



# CITY OF POMONA COUNCIL REPORT

March 17, 2025

To: Honorable Mayor and Members of the City Council

From: Anita D. Scott, City Manager

Submitted By: Andrew Mowbray, Finance Director/City Treasurer

**SUBJECT: FISCAL YEAR 2024-25 GENERAL FUND MID-YEAR BUDGET  
REVIEW**

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## **RECOMMENDATION:**

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

- 1) Adopt the following resolution:

**RESOLUTION NO. 2025-34.– A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF POMONA, CALIFORNIA, AMENDING THE FISCAL YEAR 2024-25  
OPERATING BUDGET**

- 2) Review the Fiscal Year (FY) 2024-25 General Fund Mid-Year Budget Report

## **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 \$500 or more that would require disclosure and/or recusal from discussing or acting on this agenda item. Campaign contributions of \$500 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.

**EXECUTIVE SUMMARY:** This report summarizes the City's General Fund overall financial position for the current fiscal year through December 2024. The General Fund is the largest operating fund in the City and is used to account for all the City's general revenues such as Taxes, Charge for Services, Permit Revenue, Investment Income, and Intergovernmental Revenues, which are mostly revenues from the County and State. General Fund expenditures are related to the rendering of general services, including but not limited to Public Safety, Parks and Recreation services, Public Works, Administration, and Legislative services for the City. This report will cover the following areas:

- General Fund Overview
- General Fund Summary of Revenue
- General Fund Expenditure Detail by Category and Detail by Department
- General Fund Recommended Mid-Year Budget Amendments
- Non-General Fund Recommended Mid-Year Budget Amendments
- Updated Projected Fund Balance Based on Budget

**FISCAL IMPACT:** The adoption of Resolution 2025-34 (Attachment No.1) will increase the FY 2024-25 Operating Budget as reflected in Table 1.

**Table 1 - Fiscal Year 2024-25 Mid-Year Request**

General Fund	Revenue Estimate	Appropriation
CASp Certification and Training Unappropriate from General Fund (101-2521-40910/52130-00000)	(\$30,000)	(\$30,000)
Measure Y Task Force Salary Allocation (101-xxxx-51012-00000)		(\$36,479)
<b>Total General Fund Revenue Estimates/Appropriations</b>	<b>(\$30,000)</b>	<b>(\$66,479)</b>
Non General Funds	Revenue Estimate	Appropriation Changes
CASp Certification and Training Appropriation to New Fund (150-2521-40910/52130-00000)	\$30,000	\$30,000
PEG Fund Microphone Council Chambers (196-1410-xxxx-00000)		\$9,810
Measure Y Task Force Salary Allocation (148-xxxx-51012-00000)		\$36,479
Measure Y City Attorney costs (148-xxxx-52945-00000)		\$25,000
<b>Total Non General Fund Revenue Estimates/Appropriations</b>	<b>\$30,000</b>	<b>\$101,289</b>
<b>Total Revenue Estimates/Appropriations</b>	<b>\$0</b>	<b>\$34,810</b>

**PREVIOUS RELATED ACTION:** On January 8, 2024 the City Council approved the Budget Preparation Calendar, Guiding Principles and Process for FY 2024-25. Subsequently, the City Council adopted the FY 2024-25 Operating Budget, Housing Authority Budget and the Five-Year Capital Improvement Program on June 3, 2024. Also 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 were also budget amendments that were approved that impacted the General Fund on July 15, 2024, September 9, 2024, October 7, 2024, October 21, 2024, November 18, 2024, and January 6, 2025.

**DISCUSSION:** As adopted on June 3, 2024, the General Fund budgeted revenues were \$161.30M and appropriations were \$161.26M, resulting in an estimated surplus of \$38k. General Fund Amendments were approved on July 15, 2024, September 9, 2024, October 7, 2024, and October 21, 2024. These amendments resulted in an overall General Fund Deficit of \$2.2M. On November 18, 2024, the 1<sup>st</sup> Quarter report was approved, and appropriations resulted in an overall deficit of \$4M. As noted in Table 2 the General Fund has expended nearly \$12M more than it collected as of December 31, 2024. This negative cash flow is normal due to the timing of tax receipts and is one of the significant reasons that an Economic Reserve Policy (Fund Balance) which was updated and approved as part of the Consolidated Financial Policies and Administrative Procedures in

February 2023, is critical. Amendments proposed to be included in the current FY 2024-25 Budgets will be discussed herein.

**2024-25 GENERAL FUND MID-YEAR OVERVIEW** – As adopted on June 3, 2024, the General Fund budgeted revenues were \$161.30M and appropriations were \$161.26M, resulting in an estimated surplus of \$38k. The General Fund budget has been amended since adoption; expense appropriations now exceed revenue appropriations by \$4M. Regarding actuals for the year, with 50% of the year complete, General Fund revenues are at 42% of projections and expenditures are at 48%. With the disparity of revenue collections versus expenditures, the General Fund has expended \$12M more than it has collected in the current fiscal year (as of December 31, 2024). This cash flow is normal due to the timing of tax receipts and is one of the primary reasons the 24% Fund Balance Benchmark for FY 2024-25 is required within the City’s Consolidated Fiscal Policies and Administrative Procedures (approved by City Council in February 2023) is necessary. The revised revenue estimates and appropriations proposed within this report will minimally decrease the current deficit of \$4M to a deficit of \$3.9M. Based on year-end estimates, a deficit in the amount of \$7.7M could be realized based on current year-end projections, which would result in a use of General Fund reserves from fund balance.

**Table 2 - Fiscal Year 2024-25 Mid- Year Summary**

2024-25	Adopted	Amended Budget	Prop Mid		As of Dec 31' 24	% Rec'd/ Exp'd	Year End Estimate
			Year Amendments	Mid Year Budget			
Total Revenue	\$161,298,212	\$162,209,865	(\$30,000)	\$162,179,865	\$67,324,297	42%	\$159,276,687
Total Expense	\$161,260,159	\$166,223,748	(\$66,479)	\$166,157,269	\$79,294,707	48%	\$166,962,881
<b>Net</b>	<b>\$38,053</b>	<b>(\$4,013,883)</b>	<b>(\$96,479)</b>	<b>(\$3,977,404)</b>	<b>(\$11,970,410)</b>		<b>(\$7,686,194)</b>

**REVENUES –**

**Table 3 - Fiscal Year 2024-25 Mid-Year Revenue Summary**

	2024-25 AMENDED BUDGET	2024-25 MID YEAR BUDGET	2024-25 MID YEAR ACTUALS	% ACTUALS/ BUDGET	2024-25 YEAR END ESTIMATE
All Property Taxes	\$51,235,000	\$51,235,000	\$21,761,471	42%	\$52,852,298
All Sales & Use Tax	\$43,575,914	\$43,575,914	\$16,109,844	37%	\$40,851,887
All Utility Tax	\$21,989,686	\$21,989,686	\$11,681,721	53%	\$21,290,921
All Other Taxes	\$21,304,800	\$21,304,800	\$8,576,823	40%	\$22,504,800
All Other Sources	\$24,104,465	\$24,074,465	\$9,194,437	38%	\$21,776,781
<b>Total Revenue</b>	<b>\$162,209,865</b>	<b>\$162,179,865</b>	<b>\$67,324,297</b>	<b>42%</b>	<b>\$159,276,687</b>

Property Taxes – Typically, property tax revenues are received from November through August. In addition, due to various State actions, the City receives “In Lieu” property tax twice a year in

January and June. Property Tax revenues are expected to bring in \$2.4M more than last year. FY 2024-25 RPTTF Residual revenue is expected to decrease from \$3.6M to \$3.2M. The taxable assessed value growth in Pomona for FY 2024-25 increased 4.9%. Value growth for FY 2024-25 benefited from the substantial growth of Residential values. Residential value growth was \$548.3M and accounted for 72.2% of all value growth. Based on the information received to date, the overall Property Tax category is only expected to end the fiscal year approximately \$1.6M higher than originally budgeted. A request to increase revenue estimates for this category is not being requested.

Sales and Use Tax – The total revenue budget from Sales Tax is derived from three distinct sources; a 1.0% share of local sales (from the State and County Pools), allocations of Public Safety Augmentation Fund (PSAF) sales tax from the County, and the 3/4 cent Transaction and Use Tax (Measure PG) revenues. These three sources were originally budgeted at \$43.5M when adopted in June 2024. Based on information provided by the City’s Sales Tax Consultant and the revenues received through December 31, 2024, the total of these three sales tax revenue sources is anticipated to come in \$2.7M under the current budget. The Sales and Use Tax is projected to come in at \$21.8M, which is \$2.1M under budget. Sales Tax highlights provided from the Consultant state that this fiscal year receipts were affected by a statewide audit on ecommerce and auto businesses resulting in a reduction in sales tax revenue originally allocated to Pomona. Measure PG revenues are estimated to come in below the FY 2024-25 budget amount by \$400k. The ½ Cent Sales Tax revenues are estimated to come in \$46k below the FY 2024-25 budget amount. A request to decrease revenue estimates for this category is not being requested.

Utility Users Tax (UUT) – Currently budgeted at \$21.9M, utility tax revenue represents 13% of General Fund revenues. For FY 2024-25, we estimate the Utility Users Tax Category to come under budget due to a decrease in the remittance revenues received in the Utility Users Tax – Gas category. The Utility User Tax – Gas category came in \$1.5M under budget in FY 2023-24 and is estimated to come in \$1.7M under budget for FY 2024-25. This is due to a short-term hike in natural gas prices that inflated remittance revenue in FY 2022-23 causing future estimates and averages to be off. A request to decrease revenue estimates for this category is not being requested.

Other Taxes – This category includes Business Licenses, Transient Occupancy Tax, Property Transfer Tax, Cannabis Business Tax, and Franchise Fees, which represent 13% of total General Fund revenues. These sources, collectively, are budgeted at \$21.3M. Receipts for Business License and Property Transfer Tax are coming in strong therefore the Other Taxes category is estimated to end the fiscal year \$1.2M higher than originally budgeted. A request to increase revenue estimates for this category is not being requested.

Other Sources – All Other Sources include Fees, Licenses, Permits, and Revenue from Use and Property categories and make up 15% of General Fund Revenues. Currently the permits category is estimated to come in \$1M below the estimated FY 2024-25 budget due to a decrease in large projects and permits being processed through the building and safety division. Some of the expected project plan and permit revenue that was anticipated this fiscal year will be realized in FY 2025-26. The fees category is expected to realize a decrease of \$1.4M mostly due to a decrease of \$1M in Host revenue. Overall, the Other Sources category is expected to receive \$2.3M less

than the Adopted budget for FY 2024-25 mainly due to various decreases in revenues for fees and permits. A request to increase revenue estimates for this category is not being requested.

Revenue Summary – In summary, the budgeted revenues from tax related items discussed above represent 85% of the City’s General Fund. Overall, the General Fund is projected to come in \$2.9M lower than originally budgeted for FY 2024-25. This mid-year we are experiencing a decrease unlike the \$4.3M increase that was projected in the FY 2023-24 Mid-Year Review. As stated in previous budget reports and presentations, the city has experienced an economic upswing in several revenue categories over the past several years. The growth of those revenue categories has flattened because of recent changes in the economy and inflation. Economic forecasts suggest that the economy is expected to remain stable. We will continue to monitor the economic situation and will ensure that the city prioritizes efficiency and sustainability so as to be best prepared for any challenging economic times.

EXPENDITURES- At the halfway point of the Fiscal Year, as of December 31, 2024, overall General Fund appropriations are 50% expended. Most Departments are within budget at Mid-Year. All categories are within an acceptable range of year-to-date expenditures in relation to the total appropriations for the year. The following provides a breakdown of the FY 2023-24 appropriations, and Mid-Year Expenditures by Category (Table 4) and then by Department (Table 5).

**Table 4 - Fiscal Year 2024-25 Mid-Year Expenditure Summary**

By Category	2024-25	%	2024-25	%	2024-25	2024-25
	AMENDED BUDGET	OF TOTAL	MID YEAR EXP	Expended	MID YEAR BUDGET	YEAR END ESTIMATE
Personnel	\$72,213,181	43%	\$35,348,968	49%	\$72,176,702	\$73,666,575
Debt Service	\$79,032	0%	(\$5,595)	-7%	\$79,032	\$79,032
Controllable Expenses	\$15,913,008	10%	\$5,013,198	32%	\$15,883,008	\$15,197,961
Required Expenses	\$41,246,446	25%	\$20,049,893	49%	\$41,246,446	\$41,192,043
Allocation and Utilities	\$27,269,762	16%	\$13,598,407	50%	\$27,269,762	\$27,186,554
Recovered Costs	(\$1,807,570)	-1%	(\$903,785)	50%	(\$1,807,570)	(\$1,807,570)
Capital	\$1,064,296	1%	\$319,725	30%	\$1,064,296	\$1,002,693
Transfers to Other Funds	\$10,245,593	6%	\$5,873,896	57%	\$10,245,593	\$10,445,593
<b>Total Expense</b>	<b>\$166,223,748</b>	<b>100%</b>	<b>\$79,294,707</b>	<b>48%</b>	<b>\$166,157,269</b>	<b>\$166,962,881</b>

As reflected in Table 4, year-end expenditures are slightly over compared to the FY 2024-25 Mid-Year Budget. The majority of the categories are aligned to budget except for the *Personnel* category, which is slightly over primarily due to retirement and termination payouts being more than anticipated in the Police Department, however, personnel offsets are factored in due to vacancies in several Departments. *Transfers to Other Funds* category reflects an estimate over budget of \$200k and will align via a CIP Action (Park Improvements - Sport Court Resurfacing and Restriping Citywide) that will be presented on this same City Council March 17<sup>th</sup> agenda. Overall, the expenses are anticipated to be over budget by year-end in the amount of \$806k. Staff is requesting the City Council to approve un-appropriations in the amount of \$63k which are covered in detail within the next section.

**Table 5 - Fiscal Year 2024-25 Mid-Year Department Summary**

By Department	2024-25 AMENDED BUDGET	% OF TOTAL	2024-25 MID YEAR EXP	% Expended	2024-25 MID YEAR BUDGET	2024-25 YEAR END ESTIMATE
General Services	\$4,711,901	3%	\$2,188,450	46%	\$4,711,901	\$5,951,026
Recovered Costs	(1,807,570)	-1%	(\$903,785)	50%	(1,807,570)	(1,807,570)
Mayor & Council	600,070	0%	\$268,000	45%	\$600,070	\$592,724
City Clerk	1,714,246	1%	\$424,253	25%	\$1,714,246	\$1,542,224
Human Resources	2,206,488	1%	\$998,845	45%	\$2,206,488	\$2,152,081
Finance	2,829,380	2%	\$1,267,360	45%	\$2,816,033	\$2,641,758
City Administration	1,627,465	1%	\$684,293	42%	\$1,604,333	\$1,564,749
Development Services	7,810,181	5%	\$3,027,881	39%	\$7,780,181	\$7,744,650
Police	80,943,444	49%	\$39,425,913	49%	\$80,943,444	\$81,682,095
Fire	36,629,479	22%	\$18,314,740	50%	\$36,629,479	\$36,629,479
Public Works	13,921,795	8%	\$6,076,064	44%	\$13,921,795	\$13,892,991
Neighborhood Services	646,072	0%	\$293,215	45%	\$646,072	\$646,456
Community Services	7,021,053	4%	\$2,802,389	40%	\$7,021,053	\$6,898,845
Library	2,171,514	1%	\$880,589	41%	\$2,171,514	\$1,633,143
CIP	3,552,450	2%	\$3,546,500	100%	\$3,552,450	\$3,552,450
Children & Youth Transfer	1,645,780	1%	\$0	0%	\$1,645,780	\$1,645,780
<b>Total Expense</b>	<b>\$166,223,748</b>	<b>100.00%</b>	<b>\$79,294,707</b>	<b>48%</b>	<b>\$166,157,269</b>	<b>\$166,962,881</b>

Table 5 displays that all Departments have expended 50% or less of their budget at Mid-Year. Under current budgetary allocations, Public Safety represents 71% of all General Fund expenditures. The Police Department will be over \$739k mainly due to retirement and termination payouts related to many long-term employee departures. The General Services Department shows a \$1.2M overage, however, this relates to the \$1.3M vacancy factor that is reflected in each Department’s year-end salary estimates. Overall Expenditures are projected to come in \$806k over the Mid-Year budget.

**FY 2024-25 RECOMMENDED GENERAL FUND BUDGET AMENDMENTS**

**Appropriations Amendments**

*(Development Services - Building & Safety Division)* –Staff is requesting a decrease in revenue and appropriations of \$30k due to the creation of the CASp Certification and Training Fund in the Non-General Fund Amendment section of this report. This \$30,000 will be budgeted in the New CASp Certification and Training Fund 150. Revenues need to decrease by \$30,000 (101-2521-40910-00000) and Appropriations need to decrease by \$30,000 (101-2521-52130-00000).

Measure Y Salary Allocations - In November 2024, voters approved Measure Y, known as the Pomona Kids First Initiative: The Pomona Fund for Children and Youth Act. To implement the measure, a Measure Y Task Force was formed, consisting of the City Manager, Assistant City Manager, City Attorney, Assistant to the City Manager, Finance Director, and the Deputy Finance

Director. The primary role of the task force is to fulfill the initial requirements of Measure Y, including establishing the Accountability Board, which will oversee and administer the Children and Youth Fund. As part of the implementation process, 5% of the task force members' salaries and benefits along with the City Attorney costs will be allocated to the Children and Youth Fund to offset the costs of their work on the implementing policies and creation of the Department. Appropriation actions for these are included in the FY 2024-25 Mid-Year Budget report. Staff is requesting an un-appropriation from the General Fund in the amount of \$36k (101-xxxx-51012-00000) for this action, with a corresponding appropriation in Children and Youth Fund (148-xxxx-51012-00000).

### **FUND BALANCE POLICY**

On June 20, 2011, the City Council adopted Resolution 2011-63A approving the City's Fund Balance Policy. The objectives of the Policy were to comply with the Governmental Accounting Standards Board (GASB) Statement Number 54 – Fund Balance Reporting and Governmental Fund Type Definitions, establish formal reserve policies, build adequate reserves, and guide the City toward meeting its short and long-term obligations. On February 6, 2023, this Policy was replaced and repealed when staff brought forward the City's Consolidated Financial Policies and Administrative Procedures via analysis by City staff and the City's financial advisor Urban Futures Inc. (UFI). The revised policy states that at the end of each fiscal year, the City shall have a Committed Fund Balance equal to 24% (for FY 2024-25) of operating expenditures and transfers out in the General Fund. The 24% goal is to be considered the minimum level in FY 2024-25. The level will increase each year by 1% until the level is 25% starting in FY 2025-26. Based on un-audited FY 2023-24 figures, the General Fund balance is \$60.3M, which is about 34% of operating expenditures. However, based on the adopted budget, with additional General Fund budget amendments since July 1, 2024, and the appropriations/revised revenue estimates proposed within the mid-year report, the FY 2024-25 estimated fund balance is estimated to be \$56.3M with the use of reserves. Even with the use of reserves, the General Fund should exceed the Fund Balance Policy ultimate target of 24%. Table 6 shows how the \$36k decrease in budget amendments combined with the anticipated deficit for FY 2024-25, if utilized would still result in a use of reserves. Another key factor to note is that if the FY 2024-25 year end estimate of a \$7.7M deficit does occur the fund balance will be at a level of 32%.

**Table 6 – Updated Projected Fund Balance Fiscal Year 2024-25**

ITEM	2024-25 BUDGET
<b>Fund Balance FY 2023-24 (Based on Annual Audit-Not Audited)</b>	<b>60,284,528</b>
Total Amended Revenue to Date	162,209,865
Total Amended Expense to Date	166,223,748
<b>Net Total To Date (Revenue/Expenditures)</b>	<b>(4,013,883)</b>
Total Request at March 17, 2025 City Council Meeting	(36,479)
<b>Anticipated 2024-25 Use of Unassigned Fund Balance</b>	<b>(3,977,404)</b>
<b>Updated Estimated Budgeted Fund Balance FY 2024-25</b>	<b>56,307,124</b>
Estimated Committed Fund Balance Per Policy (24%)	38,216,172

**Non- General Fund Amendments**

CASp Certification and Training Fund (Building Division) – Senate Bill 1186 was passed to collect fees for increased certified access specialist (CASp) training and certification within Pomona and to facilitate compliance with construction-related accessibility requirements, and to providing financial assistance to small businesses for construction of physical accessibility improvements. The highest priority shall be given to training and retention of certified access specialists (CASp) to meet the needs of the public of Pomona. These CASp training fees need to be set aside in their own fund. Staff is requesting to amend the FY 2024-25 Operating Budget by increasing revenues by \$30,000 to the CASp Certification and Training Fund (150-2521-40910-51306) using the fund balance, with a corresponding increase to expenditures by \$30,000 to be used for CASp Certification and Training (150-2521-52130-51306).

PEG Broadcasting Support (Innovation & Technology) – Staff is requesting to increase appropriations in the amount \$9,810 for PEG Controllable Contract Services and Small Tools and Equipment (196-1410-5XXXX-00000). The increase is to improve City Council Meeting broadcasting and interpreter functions by installing additional wireless microphones and relocating the interpreter table from the main Council Chamber to the foyer. The additional microphones provide seamless experience for interpreter at the lectern during public comments and the table relocation eliminates distractions in the Chamber coming from the interpreter’s voice.

Measure Y Salary Allocations and City Attorney Support – In November 2024, voters approved Measure Y, known as the Pomona Kids First Initiative: The Pomona Fund for Children and Youth Act. To implement the measure, a Measure Y Task Force was formed, consisting of the City Manager, Assistant City Manager, City Attorney, Assistant to the City Manager, Finance Director and Deputy Finance Director. The primary role of the task force is to fulfill the initial requirements of Measure Y, including establishing the Accountability Board, which will oversee and administer the Children and Youth Fund. As part of the implementation process, 5% of the task force



members' salaries and benefits along with the City Attorney costs will be allocated to the Children and Youth Fund to offset the costs of their work on the policy. Appropriation actions for these are included in the FY 2024-25 Mid-Year Budget report. Staff is requesting an appropriation in Children and Youth Fund (148-xxxx-51012-00000) in the amount of \$36k and an appropriation of \$25k for the City Attorney support of the Charter Amendment implementation (148-xxxx-52945-00000).

## **CONCLUSION**

As stated in the Executive Summary, the purpose of this report is to give the City Council a financial update of the FY 2024-25 Budget at the Mid-Year. Based on this information, staff is recommending the City Council adopt the amendments proposed herein which will result in a \$4M budget deficit, with a year-end estimated deficit of \$7.7M.

At the 1<sup>st</sup> Quarter in November 2024 the budget showed a deficit of \$2.4M and with amendments that have occurred since then including the transfer to the new Children and Youth Fund per the required actions in Measure Y, the current amended budget deficit is \$4M. With the items included in the mid-year, the budget deficit will stay the same to a total estimated amount of \$4M with the two actions requested within this report. Based on year-end estimates a deficit in the amount of \$7.7M could be realized if all year-end estimates finished as anticipated. If the \$7.7M deficit materializes, this would result in use of General Fund reserves, however the General Fund will still exceed the 24% policy requirement even more than the already anticipated 34% amount.

As it relates to the current FY 2024-25 General Fund Budget deficit, Measure Y, the charter amendment passed on November 5, 2024, Election Ballot. 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 was a contribution of 2% of General Fund unrestricted revenues as of January 1, 2025, to the newly formed Children and Youth Fund. As the first step in implementing the charter amendment staff brought forward the action to move 2% of the General Fund budget, which equated to \$1.6M at the midpoint of the current Fiscal Year 2024-25, at the January 6, 2025, City Council meeting. On January 27, 2025 a ten-year financial forecast was presented to the City Council taking into consideration the transfers stated in the Measure Y Charter Amendment. The analysis presented by the City's Financial Advisor Urban Futures Inc. (UFI) projects that if the current budget commitments were to stay on track, then a "fiscal cliff" could begin in Fiscal Year 2029-2030, which could result in depleting the City's General Fund reserves.

The national economic situation is currently being closely monitored and reminds us of the importance of having adequate General Fund reserves that may need to be relied upon in future years. With tariffs charged on goods imported from Mexico, Canada, and China, and a softening labor market with unemployment at 4.1% nationally, the expectation is that the Federal Reserve will pause rates at the upcoming March meeting and potentially begin lowering rates later this year as economic growth slows. Given significant market uncertainty at the time of this writing, an economic downturn may be in the early stages. This will impact our recently implemented fiscal policies and brings attention to the fact that an economic downturn is always a concern.

In addition to the economic concerns, the FY 2025-26 budget will be challenged with fulfilling long-term financial goals. With the adoption of the Updated Consolidated Fiscal Policies in

February 2023, the City was hoping to continue contributing towards commitments that support the continued financial strength and stability of the City as reflected in its financial goals. However, no surplus is anticipated in FY 2023-24 or FY 2024-25, and most likely there will not be a surplus realized for quite some time. Given these constraints and in an effort to continue to bolster our long-term financial stability, staff will be bringing forward a request to use the Franchise Fee Funded program unassigned fund balance of \$2M for one-time expenses to continue this effort; this action will require City Council approval. With the revenue projections discussed in this FY 2024-25 report, and limited growth anticipated in FY 2025-26, combined with the Measure Y required transfer, staff is anticipating reductions will be forthcoming in the upcoming budget.

In closing, the FY 2025-26 budget process is underway, and two Budget study sessions will be held on March 24, 2025, at 7:00pm with another session held on the afternoon of April 2, 2025, at 3:00pm. To expand community access and encourage participation in the budget process, both meetings will be held in the Pomona City Council Chambers and will be available to watch online and on TV via the public access channel or on the City's live stream. This year we are introducing a different format to encourage a more meaningful community dialogue with constructive input. The open forums will encourage public engagement, as staff will serve as moderators, asking questions to those in attendance. We encourage all community members to attend and participate in these important budget forums in whatever way they feel works for them. The FY 2025-26 Proposed Budget will be brought forward for discussion on Monday, May 12, 2025, at the annual Proposed Budget Study Session.

**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. 2025-34

Attachment No. 2 – PowerPoint Presentation – FY 2024-25 Mid-Year Review