



STAFF REPORT

DATE: 09/17/2025
TO: Honorable Mayor and City Council Members
FROM: Finance Department

2025-366

REQUEST FOR CITY COUNCIL ACTION

SUBJECT:
FISCAL YEAR 2025 YEAR-END BUDGETARY ADJUSTMENTS

EXECUTIVE SUMMARY:

This staff report asks the City Council to approve budgetary adjustments for Fiscal Year 2025, based on year-end results and staff recommendations for funding level changes. Staff presents a quarterly update to the City Council on the current fiscal year revenue and expenditures. As part of the process, departments review the operating and capital improvement project funding levels and provide recommendations for budgetary adjustments. The recommended budgetary adjustments are related to Fiscal Year 2025 transactions that occurred through the year-end process, after the staff report was prepared for the Quarter 4 update on August 6, 2025.

RECOMMENDED ACTION:

That the City Council:

- a. Authorize a total appropriation in the amount of \$8,000 (\$5,000 in the CFD 97-1 Landscape Maintenance Fund 248 and \$3,000 in the LMD 84-2 Zone 6 Fund 457) to address year-end shortfalls resulting from increased water and recycled water expenditures.
- b. Authorize an appropriation in the amount of \$2,480,000 from the Workers' Compensation Fund 683 to the Legal and Risk Management Department's

operating budget to adjust for an accounting entry related to the updated value of projected claims.

BACKGROUND & HISTORY:

On a quarterly basis, the Finance Department provides a budget update to the City Council. As part of the quarterly process, departments provide operating and CIP adjustments that need to be addressed in the fiscal year (FY). The Finance Department prepares a consolidated request for the City Council's consideration. The recommended adjustments are related to FY 2025 transactions that occurred through the year-end process, after the staff report was prepared for the Quarter 4 update on August 6, 2025.

ANALYSIS:

Recommended Action a: Authorize a total appropriation in the amount of \$8,000 (\$5,000 in the CFD 97-1 Landscape Maintenance Fund 248 and \$3,000 in the LMD 84-2 Zone 6 Fund 457) to address year-end shortfalls resulting from increased water and recycled water expenditures.

Due to below-average rainfall in FY 2025, there has been an increased need for water & recycled water to support irrigation and essential potable/non-potable uses. This appropriation request ensures continued operations while supporting sustainability and regional water conservation efforts during drought conditions.

Recommended Action b: Authorize an appropriation in the amount of \$2,480,000 from the Workers' Compensation Fund 683 to the Legal and Risk Management Department's operating budget to adjust for an accounting entry related to the updated value of projected claims.

At the end of each fiscal year, the City receives an actuarial report about the value of pending claims. To adjust for the pending claims, an accounting entry is made to both the Workers' Compensation Fund 683 and the Liability Fund 687. Based on the year-end accounting entry, the account has a negative balance. The pending claims accounting entry is a bookkeeping item only as actual claim expenditures are incurred in the year in which they are paid. Future fiscal years will be evaluated and recommended through the budget process.

FINANCIAL IMPACT:

Approval of the recommended actions will have financial impacts as noted below.

- a. There is sufficient fund balance in the CFD 97-1 Landscape Maintenance Fund 248 and the LMD 84-2, Zone 6 Fund 457 for the recommended actions.
- b. Due to the timing of the actuarial adjustment, the Workers' Compensation Fund 683 is currently reflecting a negative fund balance. Staff recommends proceeding with the appropriation to ensure compliance with budgetary requirements and financial reporting standards. The fund balance will be restored through future contributions and expenditure controls.

Fund	Appropriations	Estimated Revenue Increase	Net Impact
CFD 97-1 Landscape Maintenance Fund (248)	\$ 5,000.00	\$ -	\$ 5,000.00
LMD 84-2, Zone 6 Fund (457)	3,000.00	-	3,000.00
Workers Compensation Fund (683)	2,480,000.00	-	2,480,000.00
Total	\$ 2,488,000.00	\$ -	\$ 2,488,000.00

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action is to approve budgetary adjustments for Fiscal Year 2025, and there is no possibility that approval of the recommended actions will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: LUIS NAVARRO, BUDGET SUPERVISOR

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR