



CITY COUNCIL STAFF REPORT

MEETING DATE: May 27, 2025

**ITEM TITLE: Accept the Fiscal Year (FY) 2024-25 Third Quarter Financial Report
for the Period Ending March 31, 2025.**

RECOMMENDATION:

Staff recommend that the City Council accept the Quarterly Financial Report ("Report") for the third quarter of fiscal year (FY) 2024-25 ended March 31, 2025.

FISCAL IMPLICATIONS:

There is no financial impact associated with accepting this report.

BACKGROUND:

In May 2025, the City Council approved financial policies formalizing long standing practices. The policies were established to ensure that the City's finances are managed in a manner that will: (1) continue to provide for the delivery of quality services; (2) maintain and enhance service delivery as the community grows, in accordance with the General Plan; (3) guarantee a balanced budget annually assuring that the City is operating within its means; and (4) establish reserves necessary to meet known and unknown future obligations.

A key component of these policies includes the preparation of a quarterly financial report. This report provides an executive summary of the City's current financial status as it relates to the adopted operating budget.

Attached is the Report for the third quarter that reflects the City's overall General Fund financial position as of March 31, 2025. Included in the Report is an update on the General Fund balance, analysis of revenues earned to date, and expenditures incurred through the third quarter of the fiscal year.

ANALYSIS:

Revenues

The Report for the third quarter is prepared on a cash basis, therefore only revenue received by March 31 is reflected. Since revenue is received on many different schedules depending on type, it is useful to compare the year-to-date ("YTD") actual amounts to the prior year's actual amounts. Overall, fiscal year-to-date revenues were approximately \$39.06 million, or \$1.59 million and 3.92% lower than last year at the end of the third quarter and represented 68.2% of budget. As discussed in the attached Report, revenues from sales tax, charges for services, licenses & permits, and other revenues were lower than the prior year. This is mostly due to revenue related to development projects, the \$2.5 million profit share payment received in the prior year for

Wheeler Plaza, and a continual decline in building and construction sales, as well as a shift to more conservative consumer spending given the uncertainty of the economy.

Property tax, vehicle in-lieu ("VLF"), other taxes, and use of money and property were higher compared to quarter three of last year. As discussed in the attached report, it was due to an increase in assessed property values, receiving the countywide VLF shortfall payment relating to FY 2022-23 in the current year, and higher transient occupancy taxes. Interest rates continue to be a positive driver as well.

Expenditures

Expenditures are recorded when paid, using the cash basis method of accounting. Overall, expenditures were \$42.96 million, or 65%, of the budget, and \$0.73 million lower compared to quarter three of the prior year. This was, due to the timing of the CalPERS unfunded accrued liability (UAL), pay down in the prior year versus the current year. Beyond that, expenditures across all departments and categories (except Capital Outlay) are higher. This includes Police and Fire due to higher contract costs in the current year, higher salaries and benefits costs incorporated into the budget, as well as increased utility costs and professional services due to price hikes and increased support needed for Parks and Recreation classes, Community Development and Public Works projects, and public record requests. Additional details can be found in the attached Report.

ALTERNATIVES:

The alternatives available to the City Council include:

1. Accept the Quarterly Financial Report for the third quarter of FY 2024-25 ended March 31, 2025; or
2. Do not accept the Quarterly Financial Report; or
3. Provide staff with alternative direction.

Respectfully submitted by:

Rebecca Mendenhall, Administrative Services Director

Approved for submission by:



Jeff Maltbie, City Manager

ATTACHMENT(S):

1. Q3 FY25 Financial Report