
General Fund Financial Report Fiscal Year End 2024-2025

Overview

Each fall, in preparation for the issuance of the prior fiscal year's ACFR, the City Council confirms required and standard commitments of the City's General Fund total balance and determines the use of the remaining fund balance for such items as departmental carryover requests, carryover donations, and recommended allocations for future needs. This report reflects the General Fund financial position for Fiscal Year 2024-25.

Beginning and Ending Balances

The beginning balance presented in the below schedule reflects estimates for Fiscal Year end 2024-25 pending audit completion. The table uses as a baseline the audited ending FY 2023-24 ending General Fund balance. The projected ending Fund Balance for FY 2024-25 relies on audited prior year ending balance updated with actual revenue and spending. Note that this does not exactly match the General Fund constraints report, as that balance is rounded down to allow for any year-end changes required with the audit final. The projected ending balance presented below does not include proposed year-end assignments, as these are presented with this report, and Council has not yet approved them. These include encumbrances and capital carryover.

Revised Budget

The revenue and expenditure categories include all adjustments made by the City Council during Fiscal Year 2024-25, including carryover appropriations approved in October 2024 and midyear adjustments approved in February 2025.

Year-End Actual

The year-end actual amounts are preliminary and subject to audit adjustments. Staff engaged in audit preparation following a delayed FY 2023-24 year-end audit, in which staff worked with auditors to identify and rectify a number of long-standing practices not raised by the City's former auditors. While staff anticipates some remaining adjustments, staff is comfortable presenting these amounts as conservative estimates for Fiscal Year 2024-25. Staff will review these numbers with final audit, with reconciliation to be included as part of ongoing current year review and FY 2026-27 budget preparation.

Financial Condition

General Fund Financial Condition

As summarized below, FY 2024-25 revenues and expenditures both came in favorably compared to budget. Revenues, excluding transfers, were \$3.8 million or 3% higher than budgeted, while expenditures, excluding transfers, were about \$2.5 million or 2% below budget. Increased revenues reflect better than expected receipts in taxes – led by Documentary Transfer Tax, Utility Users Tax, and Property Tax. Increases were somewhat offset by lower than anticipated revenue for Franchise Fees and Business License Tax. A few items to note for General Fund revenues:

- The breakdown between Charges for Services and Licenses and Permits may change on year-end analysis pending final reconciliation.
- Transient Occupancy Tax (TOT) is presented on a gross basis, including TOT revenue from the properties that are party to the City's site-specific tax agreement (Homewood Suites, Hilton Garden Inn, and Residence Inn).

Offsetting expense reflecting the TOT later invoiced to the third-party lending account consistent with the agreement is shown in the Transfers Out category as an unbudgeted expense.

General Fund Balance	FY 2023-24 Year-End Actual	FY 2024-25 Adopted Budget	FY 2024-25 Revised Budget	FY 2024-25 Year-End Actual	Revised Budget to Actual Favorable/ (Unfavorable) % Change		FY 2025-26 Adopted Budget
Beginning Balance	15,219,576	18,880,065	18,880,065	18,880,065			2,612,555
Revenues	115,711,899	114,341,385	117,859,312	121,699,125	3,839,812	3%	122,692,050
Expenditures	(96,844,324)	(103,227,419)	(112,963,404)	(110,444,996)	2,518,408	-2%	(114,941,684)
Transfers In	1,653,179	4,265,303	4,265,303	3,655,030	(610,272)	-14%	6,403,128
Transfers Out	(16,860,265)	(15,880,783)	(22,032,908)	(24,427,702)	(2,394,794)	11%	(15,337,342)
Ending Balance	18,880,065	18,378,550	6,008,368	9,361,522	3,353,154		1,428,707

Revenues

Top Ten Revenue Sources

The table below shows the City's top 10 revenue sources as budgeted for Fiscal Year 2024-25. City's top ten General Fund revenue sources over the years below on average account for 74% of total budgeted General Fund revenues from outside sources (excludes overhead and transfers in). Focusing on these sources helps identify the overall trajectory of City revenues, and in particular will help us to identify any downward trends that could lead us to adjust our forecast or make changes to planned spending.

As shown in the table below, revenue from the City's major external sources increased by 2% compared to the revised budget, and by about 4.6% compared to prior fiscal year actual receipts. Total General Fund revenues performed better than the top 10 sources compared to revised budget, at 3%, and overall increased by about 6.8% over prior year actual receipts.

Top Ten Revenues	FY 2023-24 Year-End Actual	FY 2024-25 Adopted Budget	FY 2024-25 Revised Budget	FY 2024-25 Year-End Actual	Revised Budget to Actual Favorable (Unfavorable) % Change		FY 2025-26 Adopted Budget
Property Tax	35,631,257	36,054,267	37,264,545	37,869,158	604,613	2%	37,876,298
Sales and Use Tax	10,822,480	11,000,000	11,000,000	11,043,781	43,781	0%	11,414,000
Property Tax in Lieu Of VLF	9,716,017	8,933,867	10,242,230	10,242,406	176	0%	10,614,205
Transient Occupancy Tax	9,114,545	8,281,822	8,281,822	9,017,130	735,308	9%	9,174,038
Utility Users Tax	8,481,267	8,500,000	8,500,000	8,946,148	446,148	5%	9,033,626
Parking Meter Fees	2,723,421	2,960,372	3,210,372	3,312,709	102,337	3%	3,735,597
Property Transfer Tax	2,368,553	2,300,919	2,300,919	2,678,731	377,812	16%	2,300,919
Plan Checking Fees	1,870,880	2,140,770	2,140,770	1,966,953	(173,817)	-8%	1,709,156
Rents and Percentages	1,879,598	1,911,107	1,875,042	1,825,823	(49,219)	-3%	2,045,401
Franchise Fees	1,964,410	2,165,348	2,165,348	1,529,446	(635,902)	-29%	2,208,655
Total	84,572,429	84,248,472	86,981,048	88,432,286	1,451,237	2%	90,111,895
Total Revenue-General Fund	117,365,078	118,606,687	122,124,615	125,354,155	3,229,540	3%	129,095,178
% Total Revenue-Top 10	72%	71%	71%	71%			70%

Key variances include:

- **Sales Tax.** FY 2024-25 sales tax revenue was slightly above prior year revenue and almost exactly as budgeted based on consultant recommendations and historical review. This trend is consistent with regional and statewide trends. The City's two leading categories in terms of sales tax revenue, restaurants and hotels, The categories of restaurants and hotels and general consumer goods, fell from the prior year, with losses offset by increases in business and industry, building and construction, and the share of state and County pools. Recent projections for

FY 2025-26 show some potential downward adjustment which staff will review for possible budget update with midyear review.

- **Transient Occupancy Tax.** The City's Transient Occupancy Tax receipts were 9% greater than projected, reflecting an adjustment to accounting for TOT revenue as discussed above, and about 1.1% below prior year receipts, which were similarly adjusted to show gross revenue during the FY 2023-24 audit. The slight downward trend is one that staff is monitoring in FY 2025-26, and for which staff may recommend a downward budget adjustment at midyear.
- **Property Transfer Tax.** The City received approximately 13.1% greater than the prior year and 16% ahead of budget, as home sales surpassed expectations that took into account ongoing mortgage rate impacts on home buying and some economic uncertainty. Staff will continue to monitor this revenue in view of ongoing interest rate cuts, with more projected this fiscal year.
- **Utility Users Tax.** Actual receipts were about 5% greater than budget, and 5% ahead of prior year receipts. This reflects conservative budgeting, as the City had projected flat revenue for several years following a decrease after spiking revenue related to energy costs in FY 2022-23, and in view of other challenges to this revenue stream, including continued loss of cable subscribers. Actual receipts are consistent with revised projections from the City's consultant and with proposed FY 2025-26 budget; staff will continue to monitor this revenue source.
- **Franchise Fees.** Revenue fell short of budget by \$0.6 million or almost 30%; this revenue also represents a total reduction from the prior year. Staff will monitor this revenue for potential adjustment at midyear FY 2025-26.

Expenditures

The total of all operating costs combined showed a favorable balance of 1.4% for the fiscal year including ongoing Departmental operations, and an average of 0.9% including transfers out. Detail is summarized below:

Expenditure Category	FY 2023-24 Year-End Actual	FY 2024-25 Adopted Budget	FY 2024-25 Revised Budget	FY 2024-25 Year-End Expenditures	FY 2024-25 Year-End Encumbrances	FY 2024-25 Year-End Actual + Encumbrances	Revised Budget vs. Actual + Encumbrances		FY 2025-26 Adopted Budget
							Favorable (Unfavorable)	%	
Personnel	58,784,843	62,326,469	65,937,593	66,696,055	-	66,696,055	(758,462)	-1.2%	71,819,905
Maintenance/Operations	9,448,743	12,561,712	15,726,599	12,632,623	959,611	13,592,234	2,134,365	13.6%	12,276,676
Internal Services	28,314,128	28,314,128	30,805,104	30,805,104	-	30,805,104	-	0.0%	30,805,104
Capital Outlay	296,592	25,110	494,108	311,214	15,480	326,694	167,414	33.9%	40,000
Bond Debt						-	-	n/a	
Total Expenditures	96,844,306	103,227,419	112,963,404	110,444,996	975,091	111,420,087	1,543,317	1.4%	114,941,684
Transfers Out	16,860,265	15,880,783	22,032,908	24,427,702	-	24,427,702	(2,394,794)	-10.9%	15,337,342
Total	113,704,571	119,108,202	134,996,312	134,872,698	975,091	135,847,789	(851,477)	-0.6%	130,279,026

Key variances by type include:

- **Personnel.** Personnel expenditures account for around 60% of the General Fund's operating and about 50% of total expenditures including transfers, with details shown in a further breakdown below. Overall, personnel expenses were within approximately 1% of budget, including \$0.7 million or about 1% budget overage. This reflects tighter personnel budgeting in FY 2024-25 and strong hiring, as overtime spending offset other personnel savings citywide.

Overtime is required to backfill vacant positions or leave times in the Police Department and to meet Fire Department constant manning obligations. Overtime fluctuates year over year, with an increase in FY 2024-25 following relatively flat spending the prior two years. This additional spending reflects activity and salary increases taking place over the past two years.

The City adjusted overtime budgets to better reflect ongoing needs in FY 2025-26; staff will continue to monitor along with salary spending to identify required adjustments.

- **Maintenance/Operations:** The \$2.1 million favorable variance in the maintenance/operations category is primarily due to contracts and professional services not spent during the fiscal year. Including requested carryover for donations (\$179,051) and department requests (\$774,063), the favorable variance for this category would decrease to approximately \$1.2 million.
- **Capital Outlay.** Almost 100% of unspent capital outlay represent capital spending which the City expects to carry forward to FY 2024-25.
- **Internal Service Fund (ISF) Allocations.** Expenditures reflect the allocations based on actual activity, and are balanced by formula. We would not expect to see variance in this funding category at the end of the fiscal year.
- **Transfers Out.** Fiscal Year 2024-25 transfers out reflect regularly budgeted items, including the year-end Street Landscaping and Lighting fund subsidy (\$1.2 million), the annual 2019 lease revenue bond debt service payment (reimbursed with a transfer in from the Harbor Uplands Fund, \$1.6 million), and 2021A lease revenue bond debt service payment (\$11.4 million).

For FY 2024-25, transfers out include the following one-time additional items related to actions taken with budget:

- \$3.1 million transfer to the City's Self-Insurance Fund (using set aside available fund balance)
- \$3.0 million transfer to the Capital Projects Fund (net zero impact to the fund as expenditures are in the Capital Projects fund; the transfer is required to move funds appropriately)
- \$2.0 million transfer to the Public Financing Authority (offset by transfer in)
- \$2.0 million in TOT reimbursements paid into the reserve account held by the lender for the City's site-specific tax agreements with three hotel properties. (offset by recorded TOT)

Of the one-time amounts above, all are offset by specific funding for that purpose.

The total of all operating expenditures combined showed a favorable balance of 1% by department as shown below. As demonstrated, all Departments remained under budget apart from Fire and Community Development.

Department	FY 2023-24	FY 2024-25	FY 2024-25	FY 2024-25	FY 2024-25	FY 2024-25	Revised Budget to Actual		FY 2025-26
	Year-End Actual	Adopted Budget	Revised Budget	Year-End Actual	Year-End Encumbrances	Year-End Actual + Encumbrances	Favorable (Unfavorable)	% Change	Adopted Budget
Mayor & City Council	729,052	763,249	888,813	718,961	18,356	737,317	151,496	17%	855,848
City Clerk	1,078,204	1,974,976	2,066,821	1,746,496	120,209	1,866,706	200,116	10%	1,457,008
City Treasurer	320,398	401,286	427,338	326,631	25,017	351,648	75,690	18%	416,588
City Attorney	3,962,671	5,021,015	5,515,872	4,920,235	-	4,920,235	595,636	11%	4,531,105
City Manager	1,097,457	1,226,715	1,353,062	1,047,801	87,832	1,135,633	217,429	16%	1,769,722
Human Resources	2,255,474	2,537,135	2,563,166	2,305,652	19,980	2,325,632	237,534	9%	2,541,368
Financial Services	2,580,001	3,183,717	6,205,685	5,408,327	302,760	5,711,087	494,597	8%	6,380,378
Police	43,686,501	46,118,918	47,748,229	47,020,602	29,171	47,049,773	698,456	1%	48,086,021
Fire	18,933,867	18,509,232	20,335,179	22,002,608	127,377	22,129,985	(1,794,806)	-9%	22,854,477
Public Library	4,388,800	4,355,632	4,627,048	4,476,358	-	4,476,358	150,690	3%	4,565,415
Community Services	6,609,170	7,417,704	7,950,158	7,430,799	35,325	7,466,124	484,034	6%	8,141,110
Community Development	3,174,083	3,620,485	4,423,227	4,563,792	60,315	4,624,108	(200,880)	-5%	4,187,867
Waterfront & Economic Development	195,425	211,176	239,550	208,175	-	208,175	31,375	13%	239,869
Public Works	7,608,894	7,861,071	8,215,012	8,017,176	147,907	8,165,083	49,929	1%	8,914,907
Total	96,619,997	103,202,309	112,559,160	110,193,613	974,250	111,167,863	1,391,297	1%	114,941,684

A brief overview of variances by Department is included below:

- **Mayor & City Council:** Savings largely reflect unspent trainings, meeting and conferences and contracts and professional services budget. Staff recommends carrying over a portion of these funds to support recognition plaques and keys to the City.
- **City Clerk.** The savings largely reflect unspent contractual and professional services funds and personnel savings. Staff recommends appropriating a portion of these savings to assist with City priority project of document digitization, retention, and destruction.
- **City Treasurer.** Savings reflect budget in contractual/ professional services for internal audit, which the Department did not award during the fiscal year. In addition, the City Treasurer's Office is responsible for investment income, which brought in more funds than budgeted in FY 2024-25.
- **City Attorney.** Savings are primarily in contractual and professional services and attorney's fees. Attorney's fees can fluctuate from year-to-year based on progress and timing of case activity. Staff recommends carrying forward attorney's fees budget related to AES legislation, initially a FY 2024-25 Decision Package.
- **City Manager.** Savings come from trainings and conferences budget and personnel. Staff recommends carrying over unused funding to support the City Logo Merchandise pilot and Olympic Event planning.
- **Human Resources.** Savings are primarily within contractual/ professional services and retiree medical insurance premiums.
- **Financial Services.** Savings reflect personnel vacancies throughout the fiscal year.
- **Police.** The Department's savings largely reflect personnel, where vacancies leading to regular salary and benefits savings offset overage in overtime. On the revenue side, the Police Department brought in \$0.6 million more than projected, including in parking meter usage, parking citations, stand-by fees and overtime reimbursements, including for the homelessness task force.
- **Fire.** The Fire Department was over budget by about \$1.6 million, almost entirely due to overtime spending. As noted above, there are several factors impacting this overall budget overage and overtime spending specifically. The City generally budgets for personnel as a whole, as overtime spending will likely be offset by permanent salary vacancies. In FY 2024-25, Fire had fewer vacancies/ almost full staffing for the first time in many years, the City budgeted permanent salaries and benefits closer to actual spending expectations than in prior years, and it was the second year of two consecutive year approved MOU increases. These combined to mean that Fire did not have salary savings to offset overtime. The FY 2025-26 budget right-sizes both permanent salaries and overtime

compared to FY 2024-25, so anticipate this to be less of an issue moving forward. The Fire Department also brought in about \$0.9 million in revenue, about \$80,000 more than budgeted. Staff recommends carrying over one-time funds approved as an FY 2024-25 Decision Package for digital EMS, unspent in FY 2024-25 due to project delays.

- **Public Library.** Savings are primarily due to unspent funds in books and maintenance agreements; the Department brought in revenue over budget due to room rentals, late fines.
- **Community Services:** Savings reflects unspent donations and contractual and professional services spending. The Department brought in close to all of its \$4.4 million revenue budget, primarily from recreation programs and facilities rental.
- **Community Development.** Overage primarily reflects under-budgeting in personnel due to timing of salary projections, and fully spent contractual services funds. The Department brought in over 100% of its significant revenue budget (accounts for approximately \$5 million in revenue from charges for services and fees and lease revenue). Staff recommends carrying over funding for an approved FY 2023-34 Decision Package related to the Department's new technology and training fee, inadvertently excluded from the FY 2025-26 budget.
- **Waterfront & Economic Development Department:** General Fund savings is primarily due to Contracts/ Professional Services savings. The Department brought in close to \$100,000 over budgeted lease revenue.
- **Public Works.** The Department ended the year very close to budget, with savings in contracts and professional services offset by an overage in water utilities payment. Note that the Public Works budget includes a reduction to budget to account for Public Works staff time charged to capital projects; without this reduction the Department would show additional savings. The Department brought in approximately \$0.2 million more than its \$0.9 million budget, largely in charges for service and other revenue representing staff time reimbursement.