



AGENDA REPORT

Department: Finance
Prepared by: Bruce Foltz, Director of Finance
Meeting Date: Tuesday, December 2, 2025
Approved by: Alejandro Hernandez, Acting City Manager

SUBJECT:

Fiscal Year 2025 Budget Review

RECOMMENDATION:

Accept and File this Report, and Adopt the Resolution Entitled: “Resolution of the City Council of the City of National City, California, Ratifying Various Fiscal Year 2025 Budget Adjustments.”

BOARD/COMMISSION/COMMITTEE PRIOR ACTION:

Not Applicable.

EXPLANATION:

BACKGROUND

As part of the City of National City’s Strategic Plan objective to provide consistent financial reports, this staff report to City Council presents an update on the City’s financial operations for the fiscal year ending June 30, 2025.

DISCUSSION

Budgets are projections based on known and anticipated future revenues and expenditures. Throughout the year, staff monitor and analyze revenues and expenditures, develop projections, and provide periodic financial reports to the City Council, City Manager, and department directors. The totals presented herein for fiscal year 2025 are a summary of the actual revenues and expenditures, and their impact on fund balance compared to the corresponding budgeted amounts for the year. The amounts in this report are unaudited and subject to change upon completion of the City’s Annual Comprehensive Financial Report.

Fiscal Year 2025

The fiscal year 2025 adopted budget projected the use of \$4.9 million of the General Fund’s unassigned fund balance. After a review of the fiscal year’s revenues and expenditures through June 30, 2025, the use of fund balance has increased to \$5.0 million. The variances between budgeted and actual revenues and expenditures, and the impacts on fund balance are summarized below. Further, staff has determined that certain year-end budget adjustments were necessary and seeks ratification of the adjustments described in the Expenditures and Budget Adjustments section below and detailed in Exhibit A.

Revenues

The City receives revenues from various sources, some of which, such as taxes and fees, provide unrestricted cash that may be used at the City’s discretion. Other revenues are reserved for specified purposes, for example, grant funds received for capital projects. Actual General Fund revenues, including transfers from other funds, for fiscal year 2025, listed by source in the table

below, were more than their combined budgeted total by approximately \$7.6 million. Although a positive short-term result, much of this increase is attributable to positive market performance, or one-time transactions which cannot be relied upon as part of organic revenue growth.

Fiscal Year-End Revenue Totals

Revenue Source	FY25 Revised	FY25 Post	FY25 Actual ³	Variance
	Budget ¹	Ratification ²		
Sales & Use Tax	\$ 23,407,858	\$23,407,858	\$23,835,662	\$427,804
District Transactions & Use Tax	15,995,295	15,995,295	18,218,944	2,223,649
Property Tax	2,698,756	2,698,756	2,645,224	-53,532
Property Tax in Lieu of VLF	9,273,778	9,273,778	9,363,435	89,657
Other Revenues	19,760,011	19,760,011	24,687,973	4,927,962
Transfers In	35,504	35,504	35,504	0
Total	\$ 71,171,202	\$ 71,171,202	\$ 78,786,743	\$ 7,615,541

1 adopted budget, plus budget adjustments

2 reflects the budget with ratification adjustments presented in this report

3 actual amounts are unaudited

The budgeted amounts for Sales & Use tax and District Transactions Tax were based on projections provided by the City's sales tax consultant. Retail sales activity in Sales & Use Tax ended above the budgeted amount by \$428,000. Improvements in new and used car sales, as well as food and restaurant sectors were tempered by reduced revenue from service stations due to lower fuel prices.

The nominal increase in sales tax was bolstered by increases in the District Transactions & Use Tax, which finished the year at \$2.2 million above the budgeted level. This outperformance was driven by several large, atypical business-industrial payments. Combined, sales tax and district tax related revenue came in \$2.7 million above budget.

Property Tax and Property Tax in Lieu of VLF (vehicle license fees) saw a combined \$36,000 increase above the budgeted amount. Both Property Tax and Property Tax in Lieu of VLF have grown year over year and are projected to steadily grow into the future as property values continue to rise.

Revenues in the Other Revenues category ended the year above budget by \$4.9 million, which is a combination of projected positive and negative variances in the various individual accounts. The largest contributors to increases in this category were \$2.1 million in Investment Earnings, \$1.5 million in Unrealized Gains on Investments, \$356,000 in Successor Residual Balance Distributions, \$230,000 in Overtime Reimbursements, \$225,000 in Refuse Franchise Fees, \$179,000 in Fire Protection Services for Lower Sweetwater, \$118,000 in Las Palmas Golf Course Rentals, and \$115,000 in Swimming Pool Revenue.

Underperforming accounts within the Other Revenue category include Building Permits (\$194,000), Transient Lodging Tax (\$142,000), and Electric Franchise Fees (\$133,000).

Expenditures and Budget Adjustments

As of June 30, 2025, General Fund expenditures, including transfers to other funds, totaled \$83.8 million, \$2.05 million more than the revised budget of \$81.7 million. Expenditure variances are summarized by category in the table below.

Fiscal Year-End Expenditure Totals

Expenditure Type	FY25 Revised	FY25 Post	FY25 Actual ³	Variance
	Budget ¹	Ratification ²		
Personnel Services	\$ 51,228,882	\$51,958,882	\$51,958,843	\$39
Maint & Operations	8,481,167	9,531,167	9,530,510	656
Capital Outlay	8,047,757	2,720,234	2,651,805	68,429
Debt Services	543,623	595,623	594,667	956
Internal Svc Chgs	10,305,890	10,180,890	10,180,890	0
Special Paymnts	328,750	328,750	298,348	30,402
Transfers Out	2,772,765	8,547,410	8,547,410	0
Total	\$ 81,708,834	\$ 83,862,955	\$ 83,762,474	\$ 100,482

1 adopted budget, plus budget adjustments

2 reflects the budget with ratification adjustments presented in this report

3 actual amounts are unaudited

Personnel costs make up approximately 62% of the General Fund's budget. Before including the ratification adjustments included in this report, expenditures exceeded budget by \$730,000. The primary driver of this overage are overtime expenditures in Police and Fire which ended a combined \$2.3 million above budget. The majority of this overage was absorbed by savings elsewhere within the Personnel Services budget; however, staff is requesting a budget adjustment ratification in the amount of \$730,000 to cover the balance.

Maintenance & Operations expenditures exceeded the revised budget by \$1.05 million. This overage is primarily attributable to \$1.1 million in expenditures related to the January 2024 winter storm. Although potential reimbursement relief for these costs are being explored, staff is requesting a \$1.05 million budget adjustment ratification to fund these unbudgeted expenditures. The remaining overage is absorbed by savings realized across various other M&O accounts.

As presented to Council earlier this year, a new CIP fund has been created to aid in the administration and reporting of General Fund contributions to ongoing Capital Improvement Projects. To that end, the remaining available balance of these contributions as of June 30, 2025 have been transferred to the new fund. Previously, unspent appropriations were carried over to the next fiscal year. Staff is requesting a budget adjustment ratification to move \$5,327,523 from the Capital Outlay category to the Transfer-Out Category. The remaining \$68,000 in savings is related to computer and communications equipment accounts.

In addition to the transfer out to establish the new CIP fund, staff is requesting a budget appropriation ratification in the amount of \$447,200 to subsidize the operations of several funds as outlined below.

EMT Revolving Fund (\$164,832) – Revenue received from AMR in this fund was insufficient to cover the increased cost of paramedic differentials after recent salary adjustments to FFA positions.

Nutrition Center Fund (\$146,708) – Inflationary increases for food supplies and an unanticipated increase in overtime, combined with an inability to meet the assigned departmental M&O savings target drive this overage.

Post-Employment Benefit Fund (\$65,825) – Actual costs for the retiree health benefit program exceeded the budgeted amount.

Parking Fund (\$73,528) – Expenditures exceeded revenues in this fund which carries no fund balance. The aim for this fund is to eventually be self-sustaining.

Facilities Maintenance Fund (\$64,125) – The fund balance of this fund was able to absorb the majority of the expenditure overage, however an additional \$64,125 from the General Fund is necessary to cover the balance.

A reduction in the General Fund transfer to the Parks Fund of \$67,800 will be used to complement the additional adjustment request.

Ratification of Budget Adjustments for Other Funds

Normally, staff requests budget adjustments in advance based on known or projected funding requirements that require additional appropriations. In some instances, the need isn't known until the end of the fiscal year. For fiscal year 2025, expenditure requirements exceeded appropriations as summarized below and detailed in Exhibit A. Budget adjustments have been made by staff to correct the shortfalls and staff seeks ratification by the City Council of these adjustments.

Library Fund - \$128,641
EMT – D Revolving Fund - \$164,854
Nutrition Center Fund - \$138,975
Mile of Cars LMD - \$77,386
Security and Alarm Regulation Fund - \$14,132
Post-Employment Benefit Fund - \$65,825
Facilities Maintenance Fund - \$282,771

FINANCIAL STATEMENT:

Due to the overperformance of key revenues, the City was able to mitigate unanticipated increases in expenditures and limit the use of fund balance in the General Fund to \$5.0 million. This is in line with the \$4.9 million use of fund balance presented in the fiscal year 2025 adopted budget.

Ratification of these adjustments represents an additional \$2.2 million in expenditures above the revised budget for the General Fund and an additional \$873,000 combined for all other funds.

RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:

Balanced Budget and Economic Development

ENVIRONMENTAL REVIEW:

This is not a project under CEQA, and is therefore, not subject to environmental review. CCR15378; PRC 21065.

PUBLIC NOTIFICATION:

The Agenda Report was posted at least 72 hours before the Regular Meeting date and time, and 24 hours before a Special Meeting in accordance with the Ralph M. Brown Act.

ORDINANCE:

Not Applicable

EXHIBITS:

Exhibit A – Budget Adjustment Detail
Exhibit B – Resolution