



City of Arts & Innovation

Budget Engagement Commission

TO: HONORABLE COMMISSIONERS DATE: JANUARY 8, 2026

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: FISCAL YEAR 2024/25 FOURTH QUARTER REPORT, CARRYOVER OF
UNEXPENDED FUNDS, AND BUDGET ADJUSTMENTS

ISSUE:

That the Budget Engagement Commission recommend the City Council receive and provide input on the Fiscal Year 2024/25 Fourth Quarter Financial Report; and approve citywide carryovers and other proposed budget adjustments.

RECOMMENDATIONS:

That the Budget Engagement Commission recommend the City Council:

1. Receive and provide input on the Fiscal Year 2024/25 Fourth Quarter Financial Report;
2. With at least five affirmative votes, approve a carryover of unexpended funds of approximately \$4.78 million in the General Fund and \$40.11 million in other City funds into Fiscal Year 2025/26;
3. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a supplemental appropriation from available fund balance and projected annual CUPA revenues of \$167,424 in the Grants and Restricted Programs Fund, CUPA, personnel expenditure accounts and increase 1.0 FTE for a Deputy Fire Marshal in the Fire Department for FY 2025/26;
4. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a FY 2025/26 net supplemental appropriation of \$400,000 from the General Fund Infrastructure Reserve and reallocation of \$400,000 from Goeske Center bathroom renovations to fund \$500,000 in Orange Terrace Community Park playground renovations and \$300,000 for the Hole Lake Master Plan; and
5. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a FY 2025/26 \$500,000 supplemental appropriation and interfund transfer from the General Fund to the Capital Projects Fund to establish the Orange Terrace Community Park playground project funding.

BACKGROUND:

On June 25, 2024, the City Council adopted Resolution No. 24131 approving the Fiscal Year (FY) 2024-2026 Biennial Budget.

On January 28, 2025, the City Council received the First Quarter Financial Update and approved citywide supplemental appropriations of \$7,482,207 for all City funds, including interfund transfers in the amount of \$578,544. The supplemental appropriations included a net fiscal impact to the General Fund totaling \$490,000, which represented an allocation of Infrastructure Reserves to fund emergency repairs to a stormwater facility on Iowa Avenue.

On April 8, 2024, the City Council received the Second Quarter Financial Update and approved mid-cycle budget adjustments, including supplemental appropriations, interfund transfers, and other budgetary entries totaling \$854,423 in expenditures and \$2,767,065 in revenue adjustments across various funds.

On July 15, 2025, the City Council received the Third Quarter Financial Update and approved a supplemental appropriation and interfund transfer from the Regional Park Special Capital Improvement Fund to the General Fund in the amount of \$500,000.

DISCUSSION:

Following the close of each fiscal year, the City's independent auditor performs an audit of the City's financial statements. The FY 2024/25 Fourth Quarter Financial Report precedes the audit report and therefore presents **unaudited financial projections; however, we do not anticipate any material changes to the financial data**. The audit report is expected to be completed in January, followed by presentations to the Finance Committee and City Council.

Refer to Attachment 1 for a comprehensive Financial Report of the City's major funds.

General Fund

The adopted FY 2024/25 budget for the General Fund totaled \$361.2 million (M) with a balanced budget. As a result of outperforming revenue and expenditure savings in various categories, the City concluded the fiscal year with a net unassigned reserve of \$9.56M, after encumbrances, carryovers, required transfers to reserves, and various other prior year and required governmental accounting adjustments. Refer to Attachment 1 for an in-depth analysis of revenue and expenditure results.

Revenues: Revenue estimates for the FY 2024-2026 Biennial Budget were developed using a range of sources, including historical revenue analysis, economic data, input from the City's sales and property tax consultant, City departments, and the County of Riverside.

As part of mid-year adjustments, revenue projections were adjusted downward by \$7.26M based on the results of FY 2023/24 actuals, performance during the first two quarters of FY 2024/25, updated estimates from the City's sales tax consultants, and continued economic uncertainty for the remainder of the fiscal year. This reduction was partially offset by a \$5.9M increase in transfers from Measure Z to support public safety costs, as well as a \$30.9M American Rescue Plan Act

revenue replacement adjustment and a \$1.8M Fire Mutual Aid revenue adjustment, both of which mostly netted with expenditures.

Actual FY 2024/25 revenues exceeded revised budget estimates by \$5.58M, or 1.4%. This is primarily driven by increased property tax, sales tax, administrative civil penalty/citation, and non-development fees and charges revenue, which was partially offset by lower business license tax and developer fees and charges revenue.

FISCAL YEAR REVENUE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals	\$ Variance	% Variance
Property Tax	\$92.59	\$92.59	\$94.53	\$1.94	2.1%
Sales Tax	93.84	91.93	94.93	3.00	3.3%
Cannabis Business Tax	.50	-	-	-	-
Utility Users Tax	34.94	34.94	35.28	.34	1.0%
Transient Occupancy Tax	8.71	8.71	9.11	.40	4.6%
Franchise Fees	6.91	6.91	6.30	(.61)	-8.8%
Licenses & Non-Developer Permits	11.96	11.96	10.20	(1.76)	-14.7%
Non-Development Charges for Services	12.04	12.04	12.30	.26	2.2%
Developer Fees & Charges for Services	8.46	8.46	6.52	(1.94)	-22.9%
General Fund Transfer	53.40	53.45	53.45	-	-
Measure Z Transfer	18.27	24.16	24.16	-	-
Other Revenues & Transfers In	14.84	54.60	58.55	3.9	6.7%
Use of Reserves	4.76	4.76	4.76	-	-
Total Revenues & Transfers In	\$361.23	\$404.51	\$410.0	\$5.58	1.4%

Expenditures: The adopted FY 2024/25 budget for the General Fund totaled \$361.2M. Budget adjustments throughout the fiscal year addressed rising costs and critical needs, such as newly approved labor agreements, public safety overtime, and various legal costs. The total expenditure budget of \$412.89M is comprised of the adopted budget of \$361.23M, \$15.06M of unexpended funds carried forward from the previous fiscal year, and \$36.60M of other budget adjustments occurring during the fiscal year.

Actual expenditures at fiscal year-end are \$389.98M, before factoring in encumbrances and recommended carryovers totaling \$17.35M, which include \$12.5M of encumbrances, \$.07M of grant carryovers, and \$4.78 of requested restricted and discretionary carryovers. If carryovers are approved, total expenditures savings for FY 2024/25 will be \$6.55M, or 1.6%, of the total adjusted budget. Year-end savings were primarily in non-personnel expenditures including professional services, maintenance contracts, water usage, software maintenance, and staff training. These savings were partially offset by increased personnel expenditures, primarily associated with unanticipated vacation and sick leave payouts due to retirements, staff departures, and leave cash outs allowed under MOU agreements.

FISCAL YEAR EXPENDITURE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals	\$ Variance	% Variance
Personnel	\$241.3	\$248.62	\$253.65	\$5.03	2.0%
CalPERS UAL – Safety	9.21	9.21	9.21	-	-
CalPERS UAL – Miscellaneous	2.18	2.18	2.18	-	-
Non-Personnel Costs	78.57	90.53	73.50	(17.03)	-18.8%
Special Projects	10.89	12.60	8.58	(4.02)	-31.9%
Minor Capital & Grants	3.71	10.70	5.04	(5.66)	-52.9%
Debt Service	29.26	29.26	29.26	-	-
Charges To/From	(20.29)	(20.39)	(22.64)	(2.25)	-11.0%
Cost Allocation Plan	(22.18)	(22.18)	(22.18)	-	-
Operating Transfers	12.00	36.05	36.40	.35	1.0%
Special Districts Fund Contribution	1.67	1.67	1.70	.03	1.8%
Convention Center Fund Contribution	3.51	3.51	3.47	(.03)	-1.1%
Entertainment Fund Contribution	.65	.65	.47	(.19)	-28.8%
Cheech Marin Center Fund Contribution	1.06	1.06	.91	(.15)	-14.2%
Parks Capital Fund	.91	.91	.91	-	-
Water GFT Escrow	8.52	8.52	8.52	-	-
Designated for Future Operations	.19	-	-	-	-
Encumbrances & Carryovers*	-	-	17.35	17.35	-
Total Expenditures & Transfers Out	\$361.23	\$412.89	\$406.33	(\$6.55)	-1.6%

*Unaudited Actuals includes \$12.50M in encumbrances and \$.07M project/grant carryovers recorded as allowed by the Riverside Municipal Code; and \$4.78M in other carryovers recommended for Council approval (refer to **Error! Reference source not found.**).

Encumbrances of \$12.5M and project/grant carryovers of \$.07M have been carried forward to FY 2025/26 in accordance with the Riverside Municipal Code. Carryovers of approximately \$4.78M are recommended for Council approval (refer to Attachment 1, Appendix A).

General Fund Outlook: Although the future remains uncertain and potential risks, including the effects of rapidly changing federal policies, continue to present challenges to the City's financial outlook in the current year and future years, overall General Fund revenues grew in FY 2024/25. In the short term, the City must prepare for potential impacts in both sales and property tax revenues as slower economic growth and rising unemployment may present challenges. While these factors were considered in the FY 2025/26 revenue projections, the extent of their impact on the City's outyear revenues remains uncertain. Additionally, in the long term, the General Fund faces several financial challenges that could pose risks to its fiscal health:

- **Water General Fund Transfer** – The Water General Fund Transfer (GFT) accounts for approximately 2.5% of budgeted FY 2025/26 General Fund revenues. On September 19, 2023, the City Council directed that all future Water GFT collections be placed in a reserve account pending the outcome of litigation. The potential revenue loss ranges from \$9.18M to \$12.05M annually over the next five years, or \$52.84M over the next five years.
- **Deferred Maintenance and Infrastructure** – Following several years of structural deficits in the General Fund, the City struggled to allocate funding toward capital needs. Historically, capital investments have largely been funded through debt financing, such as the issuance of 2008 Certificates of Participation for street improvements, and Riverside Renaissance Tax Allocation Bonds for new facilities and capital improvements. However, debt financing does not provide a sustainable method to fund annual and ongoing needs for infrastructure repairs and maintenance, and the added debt service reduces the amount of funding available for ongoing deferred maintenance. Although the City has made additional deferred maintenance and infrastructure investments through Measure Z and American Rescue Plan Act funds, significant ongoing needs remain to support these activities in the future.
- **Rising Pension Costs** – The financial markets influenced the CalPERS retirement fund, which yielded a 11.6% return for the fiscal year ended June 30, 2025, exceeding the 6.8% forecasted rate. While this marks continued improvement, pension costs are expected to continue to rise due to increased payroll and CalPERS' methodology of smoothing investment gains over several years to minimize significant year-to-year fluctuations. Additionally, future returns below expectations could further increase unfunded liabilities and required annual payments.
- **Labor Costs** – MOU contracts were updated in 2025 and have continued to result in increased salary and benefits costs. Balancing the competing needs of providing competitive salary increases to recruit and retain highly qualified employees and maintaining long-term financial sustainability will remain an ongoing challenge for the City.

General Fund Reserves:

Projected fiscal year-end fund reserves are shown in the following table.

GENERAL FUND RESERVES		
(in millions)	Amount	Subtotal
Nonspendable		
Inventories, prepaids, deposits	\$.91	
Advances and Notes	5.66	
Land & Improvements held for resale	.17	\$ 6.74
Committed		
20% Policy Reserves	76.43	
Reserved for Section 115 Trust Contributions	30.24	
Infrastructure Reserve	11.71	
Technology Reserve	5.00	
Water GFT Escrow	16.63	
Section 115 Trust	76.85	
Other required reserves	6.93	\$ 223.79
Assigned		
Encumbrances/Projects/Grants	12.50	
Carryovers*	4.84	
Special Deposit Funds	1.67	\$ 19.01
Unassigned		
Available Reserves	9.56	\$ 9.56
Total General Fund Reserves		\$ 259.10

*Subject to Council approval – refer to **Error! Reference source not found.**

The General Fund's Unassigned fund balance is projected to be \$9.56M, pending completion of the City's financial audit. Staff recommend applying the audited unassigned fund balance toward addressing potential deficits in the next budget and will present a plan for the use of these funds as part of the FY 2026-2028 Biennial Budget development process.

Section 115 Trust Reserves

Section 115 Trust assets are accounted for in a separate fund and are legally restricted for the payment of pension-related obligations. This reserve will help the City smooth fluctuations in the required annual CalPERS UAL payments and minimize the fiscal impact of significant increases that could disrupt the City's ability to maintain service levels and fund ongoing operations. As of 6/30/2025, the unaudited reserve balance is \$76.85M.

Measure Z

The FY 2024/25 Measure Z budget was adopted in June 2024 with approximately \$32.15 million in projected fund balance, including a budgeted net drawdown of \$19.8 million per the adopted spending plan. Separately, \$5.00 million is held in contingency reserves per the adopted Measure

Z Reserve Policy to ensure sufficient funding for ongoing costs in the event of under-performing revenues.

Revenues: The adopted FY 2024/25 budget projected revenues of \$84.52M, which includes \$83.72M for transaction and use tax. Due to a decline in consumer spending and updated projections from the City's sales tax consultant, HdL, transaction and use tax revenue projections were reduced to \$80.51M in the second quarter report. However, actual revenues exceeded budgeted expectations by \$0.82M (1%) for transaction and use tax and \$1.55M (193%) for interest revenue.

Expenditures: Measure Z expenditures are inconsistent due to the number of long-term initiatives and projects financed by Measure Z resources. This results in an accumulation of resources and carryover of funding in spending items of those types. Actual expenditures at fiscal year-end are \$100.9M before encumbrances and carryovers of \$44.44M. Encumbrances of \$22.1M and capital carryovers of \$16.5M have been carried forward to FY 2025/26 as provided for in the Riverside Municipal Code.

Carryovers of approximately \$5.83M are recommended for Council approval (refer to Attachment 1, Appendix A).

Reserves: Actual Measure Z revenues of \$83.67M and expenditures of \$100.9M produced a net decrease of fund reserves of \$17.23M. The projected available fund balance (unaudited) is anticipated to total \$44.05M net of encumbrances and recommended carryovers totaling \$44.44M. These funds are intended to be drawn down over the next several years. Staff recommend available reserves remain intact pending the completion of the FY 2026-2028 Biennial Budget.

Electric Fund

The FY 2024/25 adopted operating budget for the Electric Fund included a programmed \$9.4M operating gain, excluding bond proceeds and capital project allocations. Unaudited fiscal year end results present an operating surplus of \$48.01M including outstanding encumbrances and carryovers of \$18.40M.

Revenues: Total revenues at fiscal year-end are \$38.60M (8.5%) greater than revenue projections in the total budget. Electric revenues were \$16.05M above projections, primarily due to increased electric consumption attributed to warmer temperatures throughout the fiscal year and a \$11.00M year-end accounts receivable adjustment resulting from the implementation of a more precise methodology to capture unbilled accounts receivable. While residential revenues exceeded budget expectations, they were partially offset by declines in commercial categories. Transmission revenue exceeded projections by \$6.48M, or 24.7%, due to a higher rate reflective of an increase in Southern California Edison transmission costs for operating and maintaining the transmission system. Further, miscellaneous revenue exceeded projections by \$4.40M, or 26.2%, primarily driven by higher than anticipated interest earnings on investments and bond proceeds.

Expenditures: The FY 2024/25 total expenditure budget for the Electric Fund is \$465.26M, which includes the adopted budget of \$444.25M, \$19.75M in unexpended funds carried forward from the previous fiscal year, and other budget adjustments made during the normal course of business. Actuals demonstrate a net budgetary gain of \$21.06M after accounting for \$18.40M in encumbrances and carryovers. Personnel costs were \$6.86M, or 8.9%, less than total budget due to a high average annual vacancy rate of 11% during the fiscal year. Power supply costs were

\$11.51M, or 4.9%, less than total budget due to lower electric transmission and capacity costs, which were partially offset by higher energy charges. Debt service savings of \$5.98M, or 10.0%, were primarily due to the planned delay of the 2024A Electric Revenue Bonds, which resulted in a lower interest and related debt service costs for the year.

Capital Expenditures: Capital expenditures totaling \$355.43M were recorded during the fiscal year; this amount includes \$90.66M of encumbrances and \$209.85M of unexpended capital project funds that have been carried forward to FY 2025/26 as provided for in the Riverside Municipal Code.

Reserves: The Electric Fund's reserve level at fiscal year-end is expected to be within established policy levels; final results are pending the completion of the financial audit.

Carryovers of approximately \$8.76M are recommended for Council approval (refer to Attachment 1, Appendix A).

Water Fund

The FY 2024/25 adopted operating budget for the Water Fund included a projected operating gain of \$3.0M. Unaudited fiscal year end results present a budgetary operating gain of \$6.81M after outstanding encumbrances and carryovers of \$9.84M.

Revenues: Total revenues at fiscal year-end are \$6.90M (7%) greater than revenue projections in the total budget. Water retail revenues were \$7.49M, or 9.2%, above projections primarily due to increased water consumption driven by warmer temperatures and less precipitation, leading to an increase in residential and non-residential consumption compared to budget forecasts, as well as a \$3M year-end accounts receivable adjustment resulting from the implementation of a more precise methodology to capture unbilled accounts receivable. Conveyance/wholesale revenues fell short of projections by \$2.91M, or 37%, entirely attributable to reduced demand from external entities in the wholesale water market.

Expenditures: The FY 2024/25 total expenditure budget for the Water Fund is \$99.21M, which includes the adopted budget of \$95.85M, \$7.08M of unexpended funds carried forward from the previous fiscal year, and other budget adjustments made during the normal course of business. Actuals demonstrate a budgetary savings of \$3.70M after \$9.84M of encumbrances and carryovers. Personnel costs were \$1.7M, or 6.6%, less than total budget due to an average annual vacancy rate of 5.4% during the fiscal year. Savings of \$3.5M, or 13.8%, were primarily attributable to debt-related costs coming in below budget, and lower costs associated with the Hillwood Enterprise Project.

Capital Expenditures: Capital expenditures totaling \$77.56M were recorded during the fiscal year; this amount includes \$13.78M of encumbrances and \$59.13M of unexpended capital project funds that have been carried forward to FY 2025/26 as provided for in the Riverside Municipal Code.

Reserves: The Water Fund's reserve level at fiscal year-end is expected to be within established policy levels; final results are pending the completion of the financial audit.

Carryovers of \$6.82M are recommended for Council approval (refer to Attachment 1, Appendix A).

Refuse Fund

The adopted operating budget for the Refuse Fund projected a draw on fund reserves of \$3.1M, primarily due to rising disposal costs, compliance with state mandates, and operational challenges related to fleet maintenance and staffing shortages. Unaudited fiscal year end results present an operating deficit of \$9.68M including outstanding encumbrances and carryovers of \$6.84M. This operating deficit is primarily a timing loss attributable to the expenditure and carryover of unspent funds for vehicle purchases from FY 2023/24. The revenue to fund these purchases was recognized in FY 2022/23 and subsequently fell to fund reserves. The associated expenditures will be drawn from these reserves upon receipt of the vehicles, which has been delayed due to extended procurement timelines. Excluding this impact, the Refuse Fund's adjusted operating result is near break-even.

Revenues: Total revenue at fiscal year-end is \$3.64M, or 10.2%, greater than revenue projections in the total budget. City services revenues exceeded projections by \$961,000, or 5.12%, primarily due increased curbside residential, automated waste, and multi-family unit city service revenue. Contracted services revenues exceeded projections by \$640,000, or 9.1%, primarily due to increased service levels provided by the City's private hauler.

Expenditures: The FY 2024/25 total expenditure budget for the Refuse Fund is \$48.88M, which includes the adopted budget of \$38.04M, \$9.48M of unexpended funds carried forward from the previous fiscal year, and budget adjustments made during the normal course of business. Actuals demonstrate a net budgetary overage of \$0.27M after \$6.84M in encumbrances and carryovers. Personnel costs were \$1.16M, or 16.1%, below total budget due to personnel vacancies, which averaged 25% throughout the fiscal year.

Further, on September 17, 2024, the City Council approved a \$2.87 million loan from the General Fund Infrastructure Reserves to the Solid Waste Fund to purchase additional solid waste collection vehicles that is expected to be repaid by 2028.

Capital Expenditures: Capital expenditures totaling \$1.63M were recorded during the fiscal year; this amount includes \$0.07M of encumbrances and \$1.19M of unexpended capital project funds that have been carried forward to FY 2025/26 as provided for in the Riverside Municipal Code.

Reserves: The Refuse Fund is expected to end the fiscal year with positive reserves levels; final results are pending the completion of the financial audit.

Carryovers of \$78,526 are recommended for Council approval (refer to Attachment 1, Appendix A).

Sewer Fund

The adopted budget for the Sewer Fund projected a net operating gain of approximately \$9.5M which would be used to support planned capital projects. Unaudited fiscal year end results present a budgetary operating gain of \$25.76M after outstanding encumbrances and carryovers.

Revenues: Total operating revenues at fiscal year-end are \$3.02M, or 3.3%, higher than revenue projections in the adopted budget. Revenue from residential services increased by \$1.4M, or 3.0%, due to an increase the total number of customers paying sewer service charges. Revenue from Wastewater Service Contracts with the Rubidoux, Jurupa, and Edgemont Community Service areas exceeded projections by \$1.43M, representing a 34.9% increase. This variance is

primarily attributable to surcharges resulting from higher levels of wastewater sent to the Regional Water Quality Control Plant. Revenue from connection fees decreased by \$2.51M, or 64.8%, primarily due to a slowdown in new development and sewer hookups. Miscellaneous revenue increased by \$1.87M, or 8.6%, primarily due to higher revenue from other agencies and interest from investments.

Expenditures: The FY 2024/25 total expenditure budget for the Sewer Fund is \$76.76M, which includes the adopted budget of \$73.17M, \$2.5M of unexpended funds carried forward from the previous fiscal year, and budget adjustments made during the normal course of business. Actuals demonstrate net budgetary savings of \$6.83M after \$2.55M in encumbrances and carryovers. Personnel costs were \$2.71M, or 15.9%, less than total budget due an average annual vacancy rate of 19% during the fiscal year. Savings of \$2.25M were primarily due to non-cash accounting adjustments that spread certain financing costs over the life of the debt.

Capital Expenditures: Capital expenditures totaling \$70.46M were recorded during the fiscal year; this amount includes \$20.28M of encumbrances and \$26.90M of unexpended capital project funds that have been carried forward to FY 2025/26 as provided for in the Riverside Municipal Code.

Reserves: The Sewer Fund's reserve level at fiscal year-end is expected to be within established policy levels; final results are pending the completion of the financial audit.

Carryovers of \$488,813 are recommended for Council approval (refer to Attachment 1, Appendix A).

Public Parking Fund

The FY 2024/25 adopted operating budget for the Public Parking Fund included a projected \$1.0M net gain. Unaudited fiscal year end results present a budgetary operating gain of \$3.16M after outstanding encumbrances of \$250,000.

Revenues: Total operating revenues at fiscal year-end are \$1.15M or 11.1%, higher than revenue projections. The downtown parking operation has continued to experience a significant turnaround in utilization due to the implementation of the Parking Your Way program. This program includes more accessible free parking, new parking rates, expanded hours, new monthly parking programs, the Park Riverside app, and the installation of Parking Access Revenue Control Systems (PARCS) in garages. Parking revenues exceeded projections by \$828,000, or 8.8%, primarily driven by increases in parking garage revenue and parking fines.

Expenditures: The FY 2024/25 total expenditure budget for the Public Parking Fund is \$10.20M, which includes the adopted budget of \$9.44M, \$212,000 of unexpended funds carried forward from the previous fiscal year, and budget adjustments made during the normal course of business. Actuals demonstrate budgetary savings of \$1.77M after \$250,000 of encumbrances. Expenditures were \$1.43M or 22.2%, below budget, largely due to \$1.07M in savings from underutilized professional services, which were budgeted on an 'as-needed' basis.

Capital Expenditures: Capital expenditures totaling \$3.7MM were recorded during the fiscal year; this amount includes \$219,000 of encumbrances and \$2.66M of unexpended capital project funds that have been carried forward to FY 2025/26 as provided for in the Riverside Municipal Code.

Reserves: The Parking Fund is expected to end the fiscal year with positive reserves levels; final results are pending the completion of the financial audit.

Carryovers

A total of \$44,884,257 is recommended for Council approval, comprised of \$12,507,779 in restricted funding and \$32,376,478 in discretionary funding.

Restricted Carryovers represent appropriations of funding designated for a specific use per a third-party agreement, including donations, endowments, and grant matches.

Discretionary Carryovers include amounts appropriated for a specific purpose in previous periods, but unexpended due to timing or for other reasons.

Carryover Requests Summary

	Restricted	Discretionary	Total
General Fund	\$736,735	\$4,039,262	\$4,775,997
Measure Z Fund	-	5,825,527	5,825,527
Electric Fund	-	8,757,801	8,757,801
Water Fund	-	6,823,366	6,823,366
Refuse Fund	78,525	-	78,525
Sewer Fund		488,813	488,813
Other Funds	11,692,518	6,441,709	18,134,227
Total Carryover Requests	\$ 12,507,779	\$ 32,376,478	\$ 44,884,257

Refer to Attachment 1, Appendix A for a detailed listing of carryover requests.

FY 2025/26 Budget Adjustments

Throughout the fiscal year, budget adjustments are proposed to address emerging needs. The following adjustments to the FY 2025/26 budget are recommended:

- **\$167,424 Grants and Restricted Programs Fund:** Add 1.0 FTE Deputy Fire Marshal. The Fire Department's CUPA program conducts approximately 1,500 required inspections annually and oversees hazardous materials business inspections, as well as all plans related to hazardous materials for businesses. Adding a Deputy Fire Marshal dedicated exclusively to CUPA will improve consistency, coordination, and regulatory compliance, and provide appropriate supervisory coverage for this function. This position will be funded by the CUPA program, and sufficient ongoing funding is available to support these costs.
- **Net \$400,000 Use of General Fund Infrastructure Reserve:**
 - \$500,000 of funding is requested to replace the lower playground and rubberized surfacing at Orange Terrace Park, as well as add a shade structure.
 - \$300,000 is requested for the development of a master plan for Hole Lake.
 - A \$400,000 budgeted renovation of the Goeske Center bathroom funded by the General Fund Infrastructure Reserve will be delayed, with funding reallocated to the Orange Terrace Park and Hold Lake master plan projects.

FISCAL IMPACT:**FY 2024/25 Fiscal Year-End Unaudited Results**

As a result of outperforming revenue and expenditure savings in various categories, the General Fund concluded the fiscal year with a projected (unaudited) net unassigned reserve of \$9.56M after encumbrances, carryovers, required transfers to reserves, and various other required accounting adjustments. As a result of continued economic uncertainties due to the potential impacts of rapidly changing federal policies, staff recommend applying the unassigned fund balance toward addressing potential deficits in the next budget and will present a plan for the use of funds as part of the FY 2026-2028 Biennial Budget development process.

Measure Z revenues continued the declining trend experienced in the prior fiscal year. The projected available fund balance (unaudited) is anticipated to total \$44.05M net of encumbrances and recommended carryovers. This balance is anticipated to be spent in future years as part of the published spending plan, including a programmed \$23.16M draw on reserves in the adopted FY 2025/26 Amended Budget. As such, staff recommend that these programmed reserves remain in place consistent with the Spending Plan and be revisited as part of the FY 2026-2028 Biennial Budget development process.

The City's major enterprise funds (Electric, Water, Refuse, Sewer, and Public Parking) are expected to end the fiscal year with positive reserve balances within established policy requirements, where applicable. Final results are pending the conclusion of the City's financial audit.

The approval of carryovers has no new fiscal impact, as the funding was already approved by the City Council in June 2024 with the adoption of the FY 2024/25 budget.

FY 2025/26 Supplemental Appropriations:

Upon Council approval, a FY 2025/26 increase of \$167,424 will be recorded in the Grants and Restricted Programs Fund, CUPA, personnel expenditure accounts for an additional Deputy Fire Marshal in the Fire Department.

Fund	Project	Account	Amount
<i>Expenditures</i>			
Grants and Restricted Programs	CUPA, Personnel Accounts	3525001-41*	\$167,424
*Various Personnel Accounts			

Another recommendation in this report will result in a net appropriation of \$400,000 of General Fund Infrastructure Reserves for the Orange Terrace Park and Hold Lake master plan projects, with an additional \$400,000 or previously appropriated General Fund Infrastructure Reserves reallocated from the Goeske Center Bathroom Renovation to these projects. Upon Council approval, a supplemental appropriation and interfund transfer in the amount of \$400,000 will be recorded in the General Fund to the Capital Outlay Fund, Orange Terrace Playground Improvements and a supplemental appropriation and interfund transfer in the amount of \$300,000 will be recorded in the General Fund to the Capital Outlay Fund, Hole Lake Master Plan.

Infrastructure Reserves Interfund Transfer/Supplemental Appropriation

Fund	Project	Account	Amount
<i>Transfers</i>			
General Fund	Infrastructure Reserve	0000101-299206	(\$400,000)
	Infrastructure Reserve Transfer Out	7223600-990401	\$400,000
<i>Revenue</i>			
Capital Outlay	GF Transfer In	9905520-985101	\$400,000
<i>Expenditures</i>			
Capital Outlay	Orange Terrace Playground Improvements	9905520-440301	\$400,000

Budget Adjustment

Fund	Project	Account	Amount
Revenue			
Capital Outlay	GF Transfer In	9905520-985101	\$100,000
		9933500-985101	\$300,000
		9931200-985101	(\$400,000)
Expenditures			
Capital Outlay	Orange Terrace Playground Improvements	9905520-440301	\$100,000
	Hole Lake Master Plan	9933500-440301	\$300,000
	Goeske Senior Center Bathroom Renovation	9931200-440301	(\$400,000)

Prepared by: Peter Kakos, Interim Budget Manager
 Approved by: Sergio Aguilar, Deputy Finance Director
 Certified as to
 availability of funds: Kristie Thomas, Chief Financial Officer
 Approved by: Edward Enriquez, Assistant City Manager/Treasurer
 Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

Attachments:

1. Financial Report and Carryover Recommendations
2. Presentation