



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

Item No. _____

FROM: City Manager

SUBJECT: Adoption of Resolutions Approving the City's Annual Budget for Fiscal Year 2025-26

MEETING DATE: June 24, 2025

RECOMMENDATION:

Staff recommends that the City Council conduct a public hearing and adopt the following Resolutions to finalize the City's fiscal planning for the upcoming year and ensure continuity of operations across all departments and funds:

1. Increasing appropriations for fiscal year ("FY") 2024-25;
2. Reappropriating project balances and encumbrances for FY 2024-25;
3. Approving the City of Commerce's Proposed Budget for FY 2025-26;
4. Setting the FY 2025-26 appropriations limit;
5. Adopting the FY 2025-26 Salary Schedule; and
6. Approving the General Fund Reserves and Investment Policy Statement.

ANALYSIS:

On May 29, 2025 and June 12, 2025, the city held two study sessions to review and discuss the proposed FY 2025-26 Annual Budget. These sessions were preceded by a comprehensive fact-finding effort and assessment of the city's financial and operational practices. Given the compressed timeframe for this year's budget development, the process required close interdepartmental coordination and expedited decision-making to meet key deadlines.

Despite the compressed timeline, city staff successfully developed a comprehensive labor model and position control system, corrected operating budgets and cost centers, refined revenue estimates based on actual trends and data, and ensured that critical priorities were funded. Several key deficiencies were addressed during the budget process, with additional improvements planned in the near future. While significant progress has been made, staff remains committed to sustaining this momentum and advancing continued improvements.

FY 2024-25 GENERAL FUND FINANCIAL UPDATE

General Fund Revenues

As of May 31, 2025, the General Fund revenues are performing strongly, as detailed in the table below.

Revenue Source	FY 2024-25		FY 2024-25		Left to Collect	
	Amended		Through May		\$	%
License Fees - Card Club	\$ 29,370,000		\$ 25,251,812		\$ 4,118,188	14%
Sales Tax	27,350,000		20,446,894		6,903,106	25%
Other Taxes	8,213,578		9,370,006		(1,156,428)	-14%
Licenses & Permits	5,435,160		5,552,122		(116,962)	-2%
Use of Money	1,730,000		2,630,547		(900,547)	-52%
Rev - Other Agencies	1,525,000		2,346,583		(821,583)	-54%
Current Charges	1,101,587		1,435,101		(333,514)	-30%
Transfers-In	800,000		800,000		-	0%
Parks and Recreation	261,838		407,400		(145,562)	-56%
Misc. Revenue	340,603		725,180		(384,577)	-113%
Fines & Penalties	308,200		420,293		(112,093)	-36%
Total	\$ 76,435,966		\$ 69,385,938		\$ 7,050,028	9%

Overall, and in comparison to the budget estimates (which were set at exceedingly low levels), revenues are trending favorably. However, we are experiencing a decline in actual revenue received compared to the same period last year, due to economic contraction and projected declines in the city's two largest revenue sources: License Fees – Card Club and Sales Tax.

Year-end projections for License Fees – Card Club are approximately \$30.1 million, which is about \$700,000 over budget estimates. It is important to note, however, that this amount is roughly \$1.0 million less than what was generated last fiscal year.

For Sales Tax, staff is projecting receipts of approximately \$27.7 million – about \$300,000 over budget estimates. Similar to the Card Club revenues, this figure represents a decrease of about \$1.2 million compared to last year.

Staff projects total General Fund revenues will reach approximately \$80.8 million by year-end, exceeding the FY 2024-25 budget estimate of \$76.4 million. However, the underlying concerns are that revenue levels are less than what they were last year and that expenditure growth continues to outpace revenue growth. Over the past three fiscal years, our revenues have increased by approximately 2% annually, while expenditures have grown at an average rate of 4%. Without corrective action, expenditures will eventually exceed revenues, compromising the City's ability to maintain the current service levels.

General Fund Expenditures

On the expenditure side for FY 2024-25, certain appropriations are either insufficient or entirely absent, resulting in actual expenditures that have already exceeded or are projected to exceed the budget in various departments and program areas, as demonstrated in the table on the next page.

Department	FY 2024-25	FY 2024-25	Remaining	
	Amended	Through May	\$	%
Administrative Services	231,494	46,164	185,330	80%
City Administration	3,370,216	2,279,870	1,090,346	32%
Debt Service/Transfers-Out	2,145,000	3,862,298	(1,717,298)	-80%
Community Development	1,445,303	566,869	878,434	61%
Finance	2,362,763	2,058,611	304,152	13%
Human Resources	1,614,053	1,390,193	223,860	14%
Library Services	3,597,230	3,325,293	271,937	8%
Non-Departmental	9,068,758	9,424,924	(356,166)	-4%
Parks and Recreation	9,046,151	8,341,900	704,251	8%
Public Safety	27,982,825	25,216,024	2,766,801	10%
Public Works	10,261,715	8,276,483	1,985,231	19%
Transportation	483,887	1,567,994	(1,084,107)	-224%
Total	71,609,395	66,356,624	5,252,771	7%

The figures in the table above reflect expenditures through the end of May. With one month remaining in the fiscal year and given that the City uses the modified accrual basis of accounting (as is standard in most cities), additional expenses still need to be recorded for June. This includes accruals for invoices paid after the fiscal year ends but attributable to services or goods received before the end of June. As a result, staff is projecting that certain expenditures will exceed the budget once year-end accruals are finalized.

The budget shortfalls in these areas stem from multiple structural issues, including the absence of a formal budget process, insufficient financial oversight and control, and inaccurate labor cost estimates. As a result, many departments are projected to exceed (or have already exceeded) their budgets for salaries, benefits, and essential operating costs – even though service levels have remained the same.

To ensure continued operations and avoid budget overage, staff recommends increasing appropriations in the following funds/departments:

Fund	Department / Program	Amount
	GENERAL FUND:	
General Fund	Finance	\$200,000
General Fund	Public Safety	500,000
General Fund	Transportation	1,200,000
General Fund	Library	200,000
General Fund	Parks & Recreation	200,000
General Fund	Non-Departmental	2,047,300
	TOTAL GENERAL FUND	\$4,347,300
	OTHER FUNDS:	
Gas Tax Fund	Transfer Out to the General Fund	\$500,000
Community Benefit Fund	Rental Assistance Program & Food Distribution	350,000

Capital Improvement Fund	Wash-Tel Project	1,802,000
	TOTAL OTHER FUNDS	\$2,652,000

These adjustments are necessary to align the budget with actual staffing levels, benefit rates, operational demands, and previously approved Council programs.

The projected overages in the Finance, Public Safety, Library, and Parks & Recreation departments are due to a combination of inaccurate labor budgeting and insufficient operational appropriations.

The overage in the Transportation budget is due to a budgeting methodology issue. In prior years and in the current year, anticipated residual revenue from the sale of leased vehicles was factored into the net cost of the replacement program. However, because these proceeds are received after the vehicles are sold and are not guaranteed, they should not have been used to offset upfront appropriations. As a result, the current budget does not accurately reflect the full cost of new vehicle acquisitions.

In the Non-Departmental and Debt Service/Transfers-Out budget, the overages are due to multiple factors, including underbudgeted amounts for retiree medical insurance contributions and retiree Medicare contributions, missing appropriations for the City's annual CalPERS unfunded accrued liability (UAL) payment, missing appropriations for transfers out, as well as insufficient budget for liability insurance payments, credit card processing fees, and other contractual obligations.

Moving forward, staff has implemented a structured budget process with a renewed focus on financial planning and oversight and will ensure that budgets are calculated accurately.

Reappropriating Project Balances and Encumbrances from FY 2024-25 to FY 2025-26

Additionally, and in order to support effective financial management and ensure continuity of operations across fiscal years, staff is also recommending that the City Council authorize the Director of Finance to carry over unspent, previously appropriated funds into the new fiscal year. This authority is essential for projects or purchases that were approved but will not be completed before June 30, such as capital improvements, grant-funded programs, or multi-phase initiatives/programs. Without this delegation, staff would be required to return to Council for formal reappropriations of funds that were already approved, causing potential delays, duplicative processes, and interruptions in service delivery. Granting this authority streamlines the transition between fiscal years while maintaining transparency and alignment with the original budgetary intent.

FY 2025-26 PROPOSED BUDGET

This year's budget represents a strategic course correction. In response to identified deficiencies in the city's budget practices, including inaccurate labor cost estimates, insufficient appropriations, and the absence of formal oversight mechanisms, staff implemented a structured, data-driven process to develop the FY 2025-26 budget. The result is a more accurate, transparent, and policy-aligned financial plan. These improvements lay

the groundwork for long-term fiscal sustainability and position the city to make informed decisions moving forward.

The spending plan proposed for City Council consideration totals \$131.3 million across all funds. Within the General Fund, the city's primary operating fund, the proposed budget is \$81.7 million. The General Fund budget is balanced, with ongoing revenues matching ongoing expenditures.

General Fund Revenues

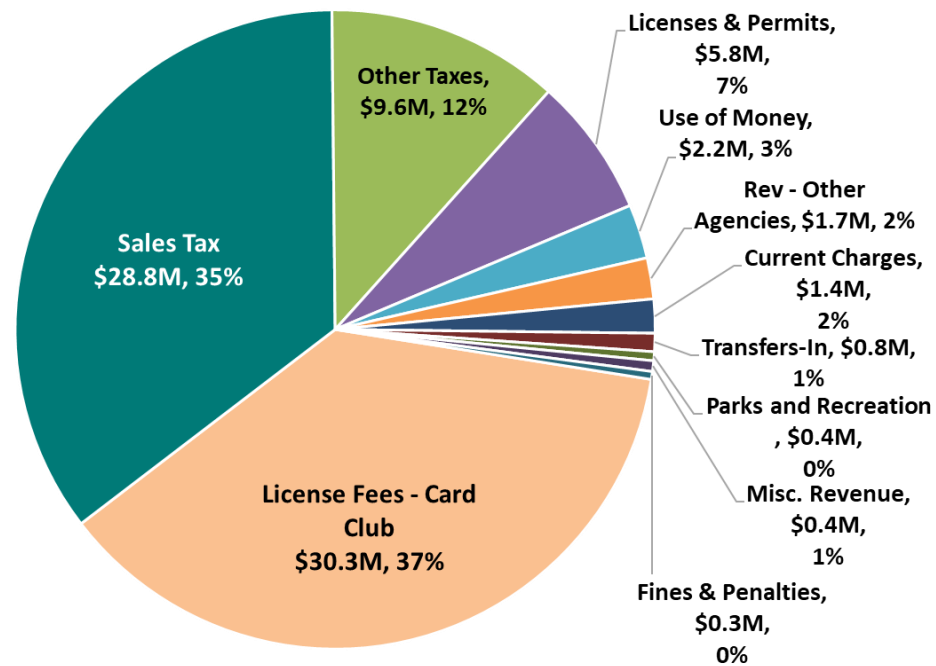
As demonstrated in the table below, the projected 7% increase in General Fund revenues primarily reflects a normalization of projections based on updated actuals, and not new economic growth. In prior years, several revenue estimates were set below trends, resulting in understatements that have now been corrected. The revised projections more accurately reflect historical performance and current conditions.

Revenue Source	FY 2024-25		FY 2025-26		Difference	
	Amended		Proposed		\$	%
License Fees - Card Club	\$ 29,370,000		\$ 30,320,000		\$ 950,000	3%
Sales Tax	27,350,000		28,793,200		1,443,200	5%
Other Taxes	8,213,578		9,632,700		1,419,122	17%
Licenses & Permits	5,435,160		5,744,800		309,640	6%
Use of Money	1,730,000		2,241,200		511,200	30%
Rev - Other Agencies	1,525,000		1,694,200		169,200	11%
Current Charges	1,101,587		1,402,000		300,413	27%
Transfers-In	800,000		755,000		(45,000)	-6%
Parks and Recreation	261,838		368,100		106,262	41%
Misc. Revenue	340,603		441,500		100,897	30%
Fines & Penalties	308,200		323,000		14,800	5%
Total	\$ 76,435,966		\$ 81,715,700		\$ 5,279,734	7%

The most important underlying assumption in the revenue projections, however, is that no recession or significant economic downturn is anticipated during the fiscal year. Should economic conditions shift, staff will monitor developments closely and return to the City Council with recommended adjustments, as necessary.

The pie chart on the next page illustrates the breakdown of the \$81.7 million in General Fund revenues by source. Nearly three quarters of the revenue (about 72%) comes from two primary sources: License Fees – Card Club and Sales Tax. Both are consumer-driven revenues and are highly sensitive to economic fluctuations.

Proposed FY 2025-26 GF Revenue: \$81.7M



General Fund Expenditures

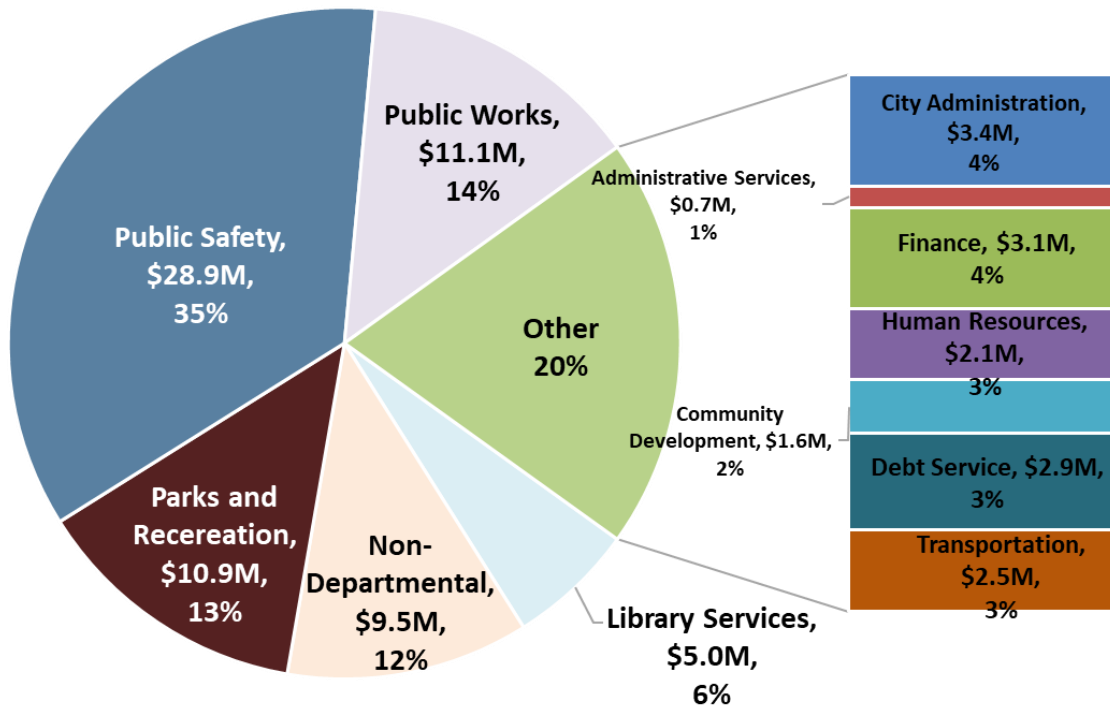
Similar to the revenues, the majority of expenditure increases are due to the inclusion of items that were previously unbudgeted, as well as accurate and complete budgeting for labor costs.

Department	FY 2024-25 Amended	FY 2025-26 Proposed	Difference	
			\$	%
Administrative Services	231,494	652,600	421,106	182%
City Administration	3,370,216	3,367,600	(2,616)	0%
Debt Service/Transfers-Out	2,145,000	2,915,500	770,500	36%
Community Development	1,445,303	1,614,000	168,697	12%
Finance	2,362,763	3,067,600	704,837	30%
Human Resources	1,614,053	2,131,300	517,247	32%
Library Services	3,597,230	5,006,600	1,409,370	39%
Non-Departmental	9,068,758	9,540,700	471,942	5%
Parks and Recreation	9,046,151	10,915,000	1,868,849	21%
Public Safety	27,982,825	28,926,000	943,175	3%
Public Works	10,261,715	11,106,600	844,885	8%
Transportation	483,887	2,472,200	1,988,313	411%
Total	71,609,395	81,715,700	10,106,305	14%

The pie chart below illustrates the breakdown of the \$81.7 million in General Fund expenditures by department. Nearly 70% of the budget is allocated to Public Safety, Public

Works, Parks and Recreation, and the Library Services departments, reflecting the City Council's unwavering commitment to maintaining a safe community and improving the quality of life for residents and businesses in the community.

Proposed FY2025-26 GF Expenditures: \$81.7M



Included in the proposed FY 2025-26 General Fund Budget are the following items:

- \$5.1 million increase to correct labor budget and include MOU-approved salary increases and benefit increases
- \$1.0 million increase in Fire & Sheriff contracts for FY 2025-26
- \$18,500 for City Calendar & Commerce Connect
- \$50,000 to update the Community Development's departmental workspace for functionality and efficiency
- Savings of \$62,300 due to position reallocations in the Finance Department
- \$204,000 to implement the Tuition Reimbursement program for full-time and part-time employees
- \$112,500 for the Library Services' summer reading program, additional library collection, and laptops and computers
- \$150,000 for previously unfunded special events provided by the Parks & Recreation Department
- \$50,000 to reconfigure the Public Safety's office layout and workspace
- \$30,000 allocation for National Night Out
- \$900,000 in additional funding for Engineering & Building contracts
- \$140,000 for project management contract
- Addition of a Maintenance & Operations Manager
- Reclassifications in the Public Works Department to have one Supervisor and one Lead in each of the following operations: Park Maintenance, Street & Trees, and Facilities Maintenance

ECONOMIC AND LEGISLATIVE CHALLENGES

While the proposed General Fund budget is currently balanced, several factors pose potential risks and challenges to maintaining this position throughout the fiscal year.

Economic Uncertainty & Tariffs

Continued economic uncertainty tied to the imposition of tariffs is affecting both consumer confidence and market stability. As a city whose revenue base is heavily reliant on consumer spending, particularly through sales tax and cardroom activity, Commerce remains sensitive to fluctuations in the broader economy. Economists across the board have increasingly raised the probability of a national recession within the next twelve months, citing slowing GDP growth, reduced job creation, and rising unemployment as key indicators. Since tariff discussions began, markets have experienced significant volatility, and they continue to respond to ongoing trade tensions.

Legal Risk to Cardroom Revenue

The recent enactment of SB 549 by the State of California in September 2024 introduces a new legal risk. The legislation grants federally recognized tribal governments the authority to initiate lawsuits against commercial cardrooms over alleged violations of exclusive gaming rights. As discussed in this report, the city generates approximately \$30 million annually from cardroom operations and while the long-term impacts of this legislation remain unknown, a court ruling in favor of tribal governments could have a substantial negative effect on this critical revenue stream.

Federal & State Budget Pressures

Both the federal and state governments are projecting fiscal tightening. The federal government is expected to implement broad budget cuts, and the State of California is currently facing a multi-billion dollar budget deficit. Although the City does not rely heavily on direct funding from the state or federal government, reductions at those levels can have ripple effects throughout our region. As surrounding agencies face cutbacks, demand for local services may increase, and overall economic activity, particularly consumer spending, could decline affecting the city's revenue base.

Local Economic Impacts of Federal Immigration Enforcement

Recent and anticipated federal immigration enforcement actions in the region, including Immigration and Customs Enforcement (ICE) operations, may have local economic impacts. These actions can contribute to labor shortages in certain major industries in the city's economy. Additionally, fear of enforcement may result in reduced consumer spending and lower utilization of public and community services, all of which can affect the city's sales tax revenue, business license activity, and overall economic stability. Staff will continue to monitor these developments and their potential impacts on city revenues and service demand.

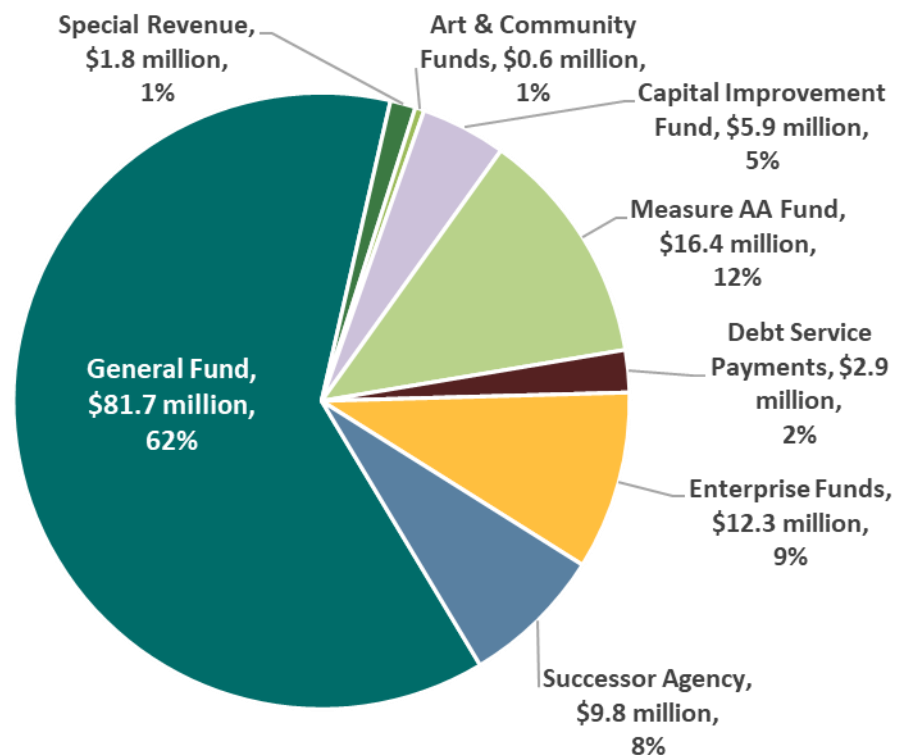
Other Challenges

Other challenges include increasing pension costs due to CalPERS employer rate adjustments, potential increased liabilities related to Other Post-Employment Benefits (OPEB), and deferred infrastructure and facility maintenance. Addressing these obligations will require continued discipline in reserve management, long-range forecasting, and prioritization of one-time funding.

NON-GENERAL FUNDS

The city manages eighteen different funds and while the General Fund is the largest and primary operating fund, the other funds represent 38% of the city's total budget.

Total Citywide Budget: \$131.3 million



COPS GRANT FUND (Special Revenue): The Department of Justice issues the COPS grant to government agencies to support law enforcement and public safety activities. The proposed budget for FY 2025-26 is \$100,000, which represents the annual allocation received by the city.

GAS TAX FUND (Special Revenue): The city anticipates receiving \$675,200 in Gas Tax revenue this upcoming fiscal year and the amount will be appropriated for street and infrastructure improvements.

AIR QUALITY MANAGEMENT DISTRICT (AQMD) FUND (Special Revenue): The city anticipates receiving approximately \$12,000 in grant funds from AQMD. The \$12,000 will be appropriated for the rideshare program at the city.

STORM WATER MANAGEMENT FUND (Special Revenue): The city receives funding from the County in connection with the passage of Measure W to fund stormwater capture, treatment, and reuse projects throughout Los Angeles County. Staff anticipate receiving \$960,800 for FY 2025-26. Measure W funds 56% of the city's Environmental Coordinator position and provides funding for consultants assigned to manage the Safe Clean Water Program, conduct commercial storm water inspections, and clean large-scale hazardous spills.

ART IN PUBLIC PLACES FUND (Art & Community Funds): The city's Art in Public Places program is primarily funded through development-related contributions. As part of development agreements or conditions of project approval, developers are required to either incorporate public art into their projects or contribute an in-lieu fee to the city's Public Art Fund. Staff anticipates generating approximately \$120,000 in revenue in FY 2025-26. However, the fund has a fund balance of \$1.9 million, which will be used to fund the proposed expenditures of \$400,000.

COMMUNITY ASSISTANCE FUND (Art & Community Funds): The Community Assistance fund supports two Council-approved programs, which are the Senior Rent Program & the Monthly Food Distribution. These programs did not have appropriations in the past, but starting with FY 2025-26, staff is proposing \$225,000 in appropriations to fund the two programs.

CAPITAL IMPROVEMENT FUND: The Capital Improvement fund is being proposed at \$5.9 million and includes funding for four projects: the Veteran's Park Remediation - \$2.1 million; the Wash-Tel project at \$3.3 million; contingency funding for the Bandini project at \$300,000; and \$200,000 for the IT remediation project.

MEASURE AA FUND: Measure AA primarily funds the City's Capital Improvement Program (CIP), including projects already in progress and new projects for FY 2025-26. In order to fund the FY 2025-26 CIP and invest in the city's facilities and infrastructure, staff is recommending \$16.3 million in appropriations.

DEBT SERVICE FUNDS: The funds support the repayment of the City's two outstanding debt issuances. For FY 2025-26, total debt service payments amount to \$2.9 million. These payments are funded through a transfer from the General Fund, with the actual debt service expenditures recorded in the respective debt service funds in accordance with proper governmental accounting standards.

WATER UTILITY FUND (Enterprise Fund): The fund is supported by a lease agreement with the California Water Service Company, which generates \$845,000 in annual revenue. For FY 2025-26, a proposed appropriation of \$100,000 will cover producer membership dues and include an overhead charge to the General Fund. This overhead allocation ensures the fund contributes its fair share for services provided by the City's general government departments. The allowable overhead rate, also known as the de minimis indirect cost rate, is set by the federal government at ten percent.

TRANSIT FUND (Enterprise Fund): The Transit fund is proposed at \$9.3 million for FY 2025-26. The fund has a \$10.7 million negative fund balance, with a projected \$3.7 million

operating deficit in FY 2025-26. Staff will develop a plan to address both the structural deficit and the operating shortfall.

CNG/LNG STATION FUND (Enterprise Fund): The CNG/LNG Station fund is proposed at \$2.9 million for FY 2025-26. The station provides alternative fuel for both city buses and third-party users. The city receives royalty payments from the private operator managing the facility.

SUCCESSOR AGENCY FUND: The Successor Agency fund is proposed at \$9.8 million, which is the amount approved by California's Department of Finance and the Oversight Board for the Recognized Obligation Payment Schedule (ROPS) to unwind the affairs of the former redevelopment agency.

The table below summarizes the beginning fund balance, revenue and expenditures, and ending fund balance for all of the city's funds.

FY 2025-26 Proposed Budget Summary

Fund	Beginning Fund Balance/ Working Capital	Sources	Uses	Ending Fund Balance
General Fund	\$ 105,918,791	\$ 81,715,700	\$ 81,715,700	105,918,791
Special Revenue	2,009,963	1,748,000	1,748,000	2,009,963
Art & Community Funds	2,451,043	175,000	625,000	2,001,043
Capital Improvement Fund	8,247,968	-	5,893,800	2,354,168
Measure AA Fund	26,739,477	9,700,000	16,353,000	20,086,477
Debt Service Payment	-	2,915,400	2,915,400	-
Enterprise Funds	(4,529,104)	8,980,200	12,296,700	(7,845,604)
Successor Agency	19,519,833	9,419,100	9,788,900	19,150,033
TOTAL	\$ 160,357,971	\$ 114,653,400	\$ 131,336,500	\$ 143,674,871

GANN APPROPRIATIONS LIMIT

Article XIII B of the California Constitution establishes limits on the amount of tax revenues that local governments may appropriate each year. Commonly known as the GANN Limit, this constitutional provision requires cities to adopt an annual appropriations limit, which is calculated based on a formula using population growth and per capita personal income data published by the California Department of Finance. The City Council adopts the appropriations limit by resolution as part of the budget process.

Staff has prepared the calculations in accordance with the State guidelines issued by the California Department of Finance.

The calculation uses the following state-provided factors:

Population Growth: 0.30 %

Per Capita Income Growth: 6.44%

For FY 2025-26, the calculated Appropriations Limit for the City of Commerce is \$252.8 million. Based on the proposed budget, the city anticipates appropriating \$131.3 million, which is within the allowable limit.

The City of Commerce remains well below its constitutional spending limit. The GANN Limit does not currently restrict the City's appropriations, as actual appropriations subject to limitation remain significantly under the allowable threshold.

FY 2025-26 SALARY SCHEDULE & AUTHORIZED POSITIONS LIST

As part of compliance with California Code of Regulations Section 570.5 and CalPERS reporting requirements, the City must maintain and adopt a publicly available salary schedule. The salary schedule reflects all established job classifications and their corresponding salary ranges, regardless of whether those positions are currently budgeted or filled. Adoption of the salary schedule ensures compliance and maintains eligibility for CalPERS retirement reporting. Attached to this report is the updated FY 2025-26 Salary Schedule, which reflects the approved MOU increases.

Also attached to this report is the list of Authorized Positions for FY 2025-26, which will be the basis of the position control system (i.e., ensuring all positions are authorized by the City Council and budgeted properly). It is important to distinguish the salary schedule from the list of authorized positions. While the salary schedule defines the approved compensation ranges for each classification, the authorized positions list specifies the positions that are actively funded and approved by the City Council in the annual budget. The list reflects total full-time and part-time positions along with recommended changes for Council consideration.

GENERAL FUND RESERVES POLICY

Along with the adoption of the Annual Budget, staff is also recommending the adoption of two significant policies: General Fund Stability Reserve Policy & Investment Policy Statement.

The City of Commerce's General Fund Reserves Policy establishes clear targets for maintaining prudent reserve levels to ensure long-term fiscal stability and to navigate unexpected events. The policy designates reserve levels for emergency response, economic uncertainty, and operational liquidity, with target levels expressed as percentages of annual General Fund budgeted expenditures. Staff recommends target levels to be at a minimum of six months' worth of General Fund budgeted expenditures, or fifty percent (50%), with the goal of achieving twelve months' worth of General Fund budgeted expenditures, or one hundred percent (100%).

Additionally, the policy creates a Project Management Fund to capture any amounts in excess of one hundred percent (100%) of General Fund budgeted expenditures. The Project Management Fund ensures that any reserves above target levels are reinvested in one-time projects that improve infrastructure, technology, or service delivery, without creating ongoing obligations. As such, the fund is restricted to one-time uses such as capital improvements, special projects & studies, and non-recurring expenditures.

Staff is also asking Council to authorize transfers from the General Fund's Unassigned Fund Balance in the amount of \$81.7 million into the Stability Reserve Fund and \$24.2 million to establish the Project Management Fund. From the initial amount for the Project Management Fund, staff is recommending appropriating \$1.0 million in FY 2025-26 for the following projects:

- \$500,000 – Transit Study
- \$300,000 – Public Safety one-time expenses
- \$150,000 – On/off freeway ramp maintenance, which will be reimbursable
- \$50,000 – Update the Administrative Department's office layout and furnishings to improve functionality

INVESTMENT POLICY STATEMENT

The City of Commerce's Investment Policy establishes the framework for managing the city's public funds in accordance with California Government Code Sections 53600–53686. The policy prioritizes the preservation of principal (safety), maintenance of sufficient liquidity to meet operational needs, and achieving a reasonable return on investments. It outlines authorized investment types, maximum maturities, diversification requirements, and internal controls to safeguard public assets. The policy also includes quarterly reporting to the City Council and an annual review process to ensure compliance, transparency, and alignment with industry best practice.

NEXT STEPS

As part of its ongoing financial management efforts, staff will continue monitoring economic conditions, operational needs, and legislative developments throughout the fiscal year. Future budget updates, quarterly reviews, and mid-year adjustments will be presented to the City Council to maintain fiscal discipline and service continuity.

ALTERNATIVES:

1. Approve staff recommendation
2. Disapprove staff recommendation
3. Provide further direction to staff

FISCAL IMPACT:

Adoption of the Fiscal Year 2025-26 Annual Budget will authorize total appropriations of \$131.3 million across all City funds, including \$81.7 million in the General Fund. The budget is balanced, with ongoing revenues projected to match ongoing expenditures in the General Fund.

This action establishes the legal spending authority for all funds for the fiscal year and reflects the City Council's policy priorities, labor agreements, and known operational needs. Approval of the budget also ensures continued delivery of core services.

Future adjustments may be brought forward for City Council consideration as needed to respond to economic conditions, project updates, or unanticipated needs.

RELATIONSHIP TO STRATEGIC GOALS:

The actions recommended in this report align with the 2016 Strategic Plan Fiscal Sustainability Guiding Principle 1: demonstrate fiscal responsibility through the establishment of financial policies and budgeting practices that meet the Financial Standards of Excellence requirements.

Prepared by: Alvaro Castellon, Director of Finance

Approved as to Form: Noel Tapia, City Attorney

Respectfully submitted: Ernie Hernandez, City Manager

ATTACHMENTS:

1. Resolution – Additional Appropriations for FY 2024-25
2. Resolution – Reappropriating certain FY 2024-25 project balances and encumbrances to FY 2025-26
3. Resolution – City's Proposed Budget for FY 2025-26
4. Resolution – Establishing Appropriations Limit for FY 2025-26
5. Resolution – Adopting the FY 2025-26 Salary Schedule
6. FY 2025-26 Listing of Authorized Positions
7. Resolution & Policy – General Fund Reserves Policy
8. Resolution & Policy – Investment Policy Statement