



Administrative Report

N.1., File # 25-1752

Meeting Date: 2/17/2026

To: MAYOR AND CITY COUNCIL
From: STEPHANIE MEYER, FINANCE DIRECTOR

TITLE

DISCUSSION AND POSSIBLE ACTION REGARDING ASSIGNMENTS OF GENERAL FUND BALANCE FOR FISCAL YEAR 2024-25, WHICH ENDED JUNE 30, 2025

ADOPT BY 4/5THS VOTE AND BY TITLE ONLY RESOLUTION NO. CC-2602-009, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, AUTHORIZING TO RE-BUDGET DEPARTMENTAL CARRYOVER REQUESTS AND CARRY OVER UNEXPENDED BALANCES AS OF JUNE 30, 2025 FOR DONATIONS, GRANTS, AND CAPITAL PROJECTS

EXECUTIVE SUMMARY

Following each fiscal year end, the Financial Services Department presents an unaudited General Fund balance status report for review by the City Council. As part of the fiscal year-end review, staff recommends reappropriation of prior year funds for Department requests and donations, grants, and capital projects carryover and proposes how to assign remaining (if any) unallocated General Fund balance. In FY 2024-25, the City's General Fund received approximately 3% more revenue and spent about 2% less than budgeted. Following mandatory adjustments and those recommended for encumbrances and other standard items, approximately \$5.2 million remains unallocated.

Of this amount, staff recommends the Council approve approximately \$2.1 million in net assignments. These include \$1.1 million for unspent funds related to prior year Decision Packages and Council budget motion priorities, donation expenses, capital carryover, and a \$2 million allocation to the Harbor Uplands Fund offset by a \$1 million transfer into the General Fund from the Capital Projects Fund. The Uplands allocation is to cover anticipated need related to capital project expenses (with the actual transfer to be based on final audited balances), and is offset by the \$1 million transfer into the General Fund related to the reduction of the Pier Parking Structure Project scope. These actions would result in a \$3.2 million unallocated fund balance.

Staff strongly recommends no additional expenditures at this time and proposes to leave the \$3.2 million unallocated to assist with mid-year review, which will likely require revenue and expenditure adjustments, and to best position the City for FY 2026-27 budget preparation.

On February 12, 2026, the Budget and Finance Commission (Commission) reviewed and provided input on the FY 2024-25 year-end fund balance and associated recommendations. The Commission expressed support for limited General Fund carryover requests, replenishing the CalPERS Reserve Fund, and maintaining unallocated balance for future needs, including the FY 2026-27 unfunded accrued liability payment.

Carryover recommendations are part of the annual process to prepare the City’s FY 2024-25 Annual Comprehensive Financial Report (ACFR), which is in progress. Staff anticipates that this preparation, and the in-depth review of the City’s accounting practices that accompanied the FY 2023 -24 audit, will contribute to a shorter audit process for the current audit cycle. The ACFR is expected to be complete in the next three months.

BACKGROUND

The tables in this section show estimated unallocated General Fund balance following restrictions, commitments, and recommended carryover items. The calculation is also shown in the attached General Fund constraints table.

General Fund Balance

The estimated General Fund balance as of June 30, 2025 before any designations or transfers is approximately \$16,000,000. Consistent with standard practice, this number is rounded down to account for final changes that might be necessary with final audit adjustments.

The table below shows adjustments to the General Fund balance for non-spendable and committed funds: both designations reflect external laws and policies committing funds so that they are unavailable to spend.

Item	Amount
General Fund Balance before mandatory designations/transfers	16,000,000
Prepaid Costs (payments for goods to be received or services to be rendered in the near future, such as postage and lease payments)	(292,578)
Notes and Loans (City loans to employees for computer purchases)	(12,600)
General Fund Contingency Reserve (one-month reserve)	(8,599,208)
General Fund Balance after mandatory designations/transfers	7,095,614

Note that the CalPERS reserve is in a different fund (the CalPERS Reserve Fund), and therefore does not need to be excluded from the General Fund balance.

Recommendations

Each year with this report, staff recommends items to carry over to the following fiscal year. These include standard commitments and assignments for encumbrances, petty cash, and compensated absences. These recommendations, though not in the same category as mandatory designations and transfers, are necessary to fulfill City commitments related to contracts, personnel agreements, and to recognize existing outstanding cash. Following these adjustments, approximately \$5.2 million remains unallocated.

Item	Amount
General Fund Balance after mandatory designations/transfers	7,095,614
Encumbrances (open General Fund purchase orders for contracted goods or services not yet received - See Attachment 5 for detailed listing)	(1,016,725)
Petty Cash (small cash funds held by departments for cash register change drawer or reimbursement of expenses in the amount of \$50 or less)	(8,450)
Compensated Absences (provision for vacation cash outs upon retirement/ termination funded at 30% of employee balances as of June 30, 2024)	(838,736)
General Fund Balance after initial recommended designations/ transfers	5,231,702

Staff then recommends uses for unallocated General Fund balance following initial adjustments. Total proposed assignments are detailed in the table below. These start with a \$1.0 million transfer from the Capital Projects Fund to the General Fund for the Pier Parking Structure Project reduction approved with the FY 2025-26 CIP Budget.

Additional recommendations include:

- Discretionary Department carryover requests (\$0.8 million). These are for funds unspent in the prior fiscal year related to prior year Decision Packages or other Council priorities. About half of the request is to carryover \$0.4 million in available funds set aside for AES property related legal expenses.
- Donation expenses (\$0.1 million)
- Capital carryover (\$0.1 million). These are final FY 2023-24 encumbrances carried forward in FY 2024-25 for which primary project costs are now in the Capital Projects Fund. Following expenditure of these funds, all general capital costs will show only in the capital projects fund.

The detail for General Fund Department requests and donations is included as Resolution Exhibits A-Department Requests, B-Donations, C-Capital, and D-Capital Improvement Program, along with Detail for Outstanding Encumbrances included as the final attachment.

Other Funds

This report focuses on the General Fund balance. In the past several years, staff has also reported in detail on the Harbor Tidelands and Uplands enterprise funds as increased capital spending, following several years of inactivity, have put pressure on the fund balances. Staff anticipates that the Harbor Tidelands Fund will end the year in balance, driven by better than budgeted revenue, particularly in the Charges for Services Category, and lower than anticipated capital spending. The Harbor Uplands Fund is expected to spend more than received in the FY 2024-25 year, driven by lower than anticipated net revenue from the City’s harbor leases and required capital spending, with nearly all of the capital spending related to completing the International Boardwalk Pavers project and the Mole D parking lot improvements. Staff recommends setting aside approximately \$2 million of the available General Fund Balance to fund the Uplands shortfall, with the actual transfer to be based on final audited balances.

Proposed General Fund Assignments: FY 2024-25 to FY 2025-26		Amount
General Fund Balance after initial recommended designations/ transfers		5,231,702
Department General Fund Carryover		(774,063)
Donations Carryover		(179,051)
Capital Carryover		(126,910)
	Proposed Carryover	(1,080,025)
Transfer in from Capital Projects Fund-Pier Parking Structure		1,000,000
Proposed Set Aside for Harbor Uplands		(2,000,000)
	Additional Adjustments	(1,000,000)
	Total Proposed Assignments	(2,080,025)
General Fund Balance after recommended designations/ transfers		3,151,678

These assignments leave approximately \$3.2 million unallocated. Staff recommends taking no action to commit or spend the remaining funds pending mid-year review and consideration of future fiscal/budget constraints. Staff is aware of multiple pressures on the General Fund, including weakness in current sales tax and transient occupancy tax projections, decreased franchise fee revenue, and potential internal services cost increases. Any funds that remain following the mid-year review would be used to support the City’s FY 2026-27 Budget preparation and alleviate pressure on the City’s CalPERS Reserve Fund.

The positive General Fund available balance is largely due to better than anticipated FY 2024-25 revenue and lower than anticipated spending compared with conservative projections. The General Fund ended the fiscal year with approximately 3% more operating revenue than projected, and approximately 2% savings in the expenditure budget. Including transfers, net revenue and expense compared favorably to budget, while total fund balance decreased consistent with the use of one-time funds for FY 2024-25 unfunded accrued liability (\$3.2 million), transfer to the City’s self-insurance fund (\$3.1 million), and one-time Department expenses. More detail about the General Fund financial performance is available in the General Fund Financial Report attachment.

FY 2024-25 Audit

Staff encountered challenges in its FY 2023-24 audit leading to delayed completion. This included the significant loss of historic knowledge, as nearly every staff member closely involved in audit work changed in the course of a year. The City also transitioned to a new audit firm for the first time in seven years, as stated in the City’s adopted financial principals. Staff and the auditors were pleased with the audit result of an unmodified opinion, the best opinion possible. In addition, staff has welcomed and incorporated the recommendations from the auditor for process changes to better align with accounting best practices. Staff also responded to the auditor’s recommendations, which were, in some cases, different from and more stringent than those expressed by the City’s prior audit firm. This additional work delayed the FY 2023-24 audit, which in turn has delayed FY 2024-25 closing.

This report represents a key step in the audit process. Staff believes that the additional time committed to the FY 2023-24 audit and FY 2024-25 year-end close will contribute to a swifter conclusion to the audit currently in progress. Staff and auditors continue to work towards completing the audit on a regular schedule, while prioritizing implementation of recommendations in response to FY 2023-24 audit findings. Staff anticipates the ACFR to be ready for review in the next three months.

COORDINATION

The Financial Services Department coordinated with operating Departments to prepare the year-end requests and the Department-level analysis included in the General Fund Report, capital carryover, along with the year-end balances and carryover recommendations. The Budget and Finance Commission reviewed the report at their February 12, 2026 meeting and communicated their support for limited carryover funding, replenishing the CalPERS Reserve Fund, and leaving remaining balances unallocated for future funding needs, particularly future unfunded accrued liability payments.

FISCAL IMPACT

The General Fund constraints and recommended carryover assignments would result in a \$3.2 million unassigned fund balance. The remaining funds would be used to support FY 2025-26 Mid-year adjustments and FY 2026-27 Budget preparation.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- General Fund Constraints for FY 2024-25
- General Fund Financial Report
- Reappropriation Summary
- Reso - No. CC-2602-009 Authorizing Re-Budget Department Carryover Requests and Carry Over Unexpended Balances as of June 30, 2025
 - Exhibit A - Departmental Carryover Requests
 - Exhibit B - Unexpended Balances for Donations
 - Exhibit C - Unexpended Balances for Grants
 - Exhibit D - Unexpended Balances for Capital Projects
- Outstanding Encumbrances