amount received of \$3.9M does not represent a full quarter of receipts as the revenues received in July and August are accrued back to FY 2023-24. Based on a comparison of last year's first quarter receipts to the same quarter this year, funds seem to be in line with the budget, however, based on FY 2023-24 actuals, we estimate that the Utility Users Tax Category will come in under budget due to a decrease in Utility User Tax – Gas category remittance revenue. The Utility User Tax – Gas category came in \$1.5M under budget in FY 2023-24. At this time staff is not recommending a change to the revenue estimate but will continue to monitor revenue remittances and service suppliers for any changes that could further impact estimated revenues.

Other Taxes – Other taxes include Business License, Transient Occupancy Tax (TOT), Property Transfer Tax, Franchise Fees, and the Cannabis Business Tax - Measure PC (CBT), which combined represent 13% of the total General Fund revenues. Business License revenue are trending slightly lower than last fiscal year when the City experienced an increase in business license renewal revenue as well as delinquent account renewal recovery. Property Transfer Tax and Franchise Fees are trending as expected. The Cannabis Business Tax is reflecting a decrease, which is expected due to one operators' sales slowing down. Staff is in contact with this vendor and is receiving regular updates on the businesses status. Staff is not recommending an increase to revenues estimates at this time.

Other Sources – All Other Sources include Fees, Permits, Licenses, and Other Miscellaneous categories that appear to be trending lower than this time last year. The decrease is primarily due to a decrease in building and construction in the City. Staff is not recommending a decrease to the revenue estimate for Other Sources at this time due to other line items coming in stronger than anticipated, however it may be implemented as part of the FY 2024-25 Mid-Year report if these trends continue.

Summary – In summary, the budgeted revenues from tax related items discussed above represent over 85% of the City's General Fund. Although it is still early in the year, and knowledge of

significant revenue indicators have not yet been received, prior year actuals and current receipts indicate the City is likely to surpass its revenue budget for the current year if the current positive revenue trends continue. Meanwhile, due to the upcoming elections potential effects on inflation and the current fuel prices, economic forecasts continue to predict a slight downturn in the economy in 2025. As always, staff will carefully monitor events for impacts to the forecast presented herein, and other related developments as they relate to the City's revenues and will report to the City Council upon receipt of substantive and/or noteworthy information.

## EXPENDITURES

As of September 30, 2024 (25% of the fiscal year) overall General Fund appropriations are 21% expended. All Departments were within an acceptable range of year-to-date expenditures in relation to the total appropriations for the year. The following tables provide a breakdown of the FY 2024-25 appropriations and 1<sup>st</sup> Quarter Expenditures first by Category (Table 6) and then by Department (Table 5).

**Table 5 - Fiscal Year 2024-25 1<sup>st</sup> Quarter Expenditure By Department Summary**

<b>By Department</b>	<b>2024-25 AMENDED BUDGET</b>	<b>% OF TOTAL</b>	<b>2024-25 1st Quarter</b>	<b>% Expended</b>
All General Services	\$4,711,901	3%	\$744,029	16%
All Recovered Costs	(1,807,570)	-1%	(451,893)	25%
All Mayor & Council	600,070	0%	110,465	18%
All City Clerk	1,714,246	1%	194,664	11%
All Human Resources	2,206,488	1%	398,457	18%
All Finance	2,829,380	2%	544,482	19%
All City Administration	1,627,465	1%	293,956	18%
All Development Services	7,810,181	5%	1,208,728	15%
All Police	80,771,635	49%	17,395,800	22%
All Fire	36,629,479	22%	9,107,218	25%
All Public Works & CIP	17,474,245	11%	3,642,380	21%
All Neighborhood Services	646,072	0%	128,546	20%
All Community Services	7,021,053	4%	1,104,746	20%
All Library	2,171,514	1%	356,276	16%
<b>Total Expense</b>	<b>\$164,406,159</b>	<b>100%</b>	<b>\$34,777,857</b>	<b>21%</b>

As reflected in Table 5, all Departments have expended 25% or less of budget at 1st Quarter and the City's expenditures are on track to end the fiscal year within the amended General Fund budget. Besides the Fire Department budget, which is paid on a set monthly payment schedule, all Departments are under 25% as many controllable contracts are not paid until mid-year. There are also vacancies in some Departments which provide savings. More detail will be provided in the FY 2024-25 Mid-Year Report that will be presented in March 2025.



**Table 6 - Fiscal Year 2024-25 1<sup>st</sup> Quarter By Category Summary**

<b>By Category</b>	<b>2024-25 AMENDED BUDGET</b>	<b>% OF TOTAL</b>	<b>2024-25 1st Quarter</b>	<b>% Expended</b>
Personnel	\$72,394,838	44%	\$14,371,250	20%
Controllable Expenses	15,749,623	10%	1,724,415	11%
Required Expenses	41,196,611	25%	9,806,937	24%
Allocation and Utilities	27,321,762	17%	6,651,759	24%
Recovered Costs	(1,807,570)	-1%	(451,893)	25%
Capital	878,000	1%	186,823	21%
Debt Service	79,032	0%	0	0%
Transfers to Other Funds	8,593,863	5%	2,488,566	29%
<b>Total Expense</b>	<b>\$164,406,159</b>	<b>100%</b>	<b>\$34,777,857</b>	<b>21%</b>

**GENERAL FUND APPROPRIATION REQUESTS – FY 2024-25**

- +\$171.8k Carryover for Police Vehicle Retrofit.
- +9k Receive Library Reimbursement from Imperial County Office of Education for the partial reimbursement for the State Funded broadband

**NON-GENERAL FUND APPROPRIATION REQUESTS – FY 2024-25**

- +\$1.5k Carryover of LATA Grant funds not spent in FY 2023-24
- +\$12.7M Carryover of ARP Funds. Net zero fiscal impact
- +\$72k Carryover of Homeland Security Program for SHSGP 2021. Savings in State Homeland Security Program (SHSGP) 2020 made funding available for additional expenditures in SHSGP 2021
- +\$45.6k Carryover of Homeland Security Program for SHSGP 2022. Due to delivery delays in the purchase of authorized Motorola radio equipment. Staff anticipated not expending funds for SHSGP 2022. A recent update from Los Angeles County has extended the performance period for SHSGP 2022, this extension will allow for the timely purchase and delivery of the authorized Motorola radio equipment
- (\$324k) Termination of Proposition 64 Grant (*Details below*)
- +265k Appropriation in the Refuse Fund for Illegal Dumping Contract Costs (*Details below*)

**TERMINATION OF PROPOSITION 64**

On May 2021, the City was awarded \$1M in Proposition 64 Grant from Board of State and Community Corrections (BSCC). The purpose of the grant is to fund projects that assist law enforcement efforts and other local projects addressing public health and safety associated with the commercial cultivation or retail sale of cannabis products. On July 16, 2024, BSCC sent a 30-Day Notice to Terminate the City's Prop 64 Grant, citing failure to meet the prescribed grant reporting requirements. The City requested to appeal this decision on August 1, 2024 to which BSCC denied on August 20, 2024. The City requested a Second Appeal on September 4, 2024 and BSCC denied this request on September 30, 2024. As a result, expenses from Fiscal Year (FY) 2022-23, FY 2023-24 and appropriations from FY 2024-25 had to be absorbed either by the



General Fund Youth Commitment Division or the Cannabis Community Benefit Fund. Unreimbursed grant expenditures from FY 2022-23 and FY 2023-24 totaling \$634,152 were moved and covered under the General Fund (Youth Commitment) and the Cannabis Community Benefit Fund. Staffing costs for the one allocated Recreation Coordinator position and program expenses for Kennedy Teen Nights, Youth Field Trips, Youth & Government, Day Camps, and other youth related activities within the Community Services Department amounting to \$308,548 were absorbed by the Youth Commitment Division. Expenses amounting to \$325,606 consisting of partial staffing costs for the Public Health Analyst, Public Health Outreach Specialist, Code Compliance and PD Overtime were moved to the Cannabis Community Benefit Fund. A current year budget amendment is being requested to unappropriate \$323,953 of the Prop 64 Funds. There are sufficient appropriations within the Youth Commitment division in the General Fund to cover \$134,608 of Community Services expenses. Likewise, there are sufficient appropriations in the Cannabis Community Benefit Fund to absorb the \$80,053 expenses that would have been funded by Prop 64. The balance of \$109,292 from the Police Department need not be appropriated, as the department has discontinued the implementation of the program they had been running under the grant.

#### **REFUSE FUND APPROPRIATION FOR ILLEGAL DUMPING CONTRACT COSTS**

As part of the Athens Refuse Services contract, the City receives over 2,000 requests for illegal dumping pickups per fiscal year. At this time the City has exceeded the minimum free pickups allowed for the Fiscal Year 2024-25 and will need to pay Athens \$265k for invoices for illegal dumping services received through the month of October 2024. Beginning in November 2024 City Staff will handle the remaining illegal dumping pickups with City crews. An appropriation from the Refuse Operations Fund (F582) in the amount of \$265k is requested as part of this action.

#### **FISCAL YEAR 2023-24 AND PROJECTED FY 2024-25 FUND BALANCE**

The projected ending fund balance for FY 2024-25, including the unaudited FY 2023-24 projected deficit of \$2.7M, will easily meet the FY 2024-25 benchmark goal of 24% reserves and should be 11.3% above the recommended reserve policy of 24% for FY 2024-25. If the City did not meet the reserve requirement, the City's bond rating could be impacted. It would also reduce the amount of funds available for emergency situations, cash flow needs in the first six months of the fiscal year and one-time capital replacement projects in the future. The projected use of reserves for FY 2024-25 is based on items discussed in the report including the current FY 2024-25 budget amendments that have been approved by the City Council after July 1, 2024, as well as items requested in this 1<sup>st</sup> Quarter Budget report. Two primary use of the current year fund balance was the carryover of \$172k for items budgeted in FY 2023-24, but not received until FY 2024-25 including vehicles, and the proposal to re-appropriate \$863k for Youth Commitment funds that were not spent in FY 2023-24 to be available in FY 2024-25 for youth programming. Combined this total a \$1.9M requested use of General Fund reserves. The \$2.7M estimated use of reserves from FY 2023-24 is still an estimate as the City's audit will not be complete until early 2025. Refer to Table 7 for the breakdown of the estimate City's General Fund Balance.

**Table 7 - FY 2023-24 and Projected FY 2024-25 Fund Balance**

	<b>FY 2022-23</b>	<b>Est FY 2023-24</b>	<b>Est FY 2024-25</b>
<b>Fund Balance</b>	<b>\$62,959,951</b>	<b>\$60,284,528</b>	<b>\$57,912,425</b>
Change in Fund Balance	N/A	(2,675,423)	(\$2,372,103)
Expenditures	\$133,377,621	\$153,237,741	\$157,668,268
Transfers	\$10,754,494	\$9,916,083	\$8,593,863
<b>Total</b>	<b>\$144,132,115</b>	<b>\$163,153,824</b>	<b>\$166,262,131</b>
Percentage	43.7%	36.9%	34.8%
Policy Goal	22.0%	23.0%	24.0%
Difference	21.7%	13.9%	10.8%

## CONCLUSION

As stated in the Executive Summary, the purpose of this report is to give the City Council an overview of FY 2023-24 Unaudited Actuals at this time, and a detailed 1<sup>st</sup> Quarter financial update for FY 2024-25. The General Fund Budget Amendment recommendations included herein, if approved, will result in an overall \$2.4M deficit. As has been the case the last fiscal year, the identified amount for Youth Commitment funds not used in previous fiscal years would be carried over. Staff identified an amount of \$1.9M that would be carried over for the Youth Commitment, however, staff is recommending that this not be carried over due to potential fiscal uncertainties resulting from the anticipated passage of Measure Y, discussed below. The current estimated fund balance at this time exceeds the reserve policy amount of 24%. All City Departments will continue to operate within budget while carefully monitoring expenditures, and all revenues will need to come in on target or above projections before the year ending June 30, 2025. Finance Department Staff will continue to apprise the Mayor and City Council of any significant financial impacts. Many factors such as high inflation passed along in the cost of goods and services, unstable fuel prices, supply chain and raw material interruptions, and changing interest rates have contributed to forecasting obstacles as well as a threat to economic changes that are predicted to occur. The need for sufficient reserves is more critical than ever.

With the approval of the Consolidated Fiscal Policies in February 2023, staff brought forward in April 2024 items to address long term liabilities that need onetime contributions when surpluses are available as well as annual budget line items incorporated within to remain sustainable. The FY 2024-25 General Fund Mid-Year Budget review will be brought forward in the spring of 2025 with more supporting detail as it relates to year-end expenditures and revenue projections. As mentioned, staff is aware that some revenue sources may be increased, and some may be decreased once six months of revenue has been collected.

In closing, at the time of this writing, Measure Y, the charter amendment on the November 5, 2024 Election Ballot is projected for confirmation with a significant majority of votes in favor. The Measure will amend the City Charter to allocate unrestricted General Fund Revenues to youth programs on a progressing scale, culminating to 10% of the City's General Fund by Fiscal Year 2030-31. The first action of this Measure that would impact the current fiscal year would be a contribution of 2% of General Fund unrestricted revenues as of January 1, 2025 to the newly formed Youth and Family Department. As staff begins the implementation of this Charter change, it is anticipated that an action to move 2% of the General Fund budget at the midpoint of the current Fiscal Year 2024-25 will be brought forth to the City Council in January 2025. It is estimated that as much as \$1.6M of General Fund reserves from the City's Fund Balance will be moved to the Children and Youth Fund in the current Fiscal Year.

**COUNCIL PRIORITIES & GOALS:** This item supports the City Council Priorities and Goals - Priority 1 (GOAL A) Continue to ensure that the City has sufficient financial reserves in accordance with City's Fund Balance Policy, including at least 24% of General Fund operational budget for General Fund reserve.

Prepared by:

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Andrew Mowbray  
Finance Director/City Treasurer

**ATTACHMENT(S):**

Attachment No. 1 – Resolution No. 2024-190  
Attachment No. 2 – 1<sup>st</sup> Quarter Report Presentation