



FY 2024/25 Year-End Budget Adjustments, Year-End Audit Entries and Transfer Recommendations

City Council Meeting
November 18, 2025

Background

- Finance Department is working on the year-end closing process.
- Year-End Budget adjustments for FY 2024/25 are required to close FY 2024/25.
- FY 2024/25 is projected to end with a \$7.4M General Fund surplus. This projected surplus is primarily driven by stronger-than-expected revenues and one-time receipts.
 - Parking citation revenue increased from \$4.24M to \$5.80M, due to higher enforcement activity and improved collection rates; and
 - Received a one-time \$4M litigation settlement, contributing to the positive year-end position; and
 - Investment interest earnings exceeded budgeted estimates, reflecting higher interest rates and steady cash balances.
- Funding the City's Workers' Compensation and Equipment Replacement Fund – aligning with the City Council's Strategic Goal of Fiscal Stability

Strategic Plan Goals

- FY 2023-27 Strategic Plan adopted by City Council on October 3, 2023.
- Eight Overarching Goals to achieve within the next four year period.
- Additional financial resources are required to successfully implement unfunded Plan Goals:
 - One Stop Shop
 - World-Class Beach Facilities
 - Fleet Capital Replacement Plan
 - Mobility Master Plan
 - 311 System Implementation
 - Community-Wide Risk Reduction Program
 - PCH Relinquishment
 - LA28 as Host City/Olympic Village
 - Public Safety Infrastructure Improvements
 - Comprehensive Homeless Response Plan
 - Infrastructure Report Card



FISCAL STABILITY

Success Indicator: Available funding to support a high-quality level of programs, services and capital investments and to build a structural surplus.

Workers' Compensation

- California Workers' Compensation Law provides state mandated benefits to employees for work-related illness or injury.
- City is self-insured up to \$1M claim.
- Benefits may include payments for medical treatment, salary continuation, Total Temporary Disability (TTD) benefits, and permanent disability benefits.
- \$15.4M increase in Workers' Compensation liability primarily due to claims driven by rising medical costs and an expanded list of injuries that are presumed to be work related under California law.

- Recommended Transfer: \$2.5M

Description	\$ / %
Total WC Liability 6/30/2025	\$66.7M
<i>Increase in WC Liability FY 2024/25</i>	\$15.4M
Funded Status without Transfer (\$32.2M)	48.25%
Funded Status with Transfer (\$34.7M)	52.06%
Recommended Transfer	\$2.5M

Equipment Replacement

- The City's fleet, technology systems, and major equipment are aging, and replacement costs are rising faster than current funding levels.
- To balance prior operating budgets, several planned replacements were deferred, creating a backlog of assets beyond their useful life.
- Without additional funding, the City risks higher repair costs, increased downtime, and potential disruption to essential public service.
- Recommended Transfer: \$2.0M

General Fund Adjustments Summary

- Recommended transfers totaling \$4.50M from the General Fund in FY 2024/25 to fund the City's unfunded Worker's Compensation liabilities and Equipment Replacement Fund as listed below – aligning with the City Council Strategic Goal of Fiscal Stability.
- Estimated FY 2024/25 surplus after appropriation \$2.9M (subject to change)

Fund	Amount
Workers' Compensation	\$2,500,000
Equipment Replacement	2,000,000
Total	\$4,500,000

Other Fund Adjustments

Bella Terra Parking Structure (711)

- **\$94k** to align budget with actual FY 2024/25 expenditures. The City owns the parking structure in the Bella Terra retail center. The City collects a maintenance fee from the owners of the center through a special assessment which is used to fund maintenance and operation expenditures for the structure.

Community Development

- **\$117k** Revolving Loan Fund transfer to CDBG Fund to properly record usage of program income.
- **\$185k** HOME Program Fund to transfer to HOME Fund to properly record usage of program income.

Questions?

