



## Finance Committee Staff Report

From: City Manager

Report Type: ACTION ITEMS

Lead Department: Administrative Services

Meeting Date: December 3, 2024

Report #:2404-2912

### TITLE

Approval of the FY2024 Annual Comprehensive Financial Report (ACFR), and Year-End Budget Adjustments in Various Funds.

### RECOMMENDATION

Staff recommends that the Finance Committee forward to the City Council for its approval:

1. The City's Fiscal Year (FY) 2024 Annual Comprehensive Financial Report (ACFR) and reports collectively referred to as the Single Audit<sup>1</sup>; and
2. Amend the FY 2024 Budget Appropriation for various funds as identified in the attached Recommended Amendments to the City Manager's FY 2024 Budget (Operating Budget: **Attachment B – Exhibit 1**; Capital Budget: **Attachment B – Exhibit 2**).

### EXECUTIVE SUMMARY

The City's fiscal year ended on June 30, 2024, financial records closed, and financial reports summarizing the fiscal year were prepared. The reports, along with the City's financial data, were audited by Macias Gini & O'Connell LLP (MGO), Certified Public Accountants, a firm hired by the City Auditor. MGO issued an unmodified (clean) audit opinion on the financial position of the City's activities and, together with the City's financial statements and other information, comprises the City's Annual Comprehensive Financial Report (ACFR). The ACFR also includes reports collectively referred to as the Single Audit, which is mandatory for Federal grant awards. These reports include the:

1. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with Government Auditing Standards

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<sup>1</sup> <https://www.cityofpaloalto.org/files/assets/public/v/1/administrative-services/financial-reporting/annual-comprehensive-financial-reports-acfr/current-2011-cafrs/city-of-palo-alto-acfr-single-audit-fy2024-final-unsecured.pdf>

2. Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Federal Awards Required by Uniform Guidance.

MGO reports the following within the Single Audit Report:

- Unmodified opinions (clean) as it pertains to both the Financial Statements and to the Federal Awards
- No material weaknesses or significant deficiencies in internal controls over financial reporting or over major programs
- No fundings or questioned costs

The full ACFR report can be found at the City's website<sup>1</sup>.

**Attachment A** provides a summary of General Fund revenues by source and expenditures by function. This is a comparison of budget versus budgetary actual results for FY 2024.

**Attachment B** provides a summary of year-end technical actions reallocating and realigning the budget to appropriate funds for actual operating and capital expenditures and revenue collected and to adjust transfers between funds.

#### Financial Highlights for FY 2024

##### *Government-wide*

The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. These statements have a long-term and wholistic view of the financial activities of overall City government (i.e. all funds), except fiduciary activities, and is based upon full-accrual basis of accounting, which includes long-term assets and liability (i.e. net pension and OPEB liabilities and deferred inflows) and is different than the annual budgetary basis. As of June 30, 2024, the citywide total net position is \$1.5 billion, an increase of \$98.1 million or 7.2% over the prior fiscal year. 75% of this increase is attributable to net investment in capital assets (i.e. Public Safety Building, Secondary Treatment Upgrades, Wastewater Collection Rehabilitation and Augmentation projects, and Smart Grid Technology installation are the primary drivers) and restricted funds (i.e. grants, impact fees, pension trust fund) primarily due to additional pension trust contributions and increase of its fair market value. Recoveries in fair market value of investment portfolio primarily accounts for the remaining growth in unrestricted net position. 95% of citywide net position is comprised of net investment in capital assets of \$1.2 billion (86%) and restricted net position of \$104 million (9%), leaving unrestricted net position of \$48.9 million or 5%.

### *General Fund*

For FY 2024, the General Fund actual revenues (including reappropriations and adjustments to budgetary basis) of \$ 255.5 million are \$6.0 million higher than the adjusted budget of \$249.5 million, noting only approximately \$2.0 million of the higher revenues is unrestricted. General Fund actual expenditures (including encumbrances and reappropriations) of \$276.6 million are \$5.7 million less than the adjusted budget of \$282.2 million, with the primary budgetary savings comprised of vacancy savings (\$2.0 million), contract services (\$2.4 million) and other expenses (\$1.3 million). Including transfers in/out and prior year encumbrances and reappropriation, FY 2024 General Fund total sources was \$322.8 million and total uses was \$315.6 million. The revenue outcomes are primarily due to higher-than-expected property tax, documentary transfer, business tax, investment earnings, and charges for services, noting that a large portion of this gain is set aside for contingency of excess ERAF property tax and the Council designated uses for business tax. Expenditure savings were attributable across multiple departments. Refer to **Attachment A** for more detail.

By policy, the City maintains a General Fund Budget Stabilization Reserve (BSR) balance of 15%-20% of the annual operating expense, with a target level of 18.5%. The BSR ended FY 2024 at \$65.9 million, but after adjusting the BSR for FY 2025 uses approved by Council<sup>2</sup>, the net BSR balance is \$63.3 million or \$8.9 million above Council's 18.5% BSR target level. The \$8.9 million is comprised of \$7.9 million or 1.5% budget variance in comparison to total FY 2024 actual General Fund revenues and expenditures, which is well within acceptable standard deviation given the complexity, size and fluctuation of the General Fund budget, and an additional \$1 million due to an isolated misclassification of prior year reappropriation, which staff discovered in the year-end close reconciliation. The FY 2024 budget surplus of \$7.9 million or 1.5% variance is comprised of vacancy savings of \$2 million, contract services of \$2.4 million, other expenses of \$1.3 million and various revenues of \$2 million. Staff recommends that the \$8.9 million above the 18.5% BSR target level be allocated between the Capital Fund Infrastructure Reserve (IR) (\$3.0 million) and Budget Uncertainty Reserve (\$5.9 million). While it is a departure from the Council surplus allocation policy, this allocation provides adequate funding to address the projected FY 2026 budget shortfall and flexibility to fund capital cost uncertainties, ensuring the City maintains high quality service level. Consistent with current practice, the budget actions to allocate the BSR funds above the 18.5% target level will be included in the FY 2025 Mid-Year Review (February 2025).

### *Business Type Activities (Enterprise Funds & Internal Service Funds)*

As of June 30, 2024, the City's Enterprise Funds reported a total net position of \$900.7 million, an increase of \$63.0 million or 7.5% from the prior year, primarily due to investments in capital

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<sup>2</sup> City Council Meeting, June 17 2024, Staff Report 2406-3140: <https://portal.laserfiche.com/Portal/DocView.aspx?id=73983&repo=r-704298fc&searchid=fe0b0b3a-a510-4161-b80b-7f2c52881023>

assets. Business Type Activity funds showed positive balances: Net Investment in Capital Assets (\$755.5 million), Restricted for Debt Service (\$3.0 million), and Unrestricted (\$142.2 million). This increase was anticipated as 76% of it pertains to investment in capital assets while the remainder relates to restoring depleted reserves and improvements in fair market value of saving investments.

Internal Service Funds ended the fiscal year with \$146.2 million net position balance. All funds showed positive balances except the Printing and Mailing Fund, which reported a \$0.1 million negative balance due to the adjustments for pension liability (GASB 68) and Other Post-Employment Benefits (OPEB) liability (GASB 75). The Printing and Mailing Fund maintains a positive fund balance excluding these GASB liabilities.

## **BACKGROUND**

The City's fiscal year ends on June 30, at which time its financial records are closed for the year and financial reports are prepared. The reports, along with the City's financial data, are audited by Macias Gini & O'Connell LLP (MGO), Certified Public Accountants, a firm hired by the City Auditor. MGO issues an audit opinion on the financial position of the City's activities, and together with the City's financial statements and other information, comprises the City's Annual Comprehensive Financial Report (ACFR).

**Attachment A** provides detailed information of the General Fund revenue by category and expenditures by department. The Analysis section of this staff report includes Results by Fund which discusses the position of fund balances, major revenue sources, and expense highlights.

**Attachment B** outlines technical recommended amendments to the FY 2024 Budget. These recommended actions close the fiscal year by reallocating and realigning the budget to appropriate funds for actual operating and capital expenditures and revenue collected as well as adjust transfers between funds.

The ACFR includes government-wide statements and fund level financial statements that provide a snapshot of fund balances and activity for the year. An overview of financial results, information on how to navigate the ACFR document, and highlights of key fiscal issues affecting the City can be found in the ACFR Management's Discussion and Analysis (MD&A) section. This staff report summarizes analysis that can be found in the MD&A, which also includes an overview of the City's current fiscal health, financial statements and analysis compared to the prior fiscal year, and capital asset and debt administration data.

Throughout this report, pronouncements released by GASB are referred to by issuance number. For example, GASB Pronouncement No. 68 is referenced in this report as GASB 68. A full list of

pronouncements can be found GASB’s website<sup>3</sup>. The list below provides a summary of the GASB pronouncements referenced in this report:

- GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools: requires governments to report investments at fair market value.
- GASB 68, Accounting and Financial Reporting for Pensions: requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability.
- GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB): establishes accounting and financial reporting requirements for OPEB plans.
- GASB 87, Leases: recognizes certain lease assets and liabilities that were previously categorized as inflows and outflows of resources.
- GASB 96, Subscription-Based Information Technology Arrangements (SBITA): recognizes SBITA subscription assets as an intangible asset, with a corresponding subscription liability.

GASB 68 and 75 are similar in that both require that long-term liabilities for pension and OPEB benefits are recorded in the City’s financial statements. These long-term liabilities are being addressed through the proactive funding as outlined in the City’s Retiree Benefit Funding Policy<sup>4</sup>.

## ANALYSIS

### Financial Statement Presentation

There are two methods of displaying the City’s financials in the ACFR: 1) Government Wide Statements and 2) Fund Financial Statements. The discussion below is organized by these two reporting standards and the results contained within. To assist in the terminology, a brief overview of these reporting standards outlined in Table 1; each of these displays of the City’s financial statements are governed by Generally Acceptable Accounting Principles (GAAP) as modified regularly by Governmental Accounting Standards Board (GASB). Neither of these views are the same as the City’s annual budget; however, Fund Financial Statements is most closely aligned.

Table 1: ACFR Financial Statement Presentation	
Government Wide Financial Statements	Fund Financial Statements
<ul style="list-style-type: none"> <li>• <i>Governmental Activities</i> – City’s basic services generally funded by taxes, and/or by specific program revenues</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Governmental Funds</i> – similar to “governmental activities” EXCEPT on a</li> </ul>

<sup>3</sup> GASB Pronouncements: <https://www.gasb.org/standards-and-guidance>

<sup>4</sup> City Council, February 6, 2023: <https://portal.laserfiche.com/Portal/DocView.aspx?repo=r-704298fc&id=61647>

Table 1: ACFR Financial Statement Presentation	
Government Wide Financial Statements	Fund Financial Statements
<p>such as fees and grants (full accrual) + includes portion of internal service funds.</p> <ul style="list-style-type: none"> <li>• <i>Business Type Activities</i> – City’s enterprise activities which are funded in whole or in part by fees charged to external parties (full accrual) + includes portion of internal service funds</li> </ul>	<p>modified accrual basis of accounting + excludes internal service funds.</p> <ul style="list-style-type: none"> <li>• <i>Proprietary Funds</i> – same as “business type activities” EXCEPT includes internal service funds. Includes what we refer to as “enterprise funds” (full accrual).</li> </ul>

**Please note the balances reported are based on ACFR balances.**

Government-Wide Statements

The Government-Wide Financial Statements provide a longer-term, wholistic view of the City’s activities. The Government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities, which are both presented using the full accrual basis of accounting, similar as the basis used by companies in the private sector.

*Statement of Net Position*

The Statement of Net Position presents information of all the City’s assets, plus deferred outflows of resources, and liabilities plus deferred inflows of resources, with the reported net position.

The City’s net position was \$1.452 billion on June 30, 2024, compared to a balance of \$1.354 billion on June 30, 2023. The total increase of \$98.1 million, or 7.2 %, consists of \$35.1 million from governmental activities and \$63.0 million from business-type activities.

The largest portion of the City’s net position (\$1.245 billion or 85.7%) is the City’s net investment in capital assets such as land, buildings, infrastructure, vehicles, and intangible assets (right to use leased and SBITA assets), less any related outstanding debt that was used to acquire these assets. The restricted portion of the City’s net position (\$133.8 million or 9.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance for the unrestricted portion of the City’s net position of \$73.3 million, across all funds, represents 5.1% of the City’s net position.

Overall, the City’s Unrestricted Net Position is positive on a combined basis for Governmental Activities and Business-Type Activities. The Unrestricted Net Position for Governmental Activities is negative \$68.9 million due to recognition of net pension liabilities and deferred pension outflows and inflows of resources (as required by GASB 68), and net OPEB liabilities and deferred outflows and inflows of resources (as required by GASB 75). Governmental

Unrestricted Net Position includes the net impact of net pension and net OPEB liabilities and its related deferred outflows and inflows of resources, \$305.9 and \$64.6 million, respectively. Excluding these impacts, the Unrestricted Net Position for Governmental Activities is \$301.6 million.

The net position of both governmental and business type activities is reduced by \$26.9 million due to cumulative unrealized market losses on the City's investments. Actual investment earnings on the City's portfolio in FY 2024 were \$15.2 million. GASB 31 requires public agencies to report the change in the valuation of the City's portfolio. As of June 30, 2024, the market value of the City's investment (Including Section 115 Pension Trust) is 96.2% of the book value, or \$26.9 million unrealized market loss compared to 93.1% or \$45.9 million in prior fiscal year. This increase in fair market value of investments portfolio compared in prior fiscal year results in a \$19.0 million market adjustment gain that is included in net investment earnings. The City's long-standing practice is to hold investments to maturity; due to this practice there will likely be no actual losses incurred on these investments.

**Table 2:**  
Condensed Statement of Net Position  
As of June 30  
(in millions)

	Governmental Activities		Business-type Activities		Government-Wide Totals		Increase/ (Decrease)
	2024	2023	2024	2023	2024	2023	
Cash and investments	\$444.8	\$413.9	\$240.7	\$230.3	\$685.5	\$644.2	\$41.3
Other assets	89.6	81.2	80.4	72.8	170.0	154.0	16.0
Capital assets	703.1	704.3	885.6	782.1	1,588.7	1,486.4	102.3
<b>Total Assets</b>	<b>1,237.5</b>	<b>1,199.4</b>	<b>1,206.7</b>	<b>1,085.2</b>	<b>2,444.2</b>	<b>2,284.6</b>	<b>159.6</b>
Unamortized loss from refunding	0.0	0.0	0.1	0.1	0.1	0.1	0.0
Pension and OPEB related	121.4	119.7	47.9	47.3	169.3	167.0	2.3
<b>Total Deferred Outflows of Resources</b>	<b>121.4</b>	<b>119.7</b>	<b>48.0</b>	<b>47.4</b>	<b>169.4</b>	<b>167.1</b>	<b>2.3</b>
Other liabilities	98.9	95.5	40.1	34.4	139.0	129.9	9.1
Net pension and OPEB liabilities	479.9	457.9	173.4	166.3	653.3	624.2	29.1
Lease and SBITA liabilities	8.4	13.4	6.3	5.7	14.7	19.1	(4.4)
Long-term debt	202.9	208.2	125.3	70.3	328.2	278.5	49.7
<b>Total Liabilities</b>	<b>790.1</b>	<b>775.0</b>	<b>345.1</b>	<b>276.7</b>	<b>1,135.2</b>	<b>1,051.7</b>	<b>83.5</b>
Pension and OPEB related	12.0	22.4	4.7	8.4	16.7	30.8	(14.1)
Lease related	3.1	3.0	4.2	9.8	7.3	12.8	(5.5)
Unamortized gain from refunding	2.1	2.2		0.0	2.1	2.2	(0.1)
<b>Total Deferred Inflows of Resources</b>	<b>17.2</b>	<b>27.6</b>	<b>8.9</b>	<b>18.2</b>	<b>26.1</b>	<b>45.8</b>	<b>(19.7)</b>
<b>Net Position</b>							
Net investment in capital assets	489.7	493.1	755.5	707.9	1,245.2	1,201.0	44.2
Restricted	130.8	101.1	3.0	3.2	133.8	104.3	29.5
Unrestricted	(68.9)	(77.7)	142.2	126.6	73.3	48.9	24.4
<b>Total Net Position</b>	<b>\$551.6</b>	<b>\$516.5</b>	<b>\$900.7</b>	<b>\$837.7</b>	<b>\$1,452.3</b>	<b>\$1,354.2</b>	<b>\$98.1</b>

## Statement of Activities

Overall, total revenues increased \$41.4 million, a 6.0% increase compared to FY 2023. Expenses increased \$26.6 million, or 4.3%.

**Table 3:**  
**Condensed Statement of Activities**  
**For the Year Ended June 30**  
**(in millions)**

	Governmental Activities		Business-Type Activities		Total		Increase/ (Decrease)
	2024	2023	2024	2023	2024	2023	
<b>Revenues</b>							
Program Revenues							
Charges for services	\$72.8	\$72.8	\$440.0	\$417.7	\$512.8	\$490.5	\$22.3
Operating grants and contribution:	7.1	8.0	0.4	24.4	7.5	32.4	(24.9)
Capital grants and contributions	6.3	7.2	3.5	2.7	9.8	9.9	(0.1)
General Revenues							-
Property tax	70.6	67.3	-	-	70.6	67.3	3.3
Sales tax	37.5	36.9	-	-	37.5	36.9	0.6
Utility User tax	19.0	18.8	-	-	19.0	18.8	0.2
Transient Occupancy tax	27.8	25.5	-	-	27.8	25.5	2.3
Documentary Transfer tax	7.0	5.8	-	-	7.0	5.8	1.2
Business Tax	5.3	-	-	-	5.3	-	5.3
Investment earnings	22.6	2.2	11.8	1.7	34.4	3.9	30.5
Other	4.0	3.7	0.4	-	4.4	3.7	0.7
Gain from sale of capital assets	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>280.0</b>	<b>248.2</b>	<b>456.1</b>	<b>446.5</b>	<b>736.1</b>	<b>694.7</b>	<b>41.4</b>
<b>Expenses</b>							
City Council	0.3	0.1			0.3	0.1	0.2
City Manager	3.2	2.5			3.2	2.5	0.7
City Attorney	2.8	2.6			2.8	2.6	0.2
City Clerk	0.7	0.7			0.7	0.7	-
City Auditor	0.4	0.3			0.4	0.3	0.1
Administrative Services	13.0	9.5			13.0	9.5	3.5
Human Resources	3.0	2.1			3.0	2.1	0.9
Public Works	49.1	37.4			49.1	37.4	11.7
Planning and Development Services	26.6	24.5			26.6	24.5	2.1
Office Of Transportation	6.3	6.4			6.3	6.4	(0.1)
Police	52.3	45.8			52.3	45.8	6.5
Fire	45.0	39.4			45.0	39.4	5.6
Community Services	44.1	37.0			44.1	37.0	7.1
Library	13.3	11.1			13.3	11.1	2.2
Interest on long-term debt	6.4	6.7			6.4	6.7	(0.3)
Water	-	-	50.2	43.8	50.2	43.8	6.4
Electric	-	-	170.8	182.2	170.8	182.2	(11.4)
Fiber Optics	-	-	2.9	2.6	2.9	2.6	0.3
Gas	-	-	42.9	63.4	42.9	63.4	(20.5)
Wastewater Collection	-	-	24.7	20.5	24.7	20.5	4.2
Wastewater Treatment	-	-	34.6	31.7	34.6	31.7	2.9
Refuse	-	-	35.6	32.6	35.6	32.6	3.0
Storm Drainage	-	-	6.9	6.1	6.9	6.1	0.8
Airport	-	-	2.9	2.4	2.9	2.4	0.5
<b>Total expenses</b>	<b>266.5</b>	<b>226.1</b>	<b>371.5</b>	<b>385.3</b>	<b>638.0</b>	<b>611.4</b>	<b>26.6</b>
Change in net position before transfe	13.5	22.1	84.6	61.2	98.1	83.2	14.9
Transfers	21.6	20.3	(21.6)	(20.3)	-	-	-
Change in Net Position	35.1	42.4	63.0	40.9	98.1	83.2	14.9
Net position, beginning of year	516.5	474.1	837.7	796.8	1,354.2	1,270.9	83.3
<b>Net position, end of year</b>	<b>\$551.6</b>	<b>\$516.5</b>	<b>\$900.7</b>	<b>\$837.7</b>	<b>\$1,452.3</b>	<b>\$1,354.2</b>	<b>\$98.1</b>

### *Revenues*

The major sources of the City's revenues are Program Revenues and General Revenues. Program Revenues consist of charges for services (both governmental and business type activities) as well as operating and capital grants and contributions. General Revenues include property tax, sales tax, utility user tax, transient occupancy tax, documentary transfer tax, business tax, other taxes, investment earnings and miscellaneous revenue.

FY 2024 Government Wide revenues were \$736.1 million, an increase of \$41.4 million or 6.0% above FY 2023, due to a \$31.8 million increase from Governmental Activities and \$9.6 million from Business Activities. Across all funds, General Revenues increased by \$30.5 million due to the investment unrealized loss adjustment as required by GASB 31. The prior fiscal year financials recorded an unrealized investment loss of \$8.7 million citywide that was offset with unrealized gain of \$19.0 million in FY 2024, resulting in increased investment earnings in FY 2024 from an accounting basis perspective.

Governmental Activities revenues increased a \$31.8 million, or 12.8% compared to the prior fiscal year. Almost two-third of this increase, \$20.4 million, is driven by investment earnings due to an increase in fair value of investments portfolio at June 30. Major tax revenues increased by \$7.6 million, primarily property tax, transient occupancy tax, documentary transfer tax, and new business tax revenue.

Business Activities revenue increased \$9.6 million due to the \$10.5 increase in general revenues mostly from investment earnings as a result of an increase in fair value of investments portfolio at June 30, offset by \$0.9 million decrease in program revenue. The decrease in program revenue is due to decrease in Gas Fund offset by the increase in Water Fund and Wastewater Treatment Funds. Gas program revenue decreased by \$21.2 million or 28.2%, due to lowered commodity prices which are pass-through in nature compared to unprecedented spike in natural gas market in prior fiscal year wintertime (November 2022 to January 2023). Water program revenue increased by \$6.5 million or 14.7% from the prior fiscal year due to 5% rate increase effective July 1, 2023, higher consumption and increase in service connection fees due to higher volume of connections. Wastewater Treatment program revenue increased by \$7.1 million, or 22.7% from prior fiscal due to higher billing to partners that is driven by increased operating and minor capital costs that were not funded by State Water Resource loan and Valley Water.

### *Expenses*

Government Wide expenses for the City in FY 2024 were \$638.0 million, an increase of \$26.6 million or 4.3% above 2023, due to a \$40.4 million increase from Governmental Activities and \$13.8 million decrease from Business-type expenses.

The increase in Governmental Activities expenses is mainly due to the increases in salaries and benefits and includes pension (GASB 68) and OPEB (GASB 75) related to adjustments and contract services and is highlighted in discussion below. In addition to the impact of GASB 68

and GASB 75, salaries and benefits are higher in FY 2024 due to the City's progress in workforce recruitment in the past year and Council approved general and market salary rate adjustments and merit and step increases for employees.

*Administrative Services (includes Non-Departmental)* expenses increased by \$3.5 million, or 36.8%, mainly due to the City paid refund of impact fees (from restricted Parking In-Lieu funds) of \$1.1 million related to Hamilton and High. LLC v. City of Palo Alto, salaries and benefits, contract services, and rent expenses.

*Public Works* expenses increased by \$11.7 million, or 31.3%, primarily due to salaries and benefits, contract services and non-capitalizable related project expenses of Homekey facilities, Roth building rehabilitation and street maintenance expenses. The increase in salaries and benefits is mainly due to required pension and OPEB expense adjustments for GASB Statements Nos. 68 and 75. Contract services is due to higher janitorial service contract costs that were driven by new wage and benefits standards and additional City facilities and service frequency of some facilities.

*Planning and Development Services* expenses increased by \$2.1 million, or 8.6%, primarily due to increase in salaries and benefits, including GASB 68 and 75 adjustments for pension and OPEB.

*Police and Fire* expenses, which comprise over one-third of total Governmental Activities expense, increased by \$6.5 million and \$5.6 million, or 14.2% for both by the same percentage, mainly due to salaries and benefits cost increases that include GASB 68 and 75 required adjustments for pension and OPEB expenses, respectively. The Police overtime expenses are higher primarily due to backfilling vacancies and benefited leave benefits of absences as well as additional shifts for the recently awarded grant for increased retail theft prevention activities.

*Community Services* expenses increased by \$7.1 million or 19.2%, mainly due to salaries and benefits, including, GASB 68 and 75 pension and OPEB expenses adjustments and increases in contract services such as landscape maintenance, animal service provider cost and golf course fee contract services.

*Library* expenses increased by \$2.2 million, or 19.8%, primarily due to increase in salaries and benefits, primarily due to expanded library hours and services, and GASB 68 and 75 adjustments for pension and OPEB expenses, respectively.

The Business Type Activities expense decreases are mainly due to lower commodity prices, partially offset by increases of salaries and benefits that include pension required by GASB Statement Nos. 68 and 75.

***Electric Fund*** expenses decreased by \$11.4 million, or 6.3%, from the prior fiscal year mainly due decrease in commodity purchases that were driven by improved hydroelectric generation resulting from rainy winter 2022/2023. The supply costs reductions were partially offset by higher costs in resource managements with more vacancies filled and higher operations and maintenance costs.

**Gas Fund** expenses decreased by \$20.5 million, or 32.3%, mostly due to lowered commodity prices in FY 2024 compared to unprecedented spike in natural gas prices in prior fiscal year wintertime, November 2022 to January 2023.

### *Government Wide Capital Assets*

The City's capital assets for its governmental and business-type activities as of June 30, 2024 totals \$1.589 billion (net of accumulated depreciation), a \$102.3 million or 6.4% increase over FY 2023. Capital project activities in FY 2024, such as Public Safety Building, Secondary Treatment Upgrades, Wastewater Collection Rehabilitation and Augmentation projects, and Smart Grid Technology installation are the primary drivers of this increase.

**Table 4:**  
**Capital Assets as of June 30**  
**(in millions)**

	2024	2023	Increase/ (Decrease)
<b>Governmental activities</b>			
Capital Assets			
Land and improvements	\$82.1	\$82.1	\$0.0
Street trees	14.8	14.8	-
Construction in progress	179.3	156.2	23.1
Building and improvements	356.3	355.8	0.5
Intangible assets	3.6	3.8	(0.2)
Equipment	19.3	19.0	0.3
Roadway network	359.1	359.1	-
Recreation and open space network	37.0	37.0	-
Less accumulated depreciation	(378.8)	(358.1)	(20.7)
Internal Service Funds			
Construction in progress	9.8	6.9	2.9
Equipment	60.3	60.4	(0.1)
Less accumulated depreciation	(47.9)	(45.8)	(2.1)
Amortized Assets			
Intangible assets-right to use leased assets	16.5	17.4	(0.9)
Intangible assets-right to use SBITA assets	4.5	3.9	0.6
Less accumulated amortization	(12.8)	(8.2)	(4.6)
<b>Total Governmental Activities</b>	<b>\$703.1</b>	<b>\$704.3</b>	<b>(\$1.2)</b>
<b>Business-Type Activities</b>			
Land	\$5.0	\$5.0	\$0.0
Construction in progress	\$264.1	\$186.2	\$77.9
Buildings and improvements	\$84.9	\$83.8	\$1.1
Infrastructure	\$0.6	\$0.6	\$0.0
Transmission, distribution and treatment systems	\$1,006.1	\$963.2	\$42.9
Less accumulated depreciation	(\$481.3)	(\$462.5)	(\$18.8)
Amortized intangible leased and SBITA assets	\$10.1	\$8.1	\$2.0
Less accumulated amortization	(\$3.9)	(\$2.3)	(\$1.6)
<b>Total Business-type Activities</b>	<b>\$885.6</b>	<b>\$782.1</b>	<b>\$103.5</b>

### *Government Wide Liabilities*

As of June 30, 2024, the City's liabilities totaled \$1.135 billion, which is a \$83.5 million or 7.9% increase from FY 2023. This increase is mainly due the City's Long-term debt increased by \$49.7

million due to a \$61.2 million addition of State Water Resource loan, offset by scheduled debt retirements. In addition, the City's Net Pension Liabilities and Net Other Post-Employment Benefit (OPEB) Liabilities increased by \$29.1 million due to adjustments for required Government Accounting Standards Board (GASB) Statement No. 68 and 75.

### Fund Financial Statements

#### *General Fund*

##### *General Fund Reserves*

At the end of fiscal year 2024, the General Fund's fund balance was \$106.7 million of both restricted and unrestricted balances. This fund balance is comprised of several reserves: the Budget Stabilization Reserve (BSR or City's general reserve), reappropriations, advances to other funds, notes and loans, inventory, development services reserves, and other general government special purpose reserves (reserves for encumbrances, donations, and excess Educational Revenue Augmentation Fund (ERAF)). For detail of what comprises the General Fund balance, please refer to page 33 of ACFR.

##### *Reserve for Excess ERAF*

At the end of fiscal year 2024, \$5.6 million is the total Reserve for excess ERAF due to the State Controller's Office audit finding on Marin County Excess ERAF calculation methodology that may be applicable to the County of Santa Clara. The County of Santa Clara has filed a lawsuit against the State Controller's Office on this matter. The estimate is, if this audit finding/lawsuit is sustained, 20% to 22% of excess ERAF is at risk for fiscal years 2021 to 2024. If the finding holds, the County of Santa Clara, as well as other Excess ERAF counties, will be impacted in future years starting in FY 2025. This reserve is consistent with prior year methodology of assumptions for this challenge. Moreover, the City has set aside the excess ERAF per County guidance into a contingency reserve and such revenue has not been appropriated in the adopted respective budgets nor LRFF.

##### *Reserve for Development Services*

The Development Services Reserve Fund (DSRF) is maintained separately in General Fund Reserves. This represents an additional 5% on Development Services municipal fees to build an operating reserve for purposes such as funding unforeseen operating shortfalls and one-time expenses that build long-term capacity. As of June 30, 2024, this reserve has a balance of \$3.1 million. This policy will continue through FY 2025 to support continuity in operations while the Planning and Development Services Department completes an updated cost of services study. As part of this study, staff expects to bring forward an updated policy for City Council consideration. Staff anticipate bringing this item to Finance Committee in February 2025 for inclusion in the FY 2026 operating budget cycle.

*Business Tax Reserve for Housing Affordability and Services for Unhoused, Transportation and Safe Train Crossings, and Public Safety.*

The City’s Business Tax (Measure K) was passed by voters in November 2022. The City Council adopted advisory spending guidelines for the proceeds of the City’s business tax. These guidelines require that the City report receipts from business tax and that year’s spending from business tax proceeds for housing affordability and services for unhoused, transportation and safe train crossings, and public safety.

The tax was effective in January 2023, with the rate through January 2025 being 50% of the voter-approved rate or 3.75-cents per square foot per month. The full rate will be assessed starting January 2025 at 7.5-cents per square foot per month. The tax has an annual cap of \$0.5 million per business and both the rate and the cap are increased by 2.5% annually beginning FY 2027. While tax began January 1, 2023, the first due date is January 2024 for the calendar year of 2023. After the initial first payment, filings shall be submitted on a quarterly basis.

Included in the committed portion of the General Fund fund balance are the reserves for Housing Affordability and Services for the Unhoused and Transportation (\$1.1 million) and Safe Train Crossings (\$0.8 million). These reserves represent unspent Business Tax proceeds. Assessment of the tax began January 2023, and the first annual payment was due January 2024. Table 5 includes details for business tax revenues, expenses, and remaining balances as of June 30, 2024, which have been respectively placed in reserves.

**Table 5:**

**Business Tax Revenues and Expenses  
For the Year Ended June 30  
(in millions)**

<b>Uses</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Reserves</b>
Housing Affordability and Services for Unhoused	\$1.8	\$0.7	\$1.1
Transportation and Safe Train Crossings	1.8	1.0	0.80
Public Safety	1.8	1.8	-
<b>Total</b>	<b>\$5.4</b>	<b>\$3.5</b>	<b>\$1.9</b>

Administrative expense for FY 2024 totaled \$0.6 million and \$0.2 million was allocated to each spending category.

*General Fund Budget Stabilization Reserve*

As described in the BSR reserve policy approved by the Council, the reserve is to remain 15%-20% of the General Fund operating budget, with a target level of 18.5%. After adjusting for FY 2024 year-end actuals and Council approved uses of the BSR in FY 2025 (\$2.6 million, outlined in Table 6), the adjusted BSR balance is \$63.3 million, or 21.5% of the FY 2025 Adopted expenses (\$294.0 million). This level is \$8.9 million above the 18.5% target level of \$54.4

million. The \$8.9 million is comprised of \$7.9 million or 1.5% budget variance in comparison to total FY 2024 actual General Fund revenues and expenditures, which is well within acceptable standard deviation given the complexity, size, and fluctuation of the General Fund budget, and an additional \$1 million due to an isolated misclassification of prior year reappropriation, which staff discovered in the year-end close reconciliation.

Any reserve balance above the 18.5% target is to be allocated 50/50 to the Infrastructure Reserve (IR) in the Capital Improvement Fund, and the City's Section 115 Pension Trust, as outlined in the Pension Funding Policy. The FY 2025 Adopted Operating Budget projected a \$58.0 million BSR balance as of June 30, 2024; the actual balance is \$7.9 million higher than projected, totaling \$65.9 million, before adjusting for FY 2025 uses approved by Council.

The actual BSR is \$7.9 million above or 1.5% budget variance is attributed to higher revenues than projected and lower department expenditures than the budgeted, specifically vacancy savings of \$2 million, contract services of \$2.4 million, other expenses of \$1.3 million, and various revenues of \$2 million.

After adjusting for Council approved uses of the BSR in FY 2025 (\$2.6 million, outlined in Table 6 in alignment with Council policy), staff recommends that the \$8.9 million above the targeted 18.5% level be allocated between the capital infrastructure reserve (IR) of \$3.0 million and Budget Uncertainty Reserve of \$5.9 million. While it is a departure from the Council surplus allocation policy, this allocation honors the intention that funding be allocated to support financial needs before investing in reserves. This recommended allocation ensures adequate funding to address the projected FY 2026 budget shortfall and funding for capital cost uncertainties expected specifically in relationship to the Public Safety Building project, ensuring the City maintains high quality service level. These budget actions to allocate the BSR funds above the 18.5% target will be included in the FY 2025 Mid-Year Review (February 2025).

<b>Table 6: Year-End Budget Stabilization Reserve (BSR) Summary (in millions)</b>	
<b>General Fund BSR Balance, June 30, 2024</b>	<b>\$65.9</b>
<b>Uses of the FY 2025 BSR Balance Above Target</b>	
<i>FY 2025 Approved Adjustments to balance FY 2025</i>	<i>(\$2.6)</i>
<b><i>Subtotal: BSR Balance, After Approved Adjustments</i></b>	<b><i>\$63.3</i></b>
<i>FY 2025 RECOMMENDED Adjustments to the BSR Balance (to be considered in FY 2025 Mid-Year Budget Review)</i>	
Transfer to Infrastructure Reserve (IR) in the Capital Improvement Fund (support cost increases in the Public Safety Building)	<i>(\$3.0)</i>

Transfer to Budget Uncertainty Reserve (Fully fund FY 2026 forecasted deficit)	(\$5.9)
<b>Subtotal: Recommended Adjustments to the BSR Balance</b>	<b>(\$8.9)</b>
<b>Projected FY 2025 BSR Level, (June 30, 2025)</b>	<b><u>\$54.4</u></b>

The General Fund unassigned fund balance is \$53.7 million (ACFR, p.33.). Staff has reconciled the accounting basis of this presentation (where non-cash activity is recorded) against budgetary activity. The main difference between the BSR balance (\$65.9 million) and unassigned fund balance (\$53.7 million) is the investment unrealized loss adjustment, as required by GASB 31 and discussed previously in this report.

### *General Fund Revenues*

General Fund revenues for FY 2024 were \$242.1 million, which is \$27.6 million or 12.9% higher than the prior fiscal year. The increase is mainly due to increases in major taxes, new business tax, property tax, charges for services, license, permits and fees, rental income, and investment earnings. Year-over-year changes in each of the major tax revenue categories are summarized in Table 7. Sales tax and TOT revenues were significantly affected by the pandemic; while these two major tax revenues have reached pre-pandemic levels due to the improved local economy, higher price trends also attributed to this trend.

Table 7: General Fund Major Tax Revenues (in millions)			
Category	FY 2024	FY 2023	% Change Increase/ (Decrease)
Property tax	\$66.3	\$63.1	5.1%
Sales tax	37.5	36.9	1.6%
Utility user tax	19.0	18.8	1.1%
Transient occupancy tax	27.8	25.5	9.0%
Documentary transfer tax	7.0	5.8	20.7%

**Property tax** revenue increased \$3.2 million, or 5.1% over the prior fiscal year due to higher assessed values changes in ownership and excess ERAF which is set aside in a contingency reserve.

**Sales tax** receipts were \$0.6 million or 1.6% higher than the prior fiscal year, due to higher prices of goods and stronger consumer spending.

**Utility user tax** revenues were \$0.2 million or 1.1% higher compared to the prior year due to higher telephone UUT, which was partially offset by decline in utility UUT.

**Transient occupancy tax (TOT)** revenues were \$2.3 million or 9.0% higher than prior year due growth in travel and tourism, partially offset by lower room rates. In FY 2024, the average occupancy rate was 77.16%, a 14.6% increase and the average room rate was \$242, a 5.5% decrease over the prior year. The entire 15.5% TOT rate from new hotels, plus 3.5% from all other hotels, has been allocated to the Infrastructure Plan pursuant to City Council direction. This results in additional TOT for the Infrastructure plan of \$1.6 million. These additional funds, coupled with the recommended excess BSR funds will assist in ensuring capital projects may continue as planned, adjusting for the rising costs due to the current inflationary economic conditions. Table 8 outlines a comparative breakdown of the transient occupancy tax allocation between the City’s General Fund and the Infrastructure Plan:

<b>Table 8: Allocation of Transient Occupancy Tax (in millions)</b>			
	<b>FY 2024</b>	<b>FY 2023</b>	<b>% Change Increase (Decrease)</b>
<b>General Fund</b>	\$14.1	\$13.5	4.4%
<b>Infrastructure Plan</b>			
New hotels – 12%	7.4	6.3	17.5%
New and all other hotels – 3.5%	6.3	5.8	8.6%
<i>Subtotal Infrastructure</i>	<i>13.7</i>	<i>12.1</i>	<i>13.2%</i>
<b>Total TOT Receipts</b>	<b><u>\$27.8</u></b>	<b><u>\$25.5</u></b>	<b><u>9.0%</u></b>

**Documentary transfer tax** increased \$1.2 million, or 20.7%, over the prior fiscal year. due to the 10.1% increase in the number of transactions compared to the prior fiscal year. The average median home price per Zillow, increased from \$3.0 million in June 2023 to \$3.3 million in June 2024, an increase of 10.0%. This revenue source is considered volatile since it is highly dependent on sales volume and the mix of commercial and residential sales.

**Business tax receipts** were \$5.3 million, a new revenue source in FY 2024, represents six quarters of collection in FY 2024 (includes the last two quarters of FY 2023). This City’s new funding source is allocated between three critical service areas: transportation and safe train crossings, housing affordability and services for the unhoused, and public safety.

**Charges for services** increased by \$1.6 million due to increases in reimbursements for fire services (\$1.1 million) and paramedic service fees (\$0.7 million).

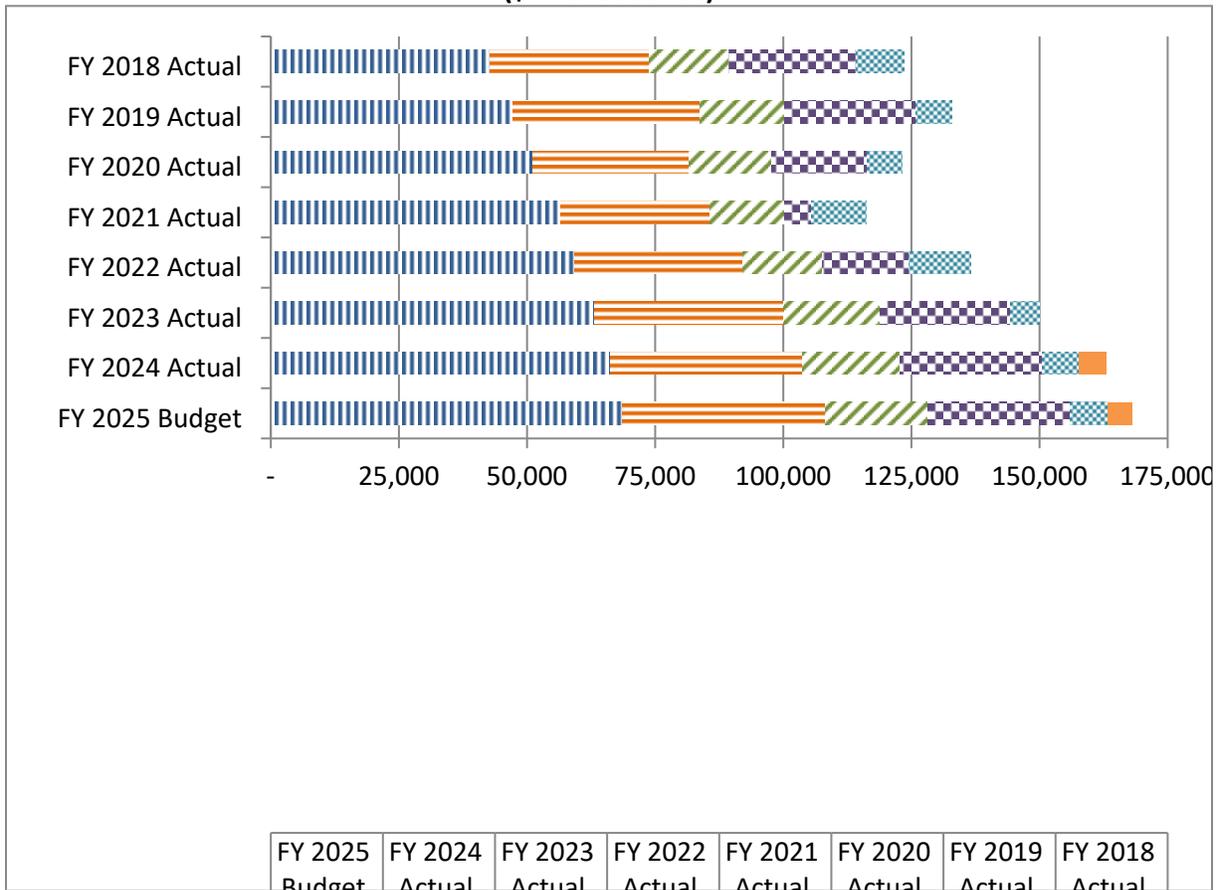
**Licenses, permits and fees** increased by \$3.4 million primarily due to the surge in the construction permits and adjustments in Developer Services building permits and other fees that have been increased in current fiscal year.

**Rental Income** increased by \$2.0 million due to increases in facilities rent paid by Enterprise Funds and the annual CPI of 4.9% increase Cubberly Community Center tenants. Revenue for customer facilities rent also increased.

**Investment earnings** increased by \$9.4 million primarily due to an \$8.3 million increase in fair value investments portfolio at June 30 and \$1.1 million as a result of higher yield of investments and cash balance

Chart 1 which depicts the relative contribution of each tax category over the past seven years (2018 through 2024), as well as the current budgeted year (2025).

**Chart 1: General Fund Tax Revenues**  
**Actual Fiscal Years 2018 – 2024**  
**Budget Fiscal Year 2025**  
 (\$ in thousands)



The City’s Business Tax (Measure K) was passed by voters in November 2022 and was effective in January 2023. The first due date was January 2024 for the calendar year of 2023.

**General Fund Expenditures**

General Fund expenditures for FY 2024, including encumbrances and reappropriations, totaled \$276.6 an increase of 8.8% from the prior fiscal year, primarily due to the increases in salaries

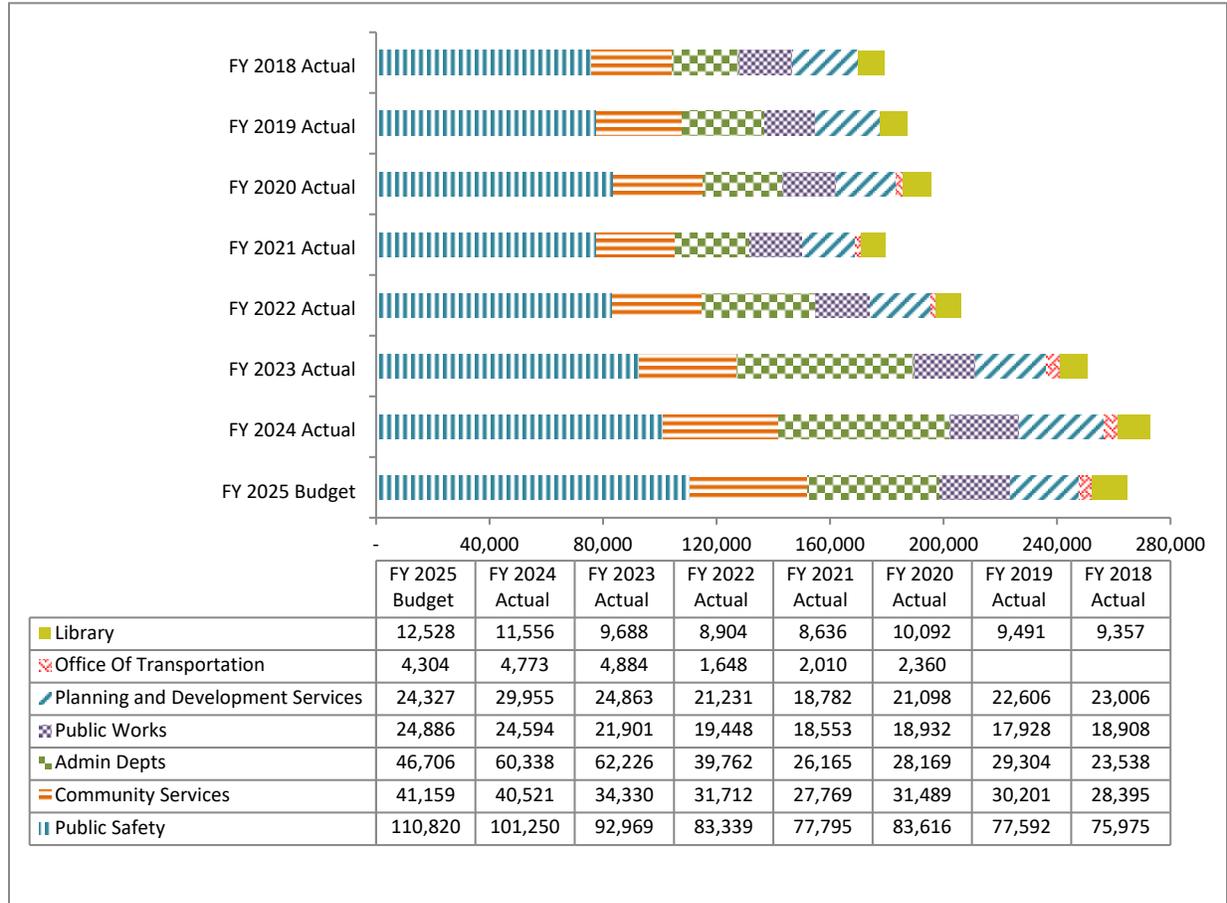
and benefits, contract services and general expenses. The increase in salaries and benefits is due to positions added in FY 2024, general merit and market salary rate adjustments, pension contributions and Pension Fund Trust contributions. The increase in Pension Trust Fund contribution is due to approval of reduced discount rate from 6.2% to 5.3% in FY 2023 to calculate pension fund trust contributions. FY 2023 is a transitional year equivalent to a rate of approximately 5.8% contributions. The increase in contract services is driven by increases in janitorial services, landscape maintenance, animal service provider cost, golf course fee contract services, and outside services (Trusted Response Support Team and Demand Shuttle Program – Palo Alto Link).

The General Fund-Administrative expense category includes the Utility Transfer Litigation Reserve and the Budget Uncertainty Reserve. In FY 2024, \$7.9 million was allocated from the Utilities Transfer Litigation Reserve for the first refund payments to active class members and legal fees, and lumpsum refund payments to inactive class members for the Green v. City of Palo Alto (Santa Clara Superior Court, Case No. 1-16-CV-300760) settlement. As of the end of FY 2024, Utility Transfer Litigation Reserve retained a balance of \$9.6 million that was reappropriated based on future settlement payment needs into FY2025.

The Budget Uncertainty Reserve retains a balance of \$9.6 million, this reflected the use of \$0.5 million for priority investments from the FY 2024 Adopted Budget level of \$10.1 million. This remaining \$9.6 million was reappropriated to FY 2025 to be used in the development of the FY 2025 budget.

The FY 2024 Adopted Budget for expenditures of \$245.9 million was adjusted to \$282.3 million, a \$36.4 million increase. A majority of this increase reflects \$28.5 million of encumbrance carryforwards and reappropriations from the prior fiscal year, with the remainder being adjustments that were approved during FY 2024 by the City Council. The reappropriation includes Utility Transfer Litigation Reserve and Budget Uncertainty Reserve detailed in the preceding discussion of this report. Chart 2 compares actual departmental costs, including encumbrances and reappropriations, excluding Cubberley lease over the past seven years and budgeted costs for FY 2025.

**Chart 2: General Fund Departments  
Actual Expenditures Fiscal Years 2018– 2024 (including reappropriations and encumbrances)  
Budgeted Expenditures Fiscal Year 2025  
(\$ in thousands)**



*The Development Services Department was combined with Planning and Community Environment in FY 2020 and renamed to the Planning and Development Services Department.*

*The Office of Transportation, which previously was a division of Planning and Community Environment, was established in FY 2020.*

*Admin departments expenditures were higher in fiscal years 2023 to 202 due to Utility Transfer Litigation and Uncertainty Reserve.*

**Capital Projects Fund**

The Capital Projects Fund ended the year with a fund balance of \$107.3 million, comprised of the following:

<b>Table 9: Capital Projects Fund – Fund Balance</b>	
<b>Fund Balance Component</b>	<b>Amount (\$ in millions)</b>
Non-spendable Deposits	\$2.0
Reserved for Cubberley expenditures	6.3
Restricted for Public Safety Building	5.2
Assigned for all other Capital projects	85.7
<b>Total Capital Projects Fund Balance</b>	<b>\$99.2</b>

**Non-spendable Deposits** \$2.0 million represents the initial deposit into the Project Account for the Roth Building construction project per Section 4.2.B of April 20, 2023, Tenant Work Letter<sup>5</sup>.

**Reserved for Cubberley Expenditures** \$6.3 million represents the amount of unspent funds in the Cubberley Property Infrastructure Fund to be used for capital improvement projects at the Cubberley Community Center.

**Restricted for Public Safety Building** – This category includes all public safety buildings such as fire stations, police stations, emergency operations center. The \$5.2 million represents the funding from the State of California restricted for the construction of Fire Station 4 Replacement (PE-18004). This project is currently under construction with estimated completion in Summer 2028.

**Assigned for all other Capital projects** \$85.7 million represents the amount of unspent funds associated with Adopted Capital projects and other noted items. Outside funding sources such as grants, donations and future debt issues are not factored into this component of the fund balance until they are received.

### ***Enterprise Funds***

The City’s Enterprise Funds reported a total Net Position of \$882.5million, a \$55.3 million, or 6.7% increase from the prior fiscal year. The table below summarizes the overall change in Net Position for each Enterprise Fund. Compared to FY 2023, the Change in Net Position for Enterprise funds increased \$55.3 million driven primarily by the Electric Fund, and Wastewater Treatment Funds, partially offset by the decrease in Gas Fund – details of these funds are summarized following this table.

<sup>5</sup> City Council, April 17, 2023: <https://portal.laserfiche.com/Portal/DocView.aspx?id=65913&repo=r-704298fc>

**Table 10:**  
**ENTERPRISE FUNDS**  
*Change in Net Position for the Year Ended June 30*  
(in millions)

<u>Fund Name</u>	<u>2024</u>	<u>2023</u>	<u>Increase/ (Decrease)</u>
Water	\$ 0.3	\$ (0.6)	\$ 0.9
Electric	42.6	28.2	14.4
Fiber Optics	2.5	(0.2)	2.7
Gas	3.5	5.6	(2.1)
Wastewater Collection	(1.0)	(0.1)	(0.9)
Wastewater Treatment	3.4	(0.1)	3.5
Refuse	(1.5)	(0.8)	(0.7)
Storm Drainage	2.1	2.4	(0.3)
Airport	3.4	2.2	1.2
<b>Total Change in Net Position</b>	<u>\$ 55.3</u>	<u>\$ 36.6</u>	<u>\$ 18.7</u>

*Electric Fund* change in net position increased \$14.4 million, or 51.5%, is mainly due to \$35.3 million increase in operating income offset by \$20.6 decrease in non-operating revenue. The increase in operating income is due to higher customer and resource adequacy capacity sales and decrease in commodity purchases. The increase in customer sales revenue is due to increased consumption and the net impact of base rate increase effective July 1, 2023 and deactivation of the Electric Hydro Adjusted (E-HRA). The decrease in nonoperating income (expenses) is due to receipt of \$23.9 million refund in FY 2023 from the Bureau of Reclamation for an overcharge associated with the Central Valley Project, where the City gets most of its hydroelectric power. The refund is as a result of successful litigation the City participated in against the Bureau of Reclamation

*Wastewater Treatment Fund* change in net position increased \$3.5 million due to higher billing to partners for capital costs that were not funded by State Water Resource loan and Valley Water. The capital costs are recorded as assets which depreciates over the years of its useful life. The depreciation for the year decreased the net position and not the entire capital costs.

*Gas Fund* change in net position decreased \$2.1 million mainly due to \$1.5 increase in equity transfer to the General Fund and retirements of gas meters due to incompatibility of smart meter endpoints. The operating revenue decrease of \$21.2 million was offset by a decrease of operating expenses, \$20.4 million. Operating revenue and expenses decreases are related to the lowered commodity prices which are pass-through in nature.

### *Unrestricted Net Position*

Table 11 below details the Change in Unrestricted Net Position in the Enterprise Funds. Enterprise Fund Rate Stabilization, Operations and other reserve balances are shown in detail in the ACFR (p. 90). Overall, except for the Wastewater Collection, Wastewater Treatment Fund and the Airport Fund, each Enterprise Funds maintained a positive unrestricted net position balance as of June 30, 2024. Adjustments for the Pension Reserve (as required by GASB 68) and OPEB Reserve (as required by GASB 75) total \$130.2 million and unrealized market losses on investments total \$15.3 million (as required by GASB 31) for all Enterprise Funds and reduce each fund's unrestricted net position.

The Wastewater Collection Fund reflects a \$10.2 million Unrestricted Reserve deficit mainly driven by \$9.7 million in Pension and OPEB adjustments.

The Wastewater Treatment Fund reflects a \$36.6 million Unrestricted Reserve deficit driven by \$26.2 million in Pension Reserves and OPEB Reserves adjustment and due to the delay of \$ 30.6 million loan proceeds from State Water Resource Control Board for the Primary Sedimentation Tank Rehabilitation and Secondary Treatment Upgrade capital projects.

The Airport Fund reports a \$2.5 million Unrestricted Reserve deficit due to advances from General Fund and \$1.4 million Pension Reserve and OPEB Reserve adjustments.

**Table 11:**  
**Enterprise Funds**  
**Changes in Unrestricted (Deficit) Net Position**  
**(In Million)**

<u>Fund Name</u>	<u>2024</u>	<u>2023</u>	<u>Increase/ (Decrease)</u>
Water	\$ 11.5	\$ 20.3	\$ (8.8)
Electric	97.8	68.5	29.3
Fiber Optics	32.6	31.7	0.9
Gas	12.8	10.9	1.9
Wastewater Collection	(10.2)	(1.4)	(8.8)
Wastewater Treatment	(36.6)	(29.2)	(7.4)
Refuse	11.7	13.2	(1.5)
Storm Drainage	6.8	6.9	(0.1)
Aiport	(2.5)	(4.8)	2.3
Total Changes in Reserves (Unrestricted)	<u>\$ 123.9</u>	<u>\$ 116.1</u>	<u>\$ 7.8</u>

## **FY 2024 Budget Appropriation for various funds**

To close the fiscal year, this report includes technical actions reallocating and realigning the budget to appropriate funds for actual operating and capital expenditures and revenue collected and to adjust transfer between funds, including adjustments to fund balance, is outlined in **Attachment B**.

## **FISCAL/RESOURCE IMPACT**

Recommended actions in the report will align the FY 2024 appropriations with final financial activities as outlined in **Attachment B**. Overall, the City ended the FY 2024 in a positive net position.

## **STAKEHOLDER ENGAGEMENT**

The review and development of this report was coordinated among various divisions within the Administrative Services Department, along with Department staff who assisted with analysis. The actions recommended in this report were discussed and communicated to the impacted departments.

## **ENVIRONMENTAL REVIEW**

This activity is not a project under California Environmental Quality Act (CEQA) as defined in CEQA Guidelines, section 15378, because it has no potential for resulting in either a direct or reasonably foreseeable indirect physical change in the environment.

## **ATTACHMENTS**

- Attachment A: General Fund Statement of Revenues, Expenditures, and Change in Fund Balance – Budget versus Actual (Budgetary Statement)
- Attachment B: Recommended FY 2024 Year-End Budget Amendments

## **APPROVED BY:**

Lauren Lai, Administrative Services Director