



# AGENDA REPORT


**TO:** Jestin D. Johnson  
City Administrator,

**FROM:** Erin Roseman  
Director of Finance

**SUBJECT:** Fiscal Year (FY) 2024-25 Third Quarter  
(Q3) Revenue and Expenditures (R&E)  
Report

**DATE:** May 14, 2025

City Administrator Approval

  
Jestin Johnson (May 16, 2025 08:26 PDT)

Date: **May 16, 2025**

## **RECOMMENDATION**

**Staff Recommends That The City Council Receive An Informational Report On Fiscal Year (FY) 2024-25 Third Quarter (Q3) Results And Year-End Estimates For The General Purpose Fund (GPF, 1010), And Select Funds, And An Update On Current Year Balancing Efforts.**

## **EXECUTIVE SUMMARY**

This report details the City of Oakland's (the City) preliminary FY 2024-25 projected year-end revenues and expenditures based on **Third Quarter Q3** trends. The **Third Quarter** reflects 66.9% of the collected adjusted revenue budget, and expenditures reflect 75% of the adopted expenditure budget.

FY 2024-25 collections of revenue through **Q3** are at \$526.62 million or 66.9% of the Adjusted Budget of \$786.28 million. The preliminary **Q3** FY 2024-25 GPF revenue forecast projects an overall shortfall of \$30.09 million or 3.8% compared to the Adjusted Budget, and is now estimated to end the year at \$756.19 million. GPF expenditures through **Q3** are at \$591.12 million or 75% of the Adjusted Budget. GPF expenditures are forecasted at \$810.83 million, an increase of \$24.55 million from the Adjusted Budget. The FY 2024-25 Adopted Budget has also been adjusted to include \$41.42 million in prior year carryforwards in the GPF, which utilizes available fund balance to cover the cost. **Table 1** below outlines the FY 2024-25 GPF revenue and expenditures Adjusted Budget, **Q3** year-to-date actuals, and year-end estimates, with a current estimate of a \$54.64 million year-end operating shortfall in the GPF.

The projections in this report are made based on current collection trends and information known at this point, which includes seasonality of certain revenue categories, the volatility and unpredictability of the economy due to the ongoing inflationary trends, and the effects of federal monetary policy. The purpose of the quarterly revenue and expenditure (R&E) report is to guide the City in managing its ongoing budget in comparison to the Adopted Budget as more financial

data becomes available. As of the preparation of this report, Period 9 (March) was yet to be closed in the City's accounting system.

**Table 1: Summary of FY 2024-25 Q3 GPF Revenues & Expenditures Budget to Year-End Projections (\$ in millions)**

	FY 2024-25 Adopted Budget	FY 2024-25 Adjusted Budget	FY 2024-25 Q3 YTD Actuals	FY 2024-25 Q3 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
FY2024-25 Revenues	807.19	786.28	526.62	756.19	(30.09)	(3.8)%
FY 2024-25 Expenditures	807.19	786.28	591.12	810.83	(24.55)	(3.1)%
<b>Operating (Shortfall) / Surplus</b>	—	—	(120.26)	(54.64)	(54.64)	(7.0)%

The results of this Third Quarter show that while a significant deficit is currently projected, balancing measures approved per [Resolution 90585 C.M.S.](#) on December 17, 2024, are in the process of implementation and are expected to reduce the current shortfall, as shown in **Attachment B** of this report.

## **BACKGROUND / LEGISLATIVE HISTORY**

Below is a summary of the Council's actions that have occurred from the beginning of the fiscal year through Q3 that have modified the FY 2024-25 Budget:

Pursuant to the City's Consolidated Fiscal Policy - Part G. Criteria for Project Carryforwards and Encumbrances, the FY 2024-25 Adopted Budget has also been adjusted to include \$41.42 million in prior year carryforwards in the GPF, which utilizes available fund balance to cover the cost.

In October 2024, administrative action was taken to initiate the implementation of the contingency budget, as authorized by [Resolution 90326 C.M.S.](#)

On December 17, 2024, the City Council approved a series of balancing measures to address the projected GPF deficit, as authorized by [Resolution 90585 C.M.S.](#)

On March 4, 2025, the City Council approved [Resolution 90655 C.M.S.](#) that further amended the FY 2024-25 budget to reopen fire stations that were impacted by prior balancing actions.

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## **ANALYSIS AND POLICY ALTERNATIVES**

This report supports the Citywide priority of a **responsive, trustworthy government** by providing timely and up-to-date financial information and enhancing transparency, allowing residents, stakeholders, and decision-makers to be informed of the City's fiscal health, promoting a culture of responsible financial stewardship.

### ***General Purpose Fund (GPF)***

#### ***FY 2024-25 Q3 Revenues***

The GPF revenues collected as of **Q3** FY 2024-25 are \$526.62 million or 66.9% compared to the Adjusted Budget of \$786.28 million, and are projected to end the year at \$756.19 million, which is \$30.09 million or 3.8% under the Adjusted Budget. The Adjusted Budget accounts for the adopted contingency budget, which excludes funds from the Coliseum land sale, which had been assumed in the Adopted Budget, but has faced delays. As such, year-end estimates do not assume any collections beyond the initial \$5 million payment already received. The overall FY 2024-25 revenue forecast indicates a mixed fiscal landscape for the city, with some tax categories recovering or exceeding expectations while others face ongoing challenges from market conditions following FY 2023-24, which closed with notable revenue shortfalls across several key areas in the General Purpose Fund (GPF).

Revenue increases compared to the FY 2024-25 Adjusted Budget are led by Property Tax, which is projected to be over budget by \$6.34 million or 2.1%, with growth due to a 4.6% year over year growth of property value reassessments. Fines & Penalties are projected to exceed the budgeted amount by \$4.60 million or 23.8%, due to parking citation rate increases and enhanced parking enforcement staffing. Utility Consumption Tax is anticipated to surpass the budget by \$1.61 million or 2.4%, driven by utility rate increases approved by the California Public Utilities Commission (CPUC) that have been implemented in phases since the beginning of 2024. Increases in BT collected from rental properties and professional and personal services provided helped offset account closures during the year, and now project Business Tax to end the year \$1.21 million over the Adjusted Budget. Miscellaneous Revenue significantly exceeds the budget by \$15.89 million, primarily due to property sales, including an initial \$5 million payment from the Coliseum sale, and legal settlements, some of which are restricted by offsetting liabilities.

Notable revenue categories expected to fall short of budget expectations include Real Estate Transfer Tax (RETT) Collections, which are expected to end the year at \$66.31 million, which is \$7.41 million or 10.1% under the Adjusted Budget. However, RETT is showing a recovery from the downturn in FY 2023-24, which ended the year at \$57.61 million. Signs of market recovery are noted in RETT with a 10.7% increase in the volume of property sales in **Q3** compared to the same period in the prior year. Sales Tax is expected to be under the budget amount by \$3.36 million or 5.3%, as gross receipts for most tax groups have declined compared to the prior year. A decrease in operational hotels impacted collections from Transient Occupancy Tax (TOT), which is forecasted to be \$3.67 million or 18.6% below budget. Meanwhile, Parking Tax is

expected to fall short by \$1.90 million or 14.5%, primarily due to the loss of parking revenue at the Oakland Airport and the Coliseum. Q4 in FY 2024-25 will be the first period to experience the loss of Parking Tax revenue generated from A's baseball games at the Coliseum.

The GPF revenues by category are detailed below.

- **Property Tax:** FY 2024-25 collections of Property Tax through **Q3** are at \$189.87 million or 61.9% of the Adjusted Budget of \$306.57 million, and are now projected to end the year at \$312.91 million, which is \$6.34 million or 2.1% over the Adjusted Budget. Property Tax revenues are administered by the County and are remitted to the City in tranches, so the Q3 year to date collections may not represent a linear trend. Property tax continues to be a reliable and significant source of revenue for the City. The current year end projection is based on a 4.6% growth in net assessed taxable property value for the City, which is \$89.92 billion in FY 2024-25 compared to \$85.96 billion in FY 2023-24. Causes for the net increase in assessed property values include growth in value due to Consumer Price Index increases, which is capped at 2% annually per State Proposition 13, reassessments following prior year transfers of ownership, new construction in the City, unsecured value change, and the net addition of parcels. For context, in Fiscal Year 2022-23, property tax collections amounted to \$281.28 million. The following fiscal year, 2023-24, saw an increase to \$299.15 million, marking a growth of 6.4%. That rise in revenue closely paralleled the corresponding 6.6% increase in the City's total assessed taxable value between those years.
- **Business Tax (BT):** FY 2024-25 collections of BT through **Q3** are at \$114.61 million or 95.5% of the Adjusted Budget of \$120.06 million, and are now projected to end the year at \$121.27 million, which is \$1.21 million or 1.0% over budget. A decline attributable to the loss of large BT contributors, including Kaiser Permanente's headquarters relocation and closures in real estate, restaurants, hotels, and the Athletics baseball team, which combined for over \$4 million in prior-year BT payments, has been offset by increases deriving from property rentals and professional services. Enhanced outreach helped offset the shortfalls from the large account closures. Notably, rental registry notices drove \$5.39 million in prior-year residential rental payments, representing an increase of \$2.58 million compared to the amount of prior year payments collected in FY 2023-24. In addition, the Business/Personal Services and Professional/Semi-Professional collections through Q3 increased by \$2.79 million from the amount collected through Q3 FY 2023-24.
- **Real Estate Transfer Tax (RETT):** FY 2024-25 collections of Real Estate Transfer Tax through **Q3** are at \$47.99 million or 65.1% of the Adjusted Budget of \$73.72 million, and are projected to end the year at \$66.31 million, which is \$7.41 million or 10.1% under the Adjusted Budget. Despite this shortfall, RETT is expected to increase by 15.1% by the close of the fiscal year compared to FY 2023-24. This growth follows a 25% rise in RETT revenue observed through **Q3** relative to the same period in the previous year, which absorbed one third of its year-end total in the fourth quarter of FY 2023-24. The increase is slightly influenced by a significant \$99.00 million property sale in December 2024.

Notably, FY 2023-24 saw no single property sale exceeding \$50.00 million throughout the year. Another factor helping with the year over year increase is that the Federal Open Market Committee (FOMC) has enacted three federal fund rate cuts in this fiscal year, marking the first reductions since rates began to rise in March 2022. These cuts included a 50 basis point decrease in September 2024, followed by two 25 basis point reductions in November and December 2024. However, after December, the FOMC revised its 2025 projections, scaling back from four anticipated rate cuts to two, due to uncertainties related to new federal policies like tariffs and tax adjustments that might affect costs.

- **Utility Consumption Tax (UCT):** FY 2024-25 collections of Utility Consumption Tax through **Q3** are at \$53.38 million or 78.0% of the Adjusted Budget of \$68.44 million, and are now projected to end the year at \$70.05 million which is \$1.61 million or 2.4% over the Adjusted Budget. FY 2024-25 in general is experiencing higher amounts of UCT collected compared to prior years due to the approval of a 14.2% increase in consumer utility rates since the start of 2024 by the California Public Utilities Commission (CPUC). PG&E, which is the largest contributor to the City's UCT, implemented rate hikes in phases in 2024 with a 6% increase that took effect in March, a 4% increase in June, a 2.7% increase in September, and an additional 1.5% in January 2025. These incremental rate hikes directly impact the tax base, as the utility consumption tax is a percentage of the utility bill, thus leading to higher tax revenue.
- **Sales Tax:** FY 2024-25 collections of Sales Tax through **Q3** are at \$35.81 million or 56.2% of the Adjusted Budget of \$63.73 million, and are now projected to end the year at \$60.37 million, which is \$3.36 million or 5.3% under the Adjusted Budget. The \$35.81 million in actual revenues reported for the third quarter do not accurately represent the Sales Tax receipts for that period because the collections are managed externally by the State and then remitted in bulk to the City. Currently data that is available for the second quarter of FY2024-25 (Q2) (Sales Tax is collected by the State and the corresponding detailed data becomes available to the City in the subsequent quarter) shows that from July to December 2024, Oakland saw a 3.0% decrease in gross receipts compared to that same period in 2023. Declines were noted across most sales tax categories during this period. In Q2, Fuel and Service Stations and the Building and Construction industry had the most significant declines compared to the same period in the prior year. The Autos and Transportation, Food and Drugs, and Restaurants and Hotels sectors also experienced a decline. Categories that saw year over year increases through the Q2 include the Business and Industry category, General Consumer Goods, and the County pool transfers. The economic outlook remains uncertain as sales continue to be impacted from persistently high inflation and federal interest rates, as well as uncertainty resulting from policy changes from the new Federal Administration, including tariffs and potential tax reductions which will affect consumer spending patterns.
- **Service Charges:** FY 2024-25 collections of Service Charges through **Q3** are at \$30.02 million or 57.9% of the Adjusted Budget of \$51.84 million, and are now projected to end the year at \$51.84 million, which is at the Adjusted Budget. Notably, certain types of



service charges, including Port Revenues and Cable and Gas Franchise Fees, do not accrue evenly throughout the year, thus the year to date actuals do not represent a linear trend for year-end projections. A significant 21% increase in service charges has been observed when compared to the same period in FY 2023-24, but this growth should be viewed cautiously due to the irregular posting patterns of these charges. A key factor contributing to this increase is the collection from Parking Meter Fees, which constitute 33% of the total Service Charges budgeted in the GPF and have risen by 30% in actual revenues collected through the Q3 compared to the same period in the prior year. The budget anticipated a year over year growth for parking meter fee collections due to parking meter hourly rates that were increased by 50%, from \$2 to \$3 at the start of FY 2024-25.

- **Transient Occupancy Tax ("TOT"):** FY 2024-25 collections of TOT in the GPF through **Q3** are at \$12.18 million or 61.7% of the Adjusted Budget of \$19.74 million, and are now projected to end the year at \$16.07 million, which is \$3.67 million or 18.6% under the Adjusted Budget. This year's performance marks a downturn when compared to the previous fiscal year, FY 2023-24, which ended with TOT collections under the current year's budget at \$18.39 million. Through Q3 of FY 2024-25, a significant 13.3% decrease in collections has come in compared to the same period in FY 2023-24, reflecting ongoing challenges in the hospitality sector's recovery. This decline in TOT is paralleled by a 16.9% drop in passenger travel at the Oakland Airport when comparing the latest monthly data available from February 2024 to February 2025. Although, over a rolling 12-month period ending February 28, the decline in passenger numbers was less steep at 6.59%. The biggest contributor to the decline in projected TOT collections has been the closure of major hotels like the Hilton and Jack London Square's Waterfront Hotel, which represent a significant loss of revenue, as they combined to contribute on average over \$2.0 million in TOT annually.
- **Fines & Penalties:** FY 2024-25 collections of Fines and Penalties through **Q3** are at \$15.76 million or 81.5% of the Adjusted Budget of \$19.34 million and are now projected to end the year at \$23.95 million, which is \$4.60 million or 23.8% over the Adjusted Budget. Parking citations account for over 90% of Fines and Penalties revenue. Increased revenue collections have been led by a 5% increase in parking fines that took effect in FY 2023-24 and an additional 5% for FY 2024-25 to adjust for retroactive inflation. In addition, enhanced concentrated efforts in parking enforcement are being aided in FY 2024-25 by recent hires in the Parking Enforcement Unit, which aims to be fully staffed by the end of FY 2024-25. As a result, the collection of parking fines is 26% higher through **Q3** compared to the same period in FY 2023-24.
- **Parking Tax ("PT"):** FY 2024-25 collections of Parking Tax through **Q3** are at \$8.41 million or 64.4% of the Adjusted Budget of \$13.07 million and are now projected to end the year at \$11.17 million which is \$1.90 million or 14.5% under the Adjusted Budget based on Q3 trends. The latest monthly activity report provided by the Oakland Airport shows similar numbers, with a year to year 15.1% decline for February in parking lot revenue for the airport. In addition, the Q4 in FY 2024-25 will not receive PT from

baseball games played at the Coliseum for the first time in decades following the A's departure at the conclusion of their season last year.

- **Miscellaneous Revenue:** FY 2024-25 collections of Miscellaneous Revenues through **Q3** are at \$16.91 million, and are projected to end at \$17.12 million, which is \$15.89 million or 1296.3% over the Adjusted Budget of \$1.23 million. A sum of \$5 million was received as an initial payment for the sale of the Coliseum site. This amount was not fully anticipated in the Adjusted Budget due to the delay in the completion of the sale. The FY 2024-25 Adopted Budget initially included \$63.10 million from the sale of the Coliseum land, classified under Miscellaneous Revenues. However, due to delays in the transaction, the expected \$63.10 million was removed from the budget, and a contingency budget was adopted as stipulated as part of the FY 2024-25 Midcycle Budget adoption. Projections for the remainder of FY 2024-25 do not account for additional payments from the Coliseum land sale within this fiscal year. Staff strongly recommends that decision makers do not include the Coliseum sale proceeds in any future budget balancing action until after that cash has been received and the title of the property transferred, as recommended by our external financial auditor. In addition, legal settlements have significantly contributed to the actual miscellaneous revenues realized in **Q3** as well. Over \$7.1 million of the Miscellaneous category is attributable to legal settlements, however, \$3.47 million of revenue resulting from these legal settlements is restricted to specific reimbursements bound by settlement agreements and cannot be accounted for in the overall balancing of the General Purpose Fund.

The FY 2024-25 Adopted Budget has also been adjusted to include \$41.42 million in prior year carryforwards in the GPF which utilizes available fund balance to cover the cost. Net of these, actual revenues are estimated to end the year at \$756.19 million, compared to the Adjusted Budget of \$744.47 million, representing a net surplus of \$11.73 million or 1.6%.

**Table 2** below highlights revenue categories with year-end projection changes when compared to the FY 2024-25 Adjusted Budget.

**Table 2: FY 2024-25 Q3 GPF Revenues Budget to Actuals (\$ in millions) Summary**

Revenue Category	FY 2024-25 Adopted Budget	FY 2024-25 Adjusted Budget	FY 2024-25 Q3 YTD Actuals	FY 2024-25 Q3 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Property Tax	306.57	306.57	189.87	312.91	6.34	2.1 %
Sales Tax	63.73	63.73	35.81	60.37	(3.36)	(5.3)%
Business License Tax	120.06	120.06	114.61	121.27	1.21	1.0 %
Utility Consumption Tax	68.44	68.44	53.38	70.05	1.61	2.4 %
Real Estate Transfer Tax	73.72	73.72	47.99	66.31	(7.41)	(10.1)%
Transient Occupancy	19.74	19.74	12.18	16.07	(3.67)	(18.6)%
Parking Tax	13.07	13.07	8.41	11.17	(1.90)	(14.5)%
Licenses & Permits	1.16	1.16	0.84	1.16	—	— %
Fines & Penalties	19.34	19.34	15.76	23.95	4.60	23.8 %
Interest Income	2.50	2.50	(3.30)	—	(2.50)	(100.0)%
Service Charges	51.84	51.84	30.02	51.84	—	— %
Grants & Subsidies	—	—	0.74	0.92	0.92	— %
Miscellaneous Revenue	64.32	1.23	16.91	17.12	15.89	1296.3 %
Interfund Transfers	2.70	3.08	2.70	3.08	—	— %
Subtotal	807.19	744.47	526.62	756.19	11.73	1.6 %
Project Offsets & Carryforwards	—	41.42	—	—	(41.42)	(100.0)%
<b>Total Revenue</b>	<b>807.19</b>	<b>786.28</b>	<b>526.62</b>	<b>756.19</b>	<b>(30.09)</b>	<b>(3.8)%</b>



### FY 2024-25 Q3 Expenditures

At the end of Q3 for FY 2024-25, expenditures are projected to end the fiscal year at \$810.83 million, or \$24.55 million over the Adjusted Budget of \$786.28 million. Most of the City's departments are projected to overspend by the end of FY 2024-25. Public safety departments account for over 90% of the City's projected overspending in FY 2024-25.

The Midcycle Adopted Budget assumed the use of the sale of the Coliseum in the amount of \$63.5 million to balance the expenditures as budgeted. This follows a trend in recent years, during which one-time funding was needed in the balancing of the expenditures. Expenditure monitoring is heightened as citywide hiring is a large focus, and current inflationary trends and federal monetary policy are likely to continue throughout the fiscal year and have an impact on spending trends by year-end.

**Table 3** below breaks down the FY 2024-25 Expenditures by Department.

**Table 3: FY 2024-25 Q3 GPF Expenditures Budget to Actuals (\$ in millions)**

Department	FY 2024-25 Adopted Budget	FY 2024-25 Adjusted Budget	FY 2024-25 Q3 YTD Actuals	FY 2024-25 Q3 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Capital Improvement Projects	0.56	1.61	0.36	1.60	0.01	0.6 %
City Administrator	5.99	5.94	4.11	6.50	(0.56)	(9.4)%
City Attorney	21.71	24.62	16.96	23.63	0.99	4.0 %
City Auditor	3.73	4.01	1.93	2.91	1.10	27.4 %
City Clerk	8.00	9.92	3.30	9.90	0.02	0.2 %
City Council	7.87	7.91	5.06	7.02	0.89	11.3 %
Department of Transportation	21.72	22.08	14.38	21.47	0.62	2.8 %
Department of Violence Prevention	7.49	8.10	4.20	6.24	1.86	23.0 %
Department of Workplace and Employment Standards	2.39	2.15	1.23	1.80	0.35	16.3 %
Economic and Workforce Development Department	15.24	14.94	10.06	13.18	1.76	11.8 %
Finance Department	29.13	29.03	17.12	28.66	0.37	1.3 %

Department	FY 2024-25 Adopted Budget	FY 2024-25 Adjusted Budget	FY 2024-25 Q3 YTD Actuals	FY 2024-25 Q3 Year-End Estimate	Year-End \$ Over / Under Adjusted Budget	Year-End % Over / Under Adjusted Budget
Fire Department	180.45	166.24	140.45	192.37	(26.13)	(15.7)%
Housing and Community Development Department	—	—	—	—	—	—
Human Resources Management Department	0.33	0.53	0.54	0.43	0.10	18.8 %
Human Services Department	43.08	46.47	34.48	43.99	2.48	5.3 %
Information Technology Department	6.55	6.95	4.77	7.08	(0.13)	(1.8)%
Mayor	5.59	5.60	3.06	4.07	1.53	27.4 %
Non Departmental and Port	53.80	59.00	34.97	47.02	11.98	20.3 %
Oakland Animal Services	6.84	6.57	4.19	5.94	0.64	9.7 %
Oakland Parks and Recreation Department	11.80	12.13	8.52	13.03	(0.90)	(7.4)%
Oakland Public Library Department	12.40	11.40	7.77	10.04	1.36	11.9 %
Oakland Public Works Department	2.73	4.51	2.74	3.23	1.29	28.6 %
Planning and Building Department	—	—	—	—	—	N / A
Police Commission	8.78	9.57	4.71	7.52	2.04	21.4 %
Police Department	347.21	322.86	263.77	349.52	(26.65)	(8.3)%
Public Ethics Commission	2.52	2.78	1.58	2.43	0.36	12.8 %
Race and Equity Department	1.27	1.35	0.87	1.27	0.08	5.7%
<b>Total</b>	<b>807.19</b>	<b>786.28</b>	<b>591.12</b>	<b>810.83</b>	<b>(24.55)</b>	<b>(3.1)%</b>

The budgeted vacancy factor assumed in the FY 2024-25 Midcycle Budget is 10.00% across most City Departments. The GPF's vacancy rate (net positions that are frozen as part of the FY 2024-25 Adopted Budget), is 17.0% as shown in **Table 4** below. Although the current vacancy rate is higher than the assumed budgeted rate, there is no anticipated vacancy savings due to the projected public safety overspend.

**Table 4: FY 2024-25 Q3 GPF Filled and Vacant Positions (Percent %)**

Status as of Q3 FY 2024-25	Percent (%)
Filled or Encumbered	83.0 %
Vacant	17.0 %

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## FY 2024-25 Fund Balance

The City's GPF Fund Balance, net obligations and before adjustments, is projected to end FY 2024-25 at negative \$61.46 million. Obligations may include reserves required by City Ordinances or the City Charter (mandated emergency reserves). **Table 5** below adds to the projected ending fund balance return of excess fund balance from the Equipment Fund (4100) totaling \$8.32 million, deducts restricted set-asides for legal settlements in the amount of \$3.47 million, and deducts the use of fund balance for opioids in the upcoming biennial budget in the amount of \$1.13 million, combining to change the estimated FY 2024-25 year-end available fund balance from negative \$61.46 million to negative \$57.75 million. The estimated FY 2024-25 available Fund Balance is the amount of unobligated funding available to the City in the GPF. It is also important to note that the ending fund balance, across all funds, are not funds that are available to spend in FY 2024-25.

**Table 5: Summary of FY 2024-25 Fiscal Situation with GPF Fund Balance (\$ in millions)**

GENERAL PURPOSE FUND (1010)		FY 2024-25 Q3 Year-End Estimate
<b>Beginning Fund Balance - Audited</b>		<b>(6.83)</b>
Revenue		756.19
Expenditures		810.83
Estimated Current Year Surplus/(Shortfall)		<b>(54.64)</b>
<b>Estimated Ending Fund Balance</b>		<b>(61.46)</b>
<b>Use of Fund Balance in FY 2024-25</b>		
Return of Excess Fund Balance in Equipment Fund		<b>8.32</b>
Legal Settlements		<b>(3.47)</b>
Opioid Programming in FY25-27 Proposed Budget		<b>(1.13)</b>
<b>Estimated Ending Fund Balance</b>		<b>(57.75)</b>

FY 2024-25 **Q3** projections indicate that GPF revenues will come in below budgeted, and expenditures will exceed the budgeted amount by the end of the fiscal year, with the combination of the two culminating in an approximately \$54.64 million operating deficit. The deficit accounts for the use of fund balance in the amount of \$41.42 million to support prior year carryforwards. Several City departments are projected to have overspending, led by the Police and Fire Departments, which are projected to exceed their budget by \$26.65 million and \$26.13 million, respectively, primarily due to overspending in personnel from overtime costs.

### ***FY 2024-25 Balancing Measures***

A comprehensive series of balancing measures were affirmed and adopted per [Resolution 90585 C.M.S.](#) to rebalance the current year. Since then, several adjustments have been made to the balancing measures as part of ongoing implementation efforts, as was noted in the [Second Quarter R&E report](#). An update on the status of these balancing measures is provided in **Attachment B**. Due to time constraints, staff was unable to provide a narrative discussion to accompany the attachment. Staff apologizes that the narrative could not be included and will endeavor to address it orally before the City Council when this item is presented.

### ***Long-Term Budget Outlook***

For years, the City has carried a structural deficit, meaning that expenses have chronically grown much faster than revenues, even in good times. This is primarily driven by rising personnel costs like medical benefits and pension contributions mandated by the State. Costs for insurance, medical benefits, and pension obligations will place increasing pressure on the GPF in future budget cycles. The City's Other Post-Employment Benefits (OPEB) liability remains a concern, with unfunded liabilities exceeding \$500 million as of the latest actuarial valuation. Additionally, CalPERS employer contribution rates are projected to increase steadily in the coming years. As of the latest actuarial valuation, with the City's funded ratio below 70%, employer contribution rates are expected to continue increasing, placing further strain on the GPF.

Health care costs have grown significantly over the years, primarily driven by a combination of factors including an aging population, increasing prevalence of chronic diseases, medical technology advancements leading to more expensive treatments, rising administrative costs, and inflation impacting the cost of medical supplies and services. The 2024 medical annual premium for active employees was over \$78 million; it grows by roughly eight percent, for a projected amount of \$92 million for 2025. The City's total PERS medical payments, which include active employees and retirees, have increased by over \$5 million on average per year in the last 5 years, expected to be over \$100 million in total for FY 2024-25.

### ***Conclusion***

The GPF fund balance began the fiscal year in a negative position, a situation further aggravated by delays in receiving anticipated revenues from the Coliseum sale. The absence of these funds necessitated the activation of the Contingency Budget and the implementation of additional balancing measures, resulting in reductions across multiple City departments and services.

Despite these efforts, the fundamental structural issues, and financial challenges in the City's budget remain. The reliance on one-time solutions, such as fund reallocations, temporary expenditure reductions, and the use of one-time revenues to support ongoing expenditures, underscores the need for more sustainable budget practices. Without strategies to address growing cost drivers, the City will continue to experience recurring structural deficits that will require increasingly difficult decisions regarding service reductions.

Long-term solutions, including expenditure reforms and efficiency improvements, must be explored to ensure financial stability. The FY 2025-27 Proposed budget outlines the initial steps as part of a roadmap for achieving fiscal health. Given the complexity of these issues, it will require a multi-year effort and an ongoing iterative process to fully address them.

### **PUBLIC OUTREACH / INTEREST**

No outreach was deemed necessary for this informational report beyond the standard City Council agenda noticing procedures.

### **COORDINATION**

This report was prepared in coordination between the Finance Department, the City Administrator's Office and various departments.

### **SUSTAINABLE OPPORTUNITIES**

***Economic:*** No direct economic opportunities have been identified.

***Environmental:*** No direct environmental impacts have been identified.

***Race & Equity:*** No direct Race & Equity opportunities have been identified in this informational report.



**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Receive An Informational Report On Fiscal Year (FY) 2024-25 Third Quarter (Q3) Results And Year-End Estimates For The General Purpose Fund (GPF, 1010), And Select Funds, And An Update On Current Year Balancing Efforts.

For questions regarding this report, please contact Bradley Johnson, Budget Administrator, at (510) 238-6119.

Respectfully submitted,



[Stephen Walsh \(May 15, 2025 19:20 PDT\)](#)

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STEPHEN WALSH

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Attachments: (2)

A: FY 2024-25 **Q3 Detailed Report**

B: *FY 2024-25 General Purpose Fund Balancing*