

General Fund Financial Update

Fiscal Year End 2024-25

LONG TERM FINANCIAL POLICY
AUDIT SUBCOMMITTEE

SEPTEMBER 25, 2025

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CFO Comments

General Fund Revenues

General Fund Expenditures

Operational Allocations

Questions

Financial Update

FY 2024-25

CFO Comments

- Today's presentation is a preview of October 21st City Council meeting
 - Review preliminary FY2024-25 results
 - No cuts, service reductions or target amounts will be proposed at that meeting
 - Request guidance for developing principles of FY2026-27 budget development and minimum reduction

- Prior Feedback from Committee
 - Targeted service and program perspective versus across-the-board cuts
 - Provide weighting of costs- FTE's across departments do not have the same cost
 - Preliminary results of FY2024-25 will give greater understanding of what's needed for FY2026-27
 - How are services and programs weighted for cuts
 - Development of tiers
 - Requested data and charts that are operationally focused showing how % of General Fund spending has changed over time

Department Financial Review

- General Fund departments to give presentations to committee that include:
 - Budgetary results and actual expenditures for FY 2024-25
 - How personnel is allocated across programs and services
 - Detailed expenditure reporting giving composition of professional services
 - Summary of fees collected by the department and results
 - Listing of programs and services

General Fund Revenues FY 2024-25

- Results are unaudited & preliminary, but major revenue categories should not see change
 - Property taxes performance remains strong outperforming budget by \$1.6M
 - Changes to business tax rates created \$3.3M in additional tax revenue
 - Sales tax underperformed budget by \$6.6M
 - Occupancy tax came in \$1.1M under budget despite an increase in rate
 - Overall, major revenue categories came in \$3.6M under budget
 - These trends were accounted for during FY2025-26 budget development and adjustments were made

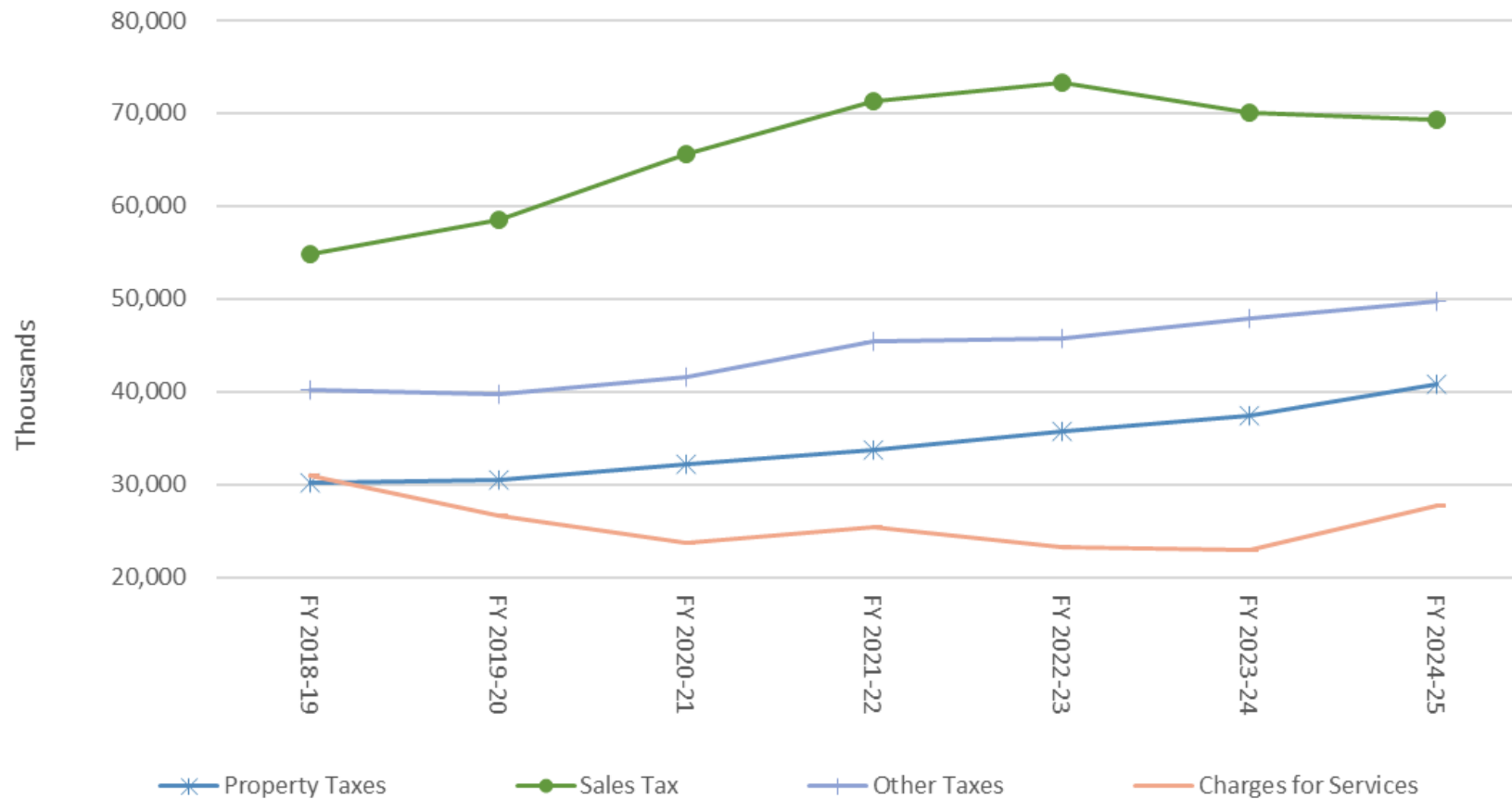
General Fund Operating Revenues

| Operating Revenues | Adopted Budget + Changes | Actual Revenue | Over (Under) Budget |
|----------------------|-----------------------------|----------------------|------------------------|
| Property taxes | \$39,068,300 | \$40,764,412 | \$1,696,112 |
| Sales taxes | 75,866,735 | 69,247,474 | (6,619,261) |
| Utility Users tax | 14,200,000 | 13,482,788 | (717,212) |
| Other taxes | 45,375,700 | 49,704,756 | 1,329,056 |
| License and permits | 3,181,000 | 2,889,067 | (281,933) |
| Charges for services | 26,727,653 | 27,709,234 | 981,581 |
| Total | \$207,499,388 | \$203,807,730 | (\$3,611,657) |

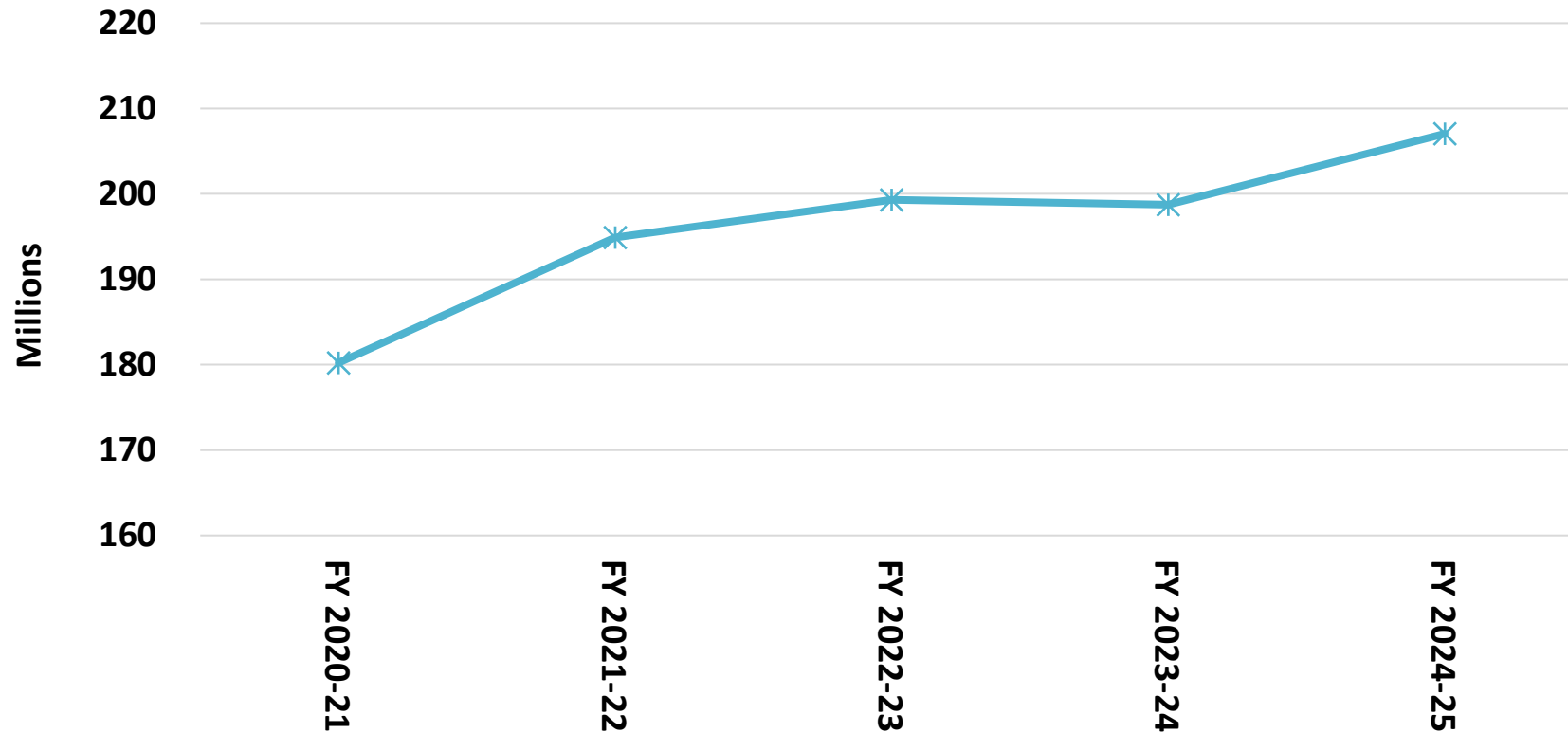
Other Taxes

| Other Taxes | Budget | Actuals | Over (Under) Budget |
|----------------------------|----------------------|----------------------|------------------------|
| VLF Swap | \$ 18,295,000 | \$ 18,866,694 | \$ 571,694 |
| Franchise Fees | 12,230,700 | 11,631,265 | (599,435) |
| Motor Vehicle License Fees | 200,000 | 280,747 | 80,747 |
| Cannabis Industry Tax | 1,900,000 | 2,065,572 | 165,572 |
| Business Tax | 4,750,000 | 8,018,506 | 3,268,506 |
| Real Property Transfer Tax | 4,000,000 | 2,989,251 | (1,010,749) |
| Occupancy Tax | 7,000,000 | 5,852,721 | (1,147,279) |
| Total Other Taxes | \$ 48,375,700 | \$ 49,704,756 | \$ 1,329,056 |

Major General Fund Revenues 5-year Lookback



Major General Fund Revenue 5-year Lookback



General Fund Expenditures FY 2024-25

- Results are unaudited & preliminary, could potentially increase
- General Fund coming in at budget or slightly above, we anticipate no turnback or savings
- Mid-year actions impacting results:
 - \$4M mid-year budget reduction, \$2.6M in Salary and Benefits, \$1.4M in Services and Supplies
 - Hiring freeze

FY 2025-25 General Fund Expenditures

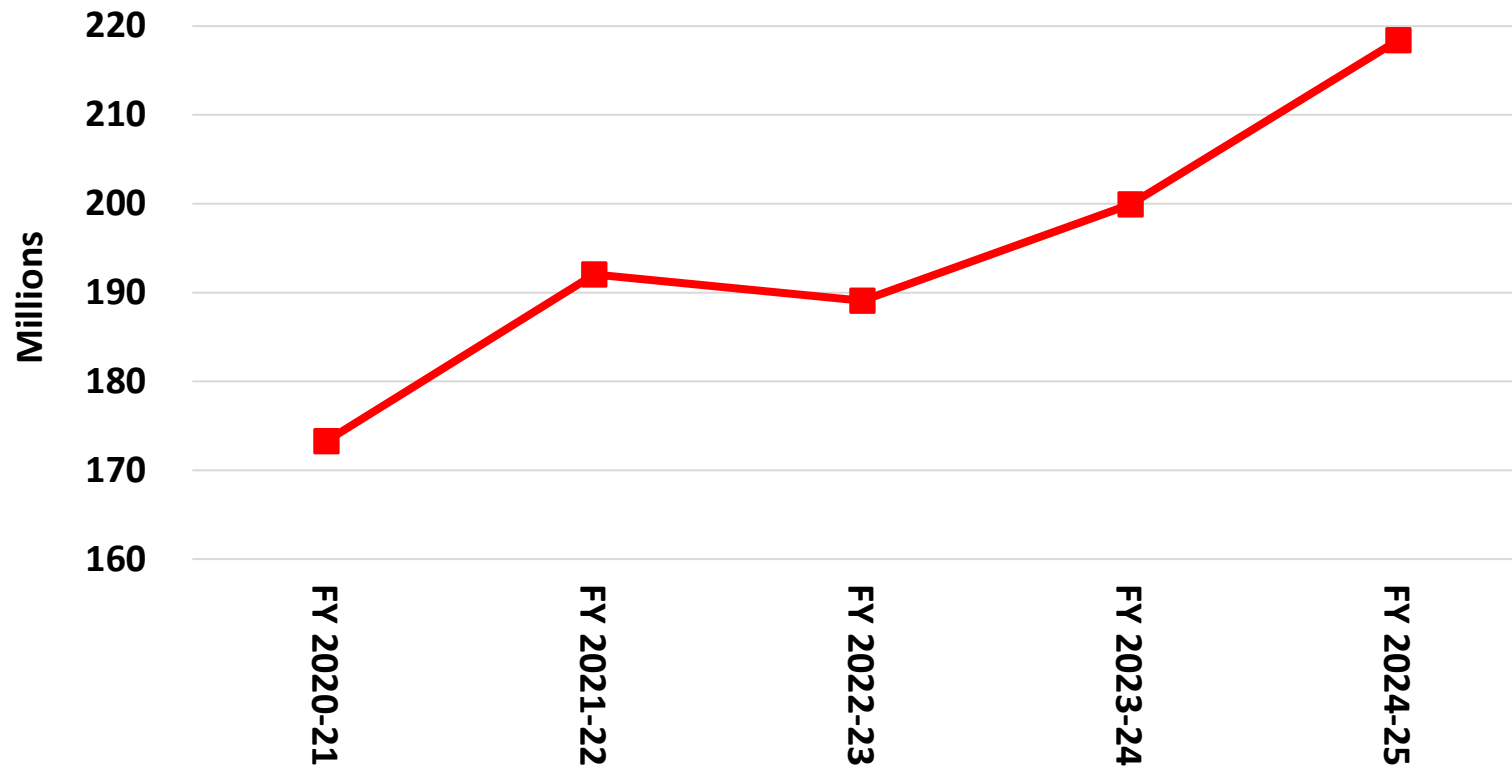
| Expenditure Category | Budget + Changes | YTD Actuals | (Over) Budget | Percent of Total |
|----------------------|------------------|-------------|---------------|------------------|
| Salaries & Benefits | 165,233,760 | 166,219,190 | (985,430) | 76.1% |
| Services & Supplies | 53,128,744 | 52,205,308 | 923,436 | 23.9% |
| Total | 218,362,504 | 218,424,498 | (61,994) | 100.0% |

- Final budget includes mid-year \$4M reduction, \$2.6M in Salaries and Benefits & \$1.4M in professional Services

General Fund Operating Expenditures

| Operating Expenditures | Budget + Changes | FY 24-25 Actuals | Percent of Budget |
|-------------------------------------|--------------------|--------------------|-------------------|
| City Council | 1,371,463 | 1,455,929 | 106.16% |
| City Manager | 3,318,991 | 2,811,474 | 84.71% |
| City Attorney | 5,057,586 | 4,685,509 | 92.64% |
| Human Resources | 4,778,764 | 3,855,903 | 80.69% |
| Finance | 7,889,387 | 7,562,333 | 95.85% |
| Comms & Intergovt Relations | 1,781,767 | 1,377,325 | 77.30% |
| Planning & Econ Development | 19,746,875 | 17,963,009 | 90.97% |
| Housing & Community Services | 125,207 | 125,206 | 100.00% |
| Recreation & Parks | 18,558,194 | 18,610,761 | 100.28% |
| Fire | 57,748,949 | 59,412,496 | 102.88% |
| Police | 80,571,388 | 80,416,605 | 99.81% |
| Public Works | 26,219,989 | 26,672,423 | 101.73% |
| Water | 780,984 | 703,836 | 90.12% |
| Non Departmental | (9,587,042) | (7,228,313) | 75.40% |
| Total Operating Expenditures | 218,362,504 | 218,424,498 | 100.03% |

Major General Fund Expenditure 5-year Lookback



Long Range Financial Forecast

| | FY 24-25 | FY 25-26 | FY 26-27 | FY 27-28 | FY 28-29 | FY 29-30 |
|------------------------------------|-----------------|----------------|-----------------|-----------------|-----------------|---------------|
| Revenues | \$213.0 | \$215.1 | \$219.7 | \$224.5 | \$228.1 | 233.1 |
| Transfers In | 2.3 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Total Revenues & TI | \$215.3 | \$217.6 | \$222.2 | \$227.0 | \$230.6 | 235.6 |
| Expenditures | 220.2 | 216.5 | 230.0 | 240.4 | 251.6 | 259.9 |
| Transfers Out | 8.4 | 9.2 | 9.3 | 9.5 | 9.0 | 9.2 |
| Total Expenditures & TO | \$228.6 | \$225.8 | \$239.3 | \$249.9 | \$260.5 | 269.1 |
| Surplus (Deficit) | (\$13.3) | (\$8.1) | (\$17.1) | (\$22.9) | (\$29.9) | (33.5) |

General Fund Reserves FY 2024-25

- We do not have reserve results at this time, but will present a preliminary calculation at the October 21st presentation to City Council
- Reserves factor in additional elements outside of operating budgets including:
 - Project spending, appropriations, grant activity and contract encumbrances
 - Will include increases from actions like \$9.2M in PG&E project funding released to reserves

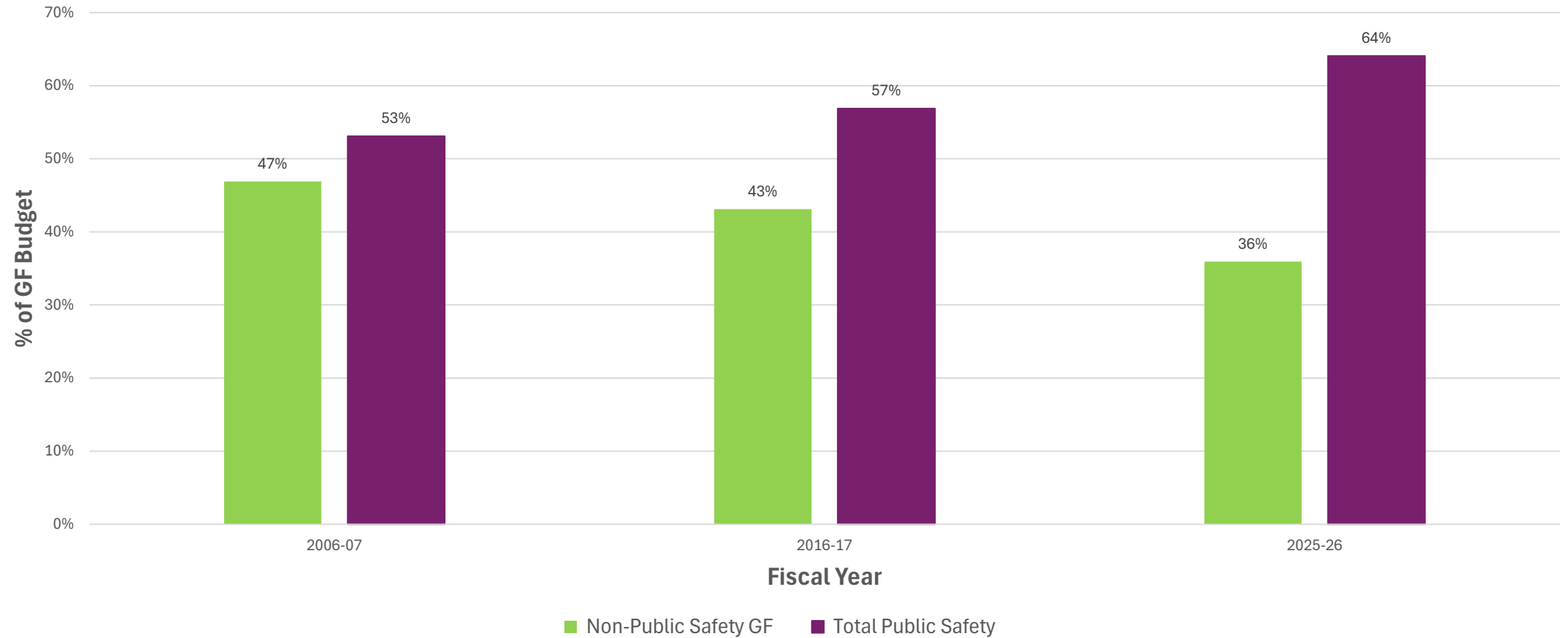
Use of Reserves

| \$8.1M Deficit Passed | | | | | |
|--|----------------------|----------------------|----------------------|---------------------|------------------------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| 6/30/2024 Reserves | \$ 68,826,590 | | | | |
| FY 24/25 Actuals Over Deficit | \$ (1,700,000) | | | | |
| FY 25/26 Budget Deficit (\$8.1M) | \$ (8,100,000) | | | | |
| Childcare pilot program | \$ 1,400,000 | | | | |
| One Time PG&E Funding | \$ 9,200,000 | | | | |
| 6/30/2025 Projected Reserves | \$ 69,626,590 | | | | |
| FY 26/27 Budget Deficit (\$17.1M) | | \$ (17,100,000) | | | |
| 6/30/2026 Projected Reserves | | \$ 52,526,590 | | | |
| FY 27/28 Budget Deficit (\$22.9M) | | | \$ (22,900,000) | | |
| 6/30/2027 Projected Reserves | | | \$ 29,626,590 | | |
| FY 28/29 Budget Deficit (\$29.9M) | | | | \$ (29,900,000) | |
| 6/30/2028 Projected Reserves | | | | \$ (273,410) | |
| FY 29/30 Budget Deficit (\$33.5M) | | | | | \$ (33,500,000) |
| 6/30/2029 Projected Reserves | | | | | \$ (33,773,410) |
| * Council Mandated Reserve was \$34.9M in FY2024, expected to be \$40.6M in 2027 | | | | | |

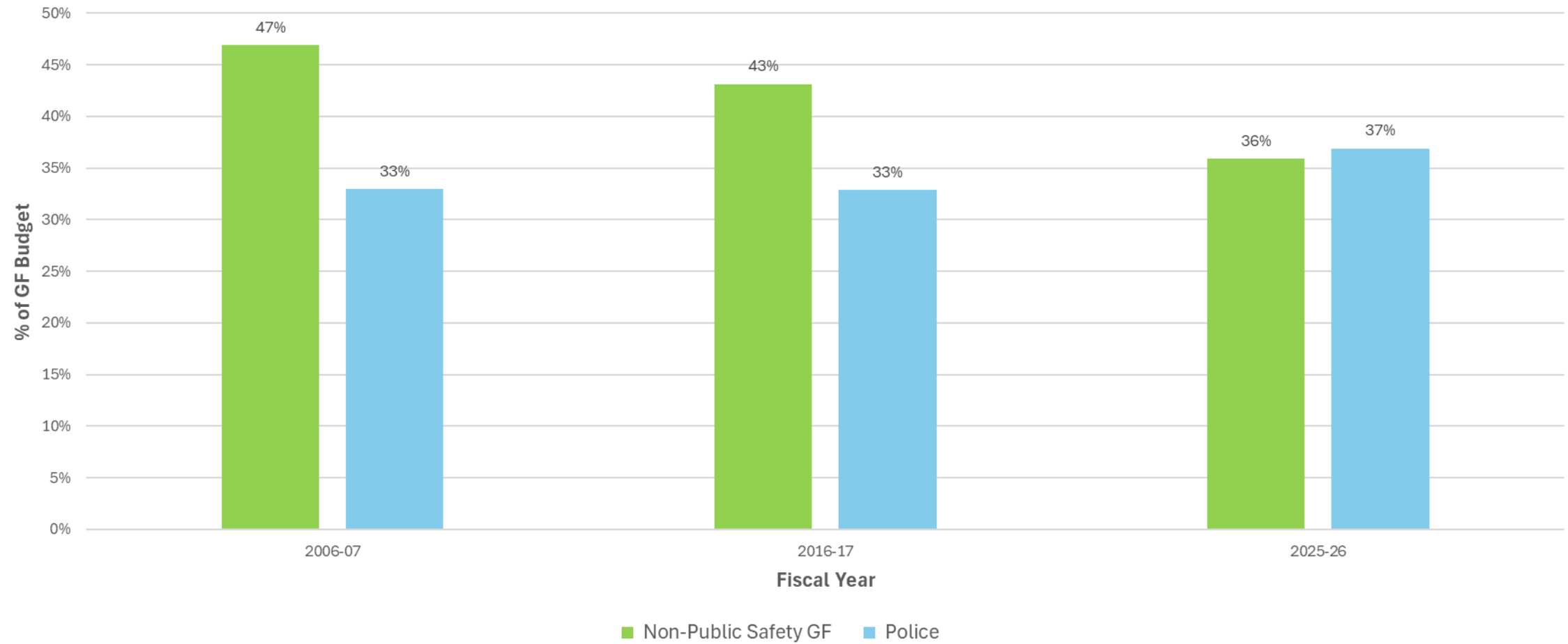
General Fund Allocation of Budget Data

- As requested, we have developed graphs detailing how budget in the General Fund has been allocated over time
- This data does not include grant funding or special taxes (SAFER, Measure H – Fire Prevention, PSAP)
- Data is separated as:
 - Public Safety (Police and Fire)
 - Police
 - Fire
 - Operational (PED, HCS, Public Works)
 - Administration (CMO, CAO, Finance, HR, CIRO)

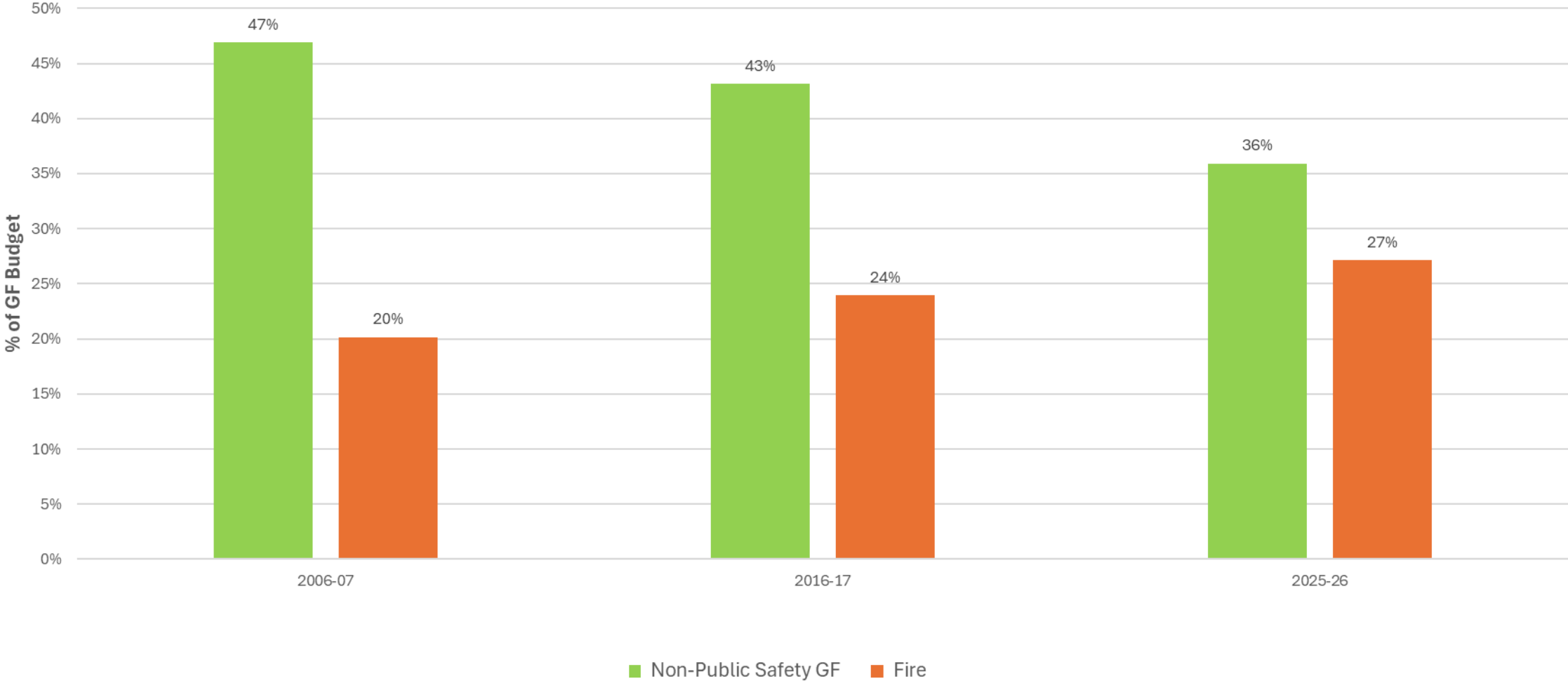
Percentage of GF Budget - Public Safety & Non-Public Safety



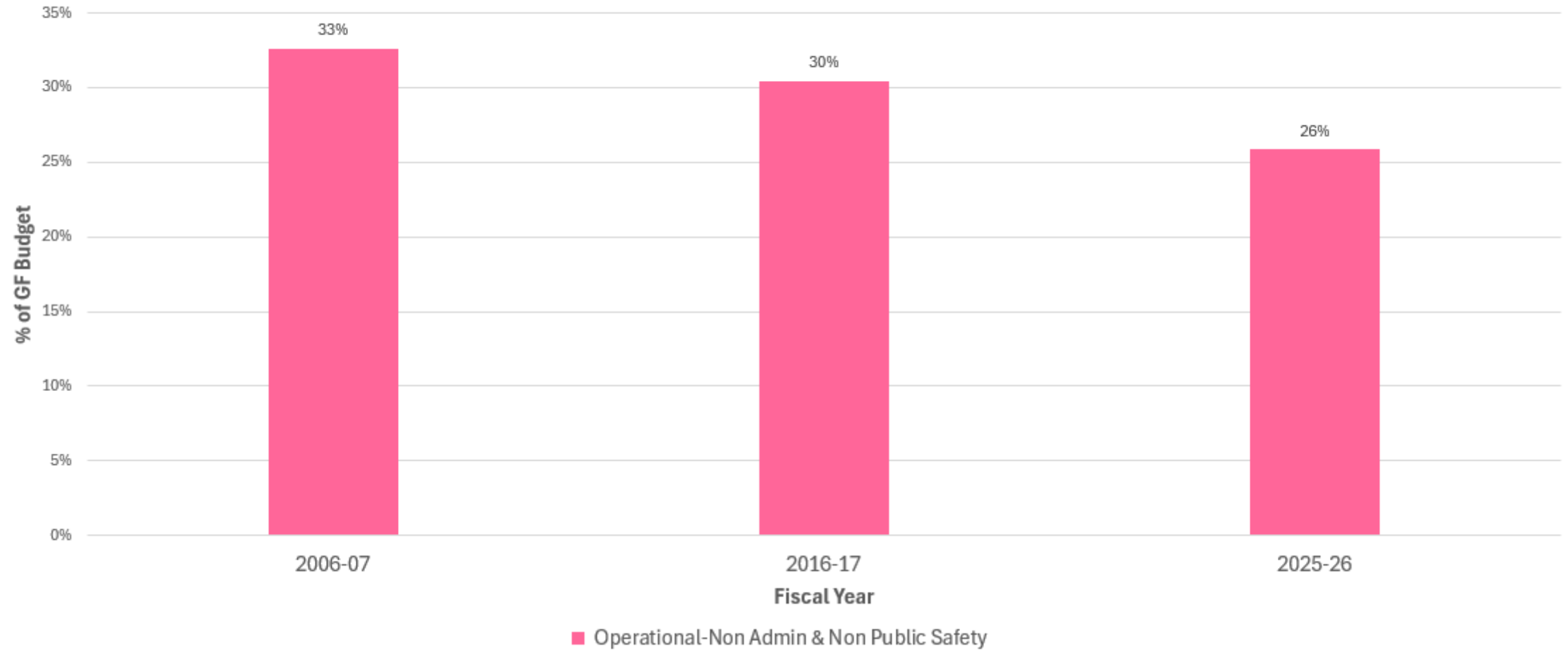
Percentage of GF Budget - Police & Non-Public Safety



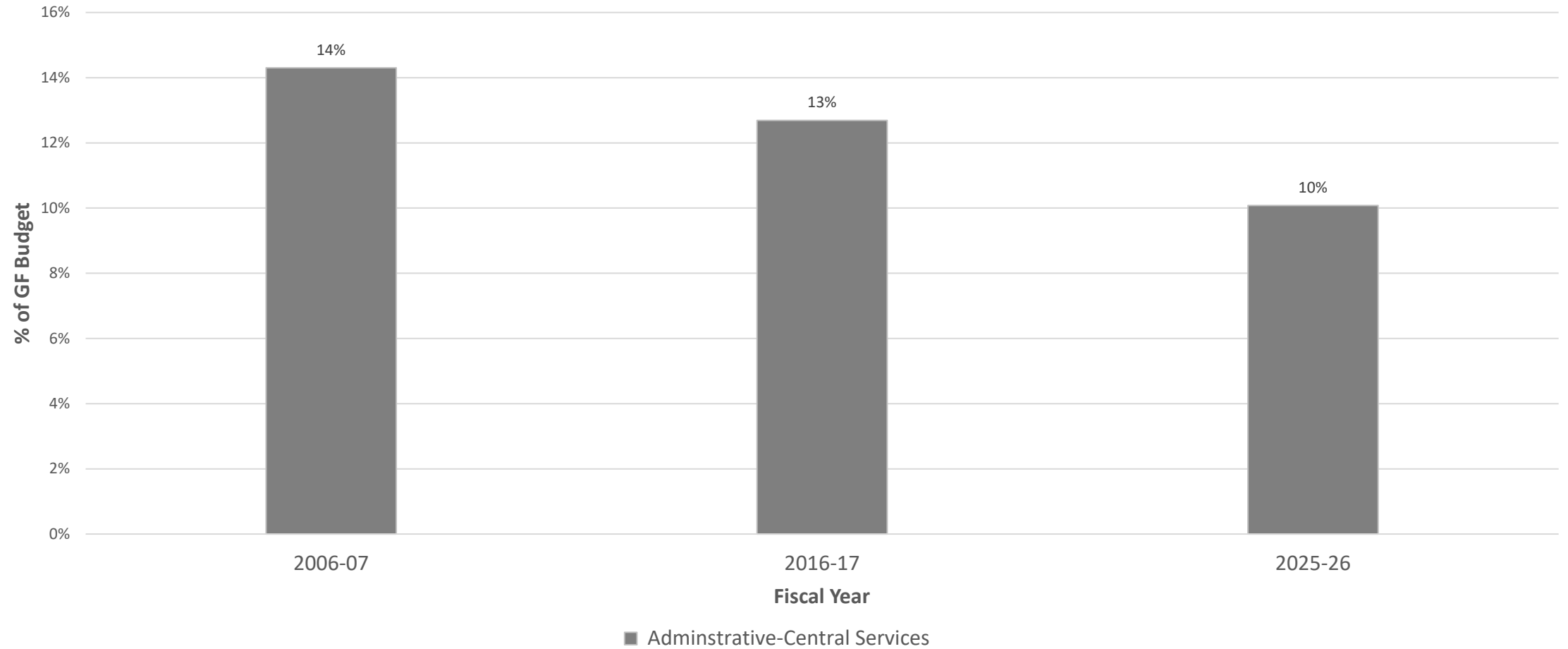
Percentage of GF Budget - Fire & Non-Public Safety



Percentage of GF Budget



Percentage of GF Budget



Questions & Discussion