



**FY2024/25 Financial Status Report
Second Quarter Ending December 31, 2024**

OVERVIEW

This report summarizes the City’s financial position through the second quarter ending December 31, 2024 for the General Fund. The purpose of the report is to provide City Council, City Management, and the Escondido community an update on the City’s fiscal status based on the most recent financial information available. The revenue projections and budget information include adjustments for encumbrances, carryovers, and any other supplemental appropriations approved by the City Council as of December 31, 2024.

This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting principles (GAAP).

GENERAL FUND

Operating revenue has not kept pace with the growing costs of providing City services since the Great Recession, and as a result, the General Fund long-term financial plan has projected annual deficits creating a structural budget deficit. To address the predicted structural budget gap for the FY2024/25 fiscal year, Departments were directed to submit their General Fund operating budget at the same level as the prior year, FY2023/24, while prioritizing the City Council’s Essential Services and Council Priorities. As a result of Departments minimizing their budgeted expenses and the additional actions described below, the proposed FY2024/25 General Fund Operating Budget is closed without the use of Reserve Funds:

- Library Management Agreement – (\$3,033,490). On January 31, 2024 City Council approved the use of American Rescue Plan Act Funds for the FY2024/25 and FY2025/26 Management Agreement with LS&S.
- California Center for the Arts, Escondido (CCAIE) Management Agreement – (\$1,837,330). On January 31, 2024 City Council approved the use of American Rescue Plan Act Funds for the FY2024/25 Management Agreement with the Foundation and Utilities.
- Humane Society Contract – (\$857,570). The City has a contract with the San Diego Human Society for animal control services, the FY2024/25 operating budget included resources needed to fund the contract through its expiration date of December 31, 2024.
- Elimination of 10 Full-Time Vacation Positions – (\$915,000). The FY2024/25 operating budget also includes the elimination of 10 full-time vacant positions from various departments which reduced employee service expenses by \$915,000

The initial projected FY2024/25 General Fund revenue estimate is \$132.9 million, estimated to increase \$5.0 million or 3.9% over the FY2023/24 amended revenue projection. On July 10, 2024 City Council adopted an updated User Fee schedule which moved most fees to full cost recovery, increasing projected General Fund revenue by \$2,601,020.

The total adopted FY2024/25 General Fund Operating Budget is \$134.6 million, an increase of approximately \$6.4 million or 5.0% compared to the FY2023/24 Operating Budget.

At the end of the second quarter, General Fund revenues are at 33% of the amended budget, while expenditures are at 48%, shown in the table below.

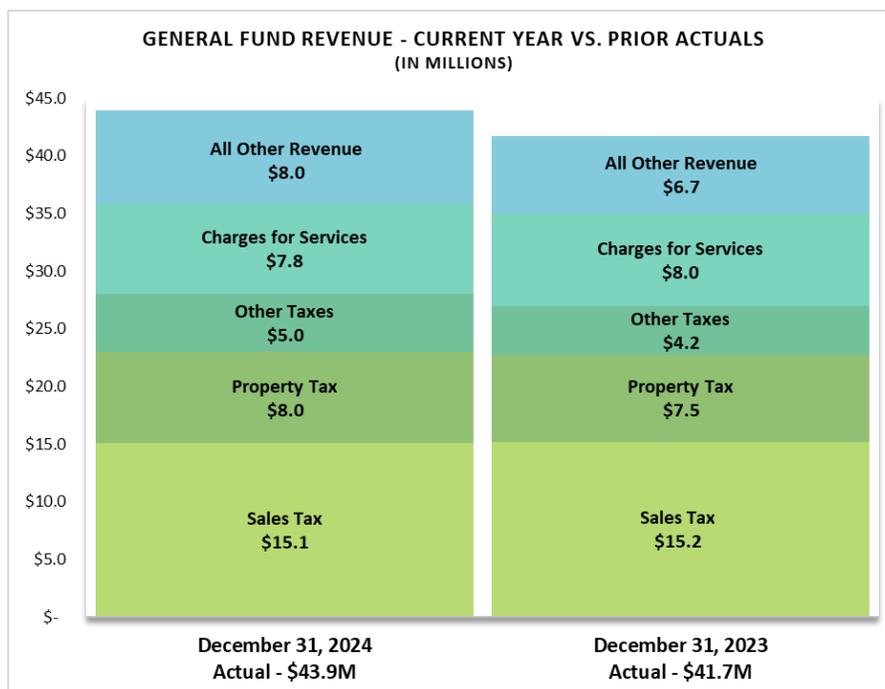
**General Fund
Comparison of Projected FY2024/25 Operating Budget to Actuals**

	FY2024/25 ADOPTED BUDGET	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS DECEMBER 2024	%
Total Operating Revenue	\$133,980,970	\$133,980,970	\$43,945,160	32%
Total Operating Expenditures	(134,581,410)	(134,646,750)	(66,786,737)	50%
Operating Transfers	600,440	600,440	600,440	-
	\$-	(\$65,340)	-	-

GENERAL FUND REVENUE

The table below compares actual results for General Fund operating revenue as of December 2024 to December 2023.

	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS DECEMBER 2024	ACTUAL RESULTS DECEMBER 2023	Prior Year vs. Current Year
Sales Tax	\$47,463,500	\$15,071,930	\$15,223,550	(\$151,620)
Property Tax	38,249,300	7,968,290	7,530,870	437,420
Other Taxes	19,579,850	5,022,570	4,220,900	801,670
Charges for Services	18,270,080	7,840,410	8,044,590	(204,180)
Intergovernmental	4,164,460	3,403,610	2,607,950	795,660
Fines and Forfeitures	878,700	366,680	331,950	34,730
Permits and Licenses	1,785,630	1,865,370	1,283,980	581,390
Rental Income	4,030,980	2,020,470	1,916,320	104,150
Other Revenue	1,103,370	385,830	580,900	(195,070)
TOTAL OPERATING REVENUE	\$135,525,870	\$43,945,160	\$41,741,010	\$2,204,150



Sales Tax (35% of Total General Fund Revenue): \$14.6 million

The City works closely with its sales tax consultants in projecting sales tax revenue. The forecast for FY2024/25 was provided by AvenuInsights and a decline of about 4% compared to FY2023/24. A mild recession in FY2024/25 is possible but continued unemployment and tight labor markets indicate that a severe downturn is unlikely.

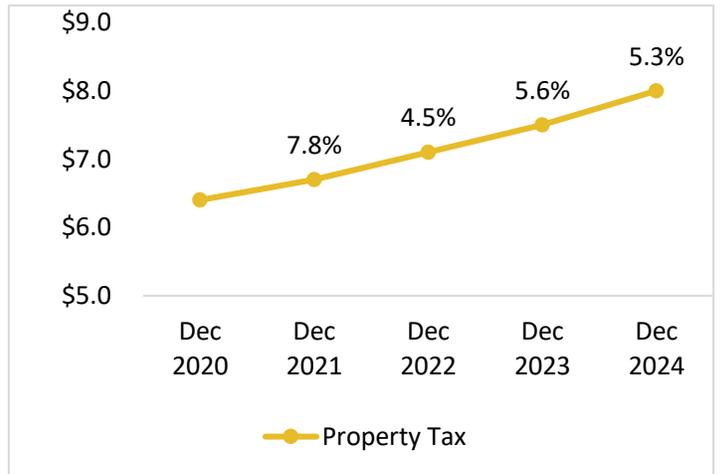
Actual sales tax receipts are under the December 2023 amount by \$636,482, indicating that the economy is continuing to slow from the post pandemic increase in spending.



Property Tax (28% of Total General Fund Revenue): \$7.9 million

Property Tax revenue increased by \$437,416 or about 6.3% compared to this time in prior year.

The largest portions of property tax revenue are distributed by the County in December and April each year. The FY2024/25 Operating Budget projected property tax growth of 9.1%. This is attributed to an increase in current secured and unsecured tax projections, along with an increase in property transfer taxes based on the current and projected development activity, such as permits, inspections, and plan checks, which indicate continued growth in property sales.

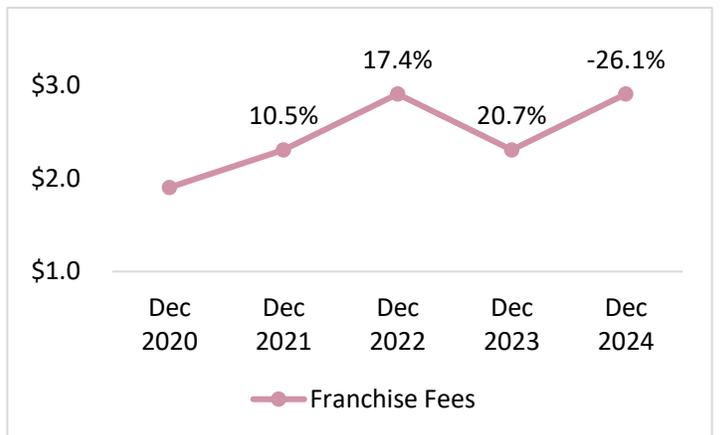


Other Taxes (19% of Total General Fund Revenue): \$5.0 million

Other Taxes include franchise fee revenues, transient occupancy tax, and business license revenue and combined have increased by \$801,672 compared to the prior year.

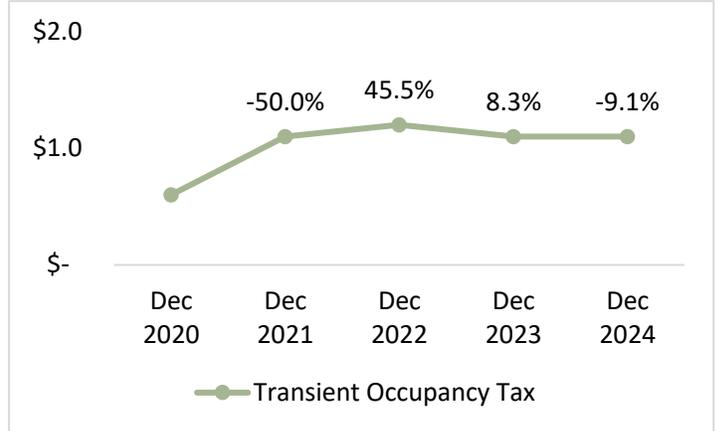
Franchise Fees

The City collects franchise fee revenues from San Diego Gas and Electric (SDG&E), cable companies conducting business within City limits, and Escondido Disposal Incorporated (EDI). Revenues received from franchise agreements increased by \$660,248 from the prior fiscal year. In the first two quarters of last year, the Escondido Palomar Energy Plant was shut down for maintenance. This resulted in zero electric emissions during this time and therefore no franchise fee revenue was due to the City. The plant was fully operational again in August.



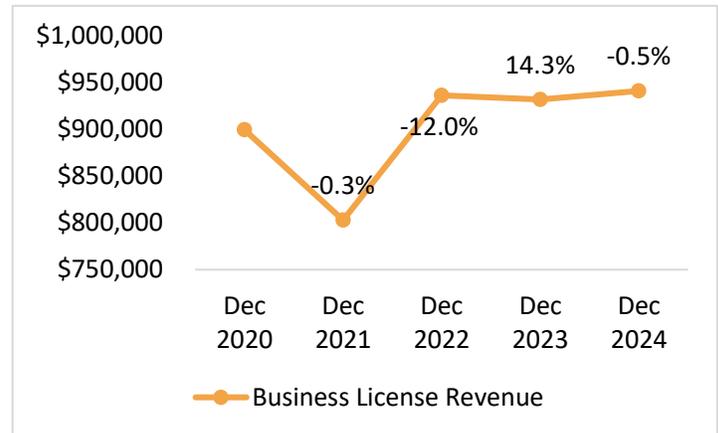
Transient Occupancy Tax

Transient occupancy tax, also known as hotel tax, increased by \$23,298 compared to the prior year. The tourism industry was impacted significantly as a result of the closures, and many forecasted its recovery would take much longer than it has. Between FY2021/22 and FY2022/23, transient occupancy tax receipts increased by 49% from the pre-pandemic levels in March 2020. It is expected that those receipts will remain flat going forward as the activity stabilizes in the industry.



Business License Revenue

All entities doing business in the City are required to have a valid business license. The business license tax is calculated based on annual gross receipts; business license revenue from the 2024 calendar year is based off of 2023 gross receipts. Business license revenues increased by \$9,178 compared to the prior fiscal year.

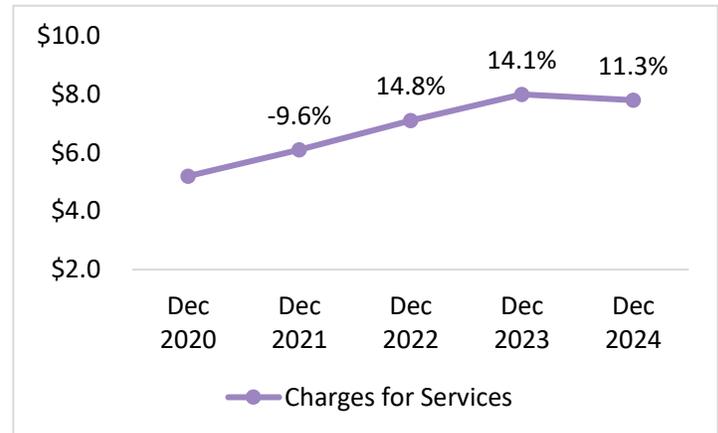


Charges for Services (13% of Total General Fund Revenue): \$7.8 million

Charges for Services include paramedic fees, Community Services fees for recreational and community activities, and charges for development related services, which include Engineering and Planning fees.

This category of revenue has decreased by \$204,180. Community service fees are under the budgeted amount by \$155,400.

The decrease in revenue is offset by the timing of Development Services and paramedic services fees.



Intergovernmental (3% of Total General Fund Revenue):

\$3.4 million

Intergovernmental revenue includes the Rincon fire services agreement, state mandated cost claims, various grants, and revenue received from the fire mutual aid reimbursements.

Overall revenue has increased \$795,659 compared to the prior year.

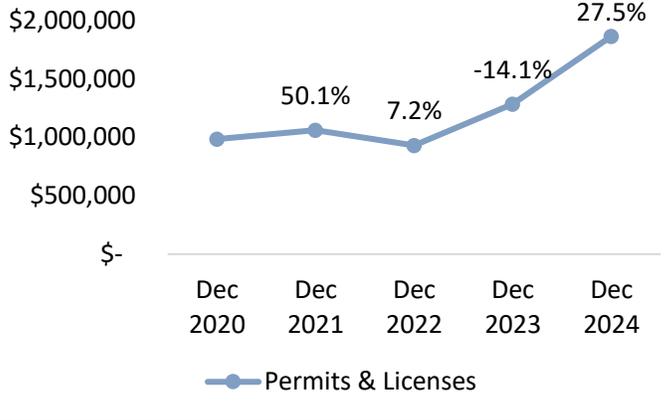
The City’s Fire Department staff can be deployed to assist other State agencies with responses to fires and other incidents. The California Office of Emergency Services reimburses the City for the time and resources of the staff deployed. As of December 2024, reimbursements of \$1,038,622 have been recorded.



Permits and Licenses (1% of Total General Fund Revenue):

\$1.9 million

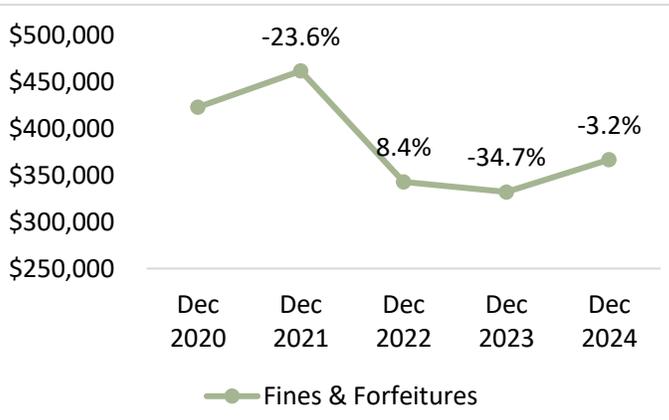
Revenue generated from permits and licenses increased by \$581,384 compared to fiscal year 2023/24. Construction and development activity continues driving building permit revenue compared to previous fiscal years.



Fines & Forfeitures (1% of Total General Fund Revenue):

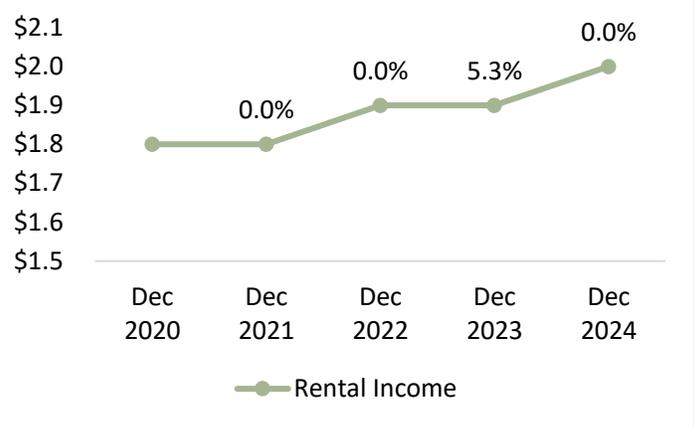
\$366,680

Fines & Forfeitures represent fees collected for vehicle code fines, parking ticket fines, other court fines, code enforcement citations, and impound fees. Overall revenue has increased by \$34,731 compared to the prior fiscal year.



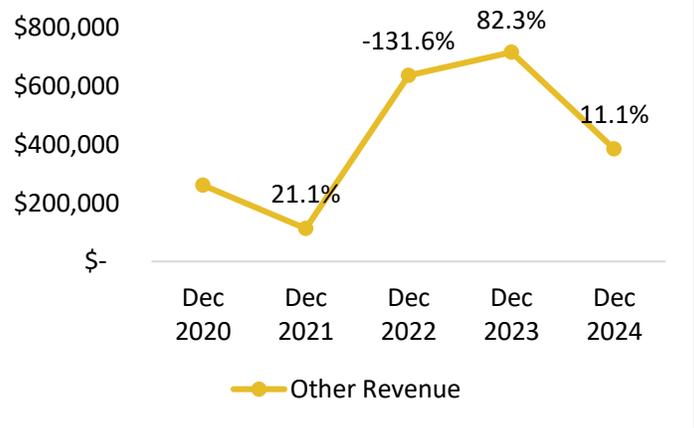
Rental Income (3% of Total General Fund Revenue):
\$2.0 million

The City receives lease and rental income from City owned properties, such as the North County Mall. Overall revenue has increased by \$104,157 compared to the prior fiscal year primarily due to increased receipts from the Vineyard Golf Course.



Investment and Other Revenues (1% of Total General Fund Revenue): \$385,830

Investments and Other Revenue includes interest earned from investing activities, and other miscellaneous receipts and has decreased by \$195,070 compared to the prior year.



GENERAL FUND OPERATING EXPENDITURES

The total adopted FY2024/25 General Fund Operating Budget is \$134.6 million, an increase of approximately \$6.4 million or 5.0% compared to the FY2023/24 Operating Budget. In order to address an \$11 million budget deficit, Library Management Services and California Center for the Arts Management Services are funded by American Rescue Plan Act, the contract with the Humane Society was funded through December, and the City eliminated 10 full-time positions.

The following table includes cumulative expenditure comparisons for General Fund departments as of December 2024.

	FY2023/24 AMENDED BUDGET	ACTUAL RESULTS DECEMBER 2024	ACTUAL RESULTS DECEMBER 2023	Prior Year vs. Current Year
General Government Services	\$7,850,150	\$3,660,960	\$3,633,030	\$27,930
Community Services	6,716,600	3,211,410	4,569,580	(1,358,170)
Development Services	8,752,940	4,274,400	3,170,280	1,104,120
Public Works	13,938,230	6,342,820	6,457,510	(114,690)
Police	59,113,870	29,085,860	26,358,870	2,726,990
Fire	35,636,680	18,456,410	16,684,840	1,771,570
California Center for the Arts	1,282,180	546,390	1,615,430	(1,069,040)
Other Expenditures	1,356,100	1,208,490	651,640	556,850
TOTAL OPERATING EXPENDITURES	\$134,646,750	\$66,786,740	\$63,141,180	\$3,645,560

The City continues to be impacted by a competitive labor market, as a result of recurring vacant positions and long recruitment efforts there are expenditure savings in regular salary and benefits through December 2024. However, the vacant positions have also increased the overtime expenditures which are at 86% of the amount budgeted for the fiscal year. The increase in overtime expenses will be offset by the savings in employee services.

	AMENDED BUDGET FY2024/25	ACTUALS DECEMBER 2024	% of Budget
Employee Services	\$109,244,940	\$49,953,600	46%
Employee Services - Overtime	6,156,800	5,280,290	86%
SUBTOTAL EMPLOYEE SERVICES	\$115,401,740	\$55,233,890	48%
Maintenance and Operations	20,189,590	10,842,650	54%
Internal Service Charges	17,124,220	8,548,600	50%
Allocations	(17,468,800)	(7,838,400)	45%
SUBTOTAL OPERATING EXPENDITURES	135,246,750	66,786,740	49%
Historical Cost Savings Reduction	(600,000)	-	-
TOTAL OPERATING EXPENDITURES	\$134,646,750	\$66,786,740	50%

The following tables show each department’s operating expenses through December 2024 compared to the amended budget for FY2024/25:

GENERAL GOVERNMENT SERVICES	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS DECEMBER 2024	% Of Budget
City Council	\$414,950	\$ -	\$414,950	\$190,935	46%
City Manager	1,799,630	65,340*	1,864,970	756,357	41%
City Attorney	170,550	-	170,550	91,928	54%
City Clerk	642,520	-	642,520	315,870	49%
City Treasurer	180,110	-	180,110	141,871	79%
Finance	1,658,170	-	1,658,170	809,303	49%
Human Resources & Risk Management	717,430	-	717,430	269,012	51%
Information Systems & GIS	1,471,640	-	1,470,640	744,562	49%
Communications & Digital Media	729,810	-	729,810	341,120	53%
TOTAL GENERAL GOVERNMENT	\$7,784,810	\$65,340	\$7,850,150	\$3,660,956	47%

*City Council July 10, 2024: Reclassification of Temporary Part-Time position to Full-Time Customer Service Representative

COMMUNITY SERVICES	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS DECEMBER 2024	% Of Budget
Recreation	\$4,744,940	\$ -	\$4,744,940	\$2,203,514	46%
Main Library*	543,970	-	543,970	443,318	81%
Older Adult Services	729,830	-	729,830	349,646	48%
Senior Nutrition	697,860	-	697,860	214,936	31%
TOTAL COMMUNITY SERVICES	\$6,716,600	\$-	\$6,716,600	\$3,211,414	48%

*Library Management Services with LS&S are funded by American Rescue Plan Act Funds in FY2024/25 & FY2025/26. Expenses are for maintenance and internal service charges

DEVELOPMENT SERVICES	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS DECEMBER 2024	% Of Budget
Planning	\$2,633,330	\$ -	\$2,633,330	\$1,290,222	49%
Building	2,005,690	-	2,005,690	773,829	39%
Engineering	2,973,100	-	2,973,100	1,594,609	54%
Code Compliance	1,140,820	-	1,140,820	615,740	54%
TOTAL DEVELOPMENT SERVICES	\$8,752,940	\$-	\$8,752,940	\$4,274,399	49%

	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS DECEMBER 2024	% Of Budget
PUBLIC WORKS					
Street Maintenance	\$9,452,300	\$-	\$9,452,300	\$4,397,820	47%
Park Maintenance	4,485,930	-	4,485,930	2,116,088	47%
Radio Communications	-	-	-	(171,090)	0%
TOTAL DEVELOPMENT SERVICES	\$13,938,230	\$-	\$13,938,230	\$6,342,818	46%

	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS DECEMBER 2024	% Of Budget
POLICE DEPARTMENT					
Police Department	\$59,113,870	\$-	\$59,113,870	\$29,085,859	49%

	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS DECEMBER 2024	% Of Budget
FIRE DEPARTMENT					
Fire Department	\$35,636,680	\$-	\$35,636,680	\$18,456,412	52%

	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS DECEMBER 2024	% Of Budget
CENTER FOR THE ARTS					
California Center for the Arts*	\$1,282,180	\$-	\$1,282,180	\$546,390	43%

*Center for the Arts Management Services with the CCAE Foundation are funded by American Rescue Plan Act Funds in FY2024/25. Expenses are for maintenance and internal service charges

GENERAL FUND RESERVES

In December 2015, City Council adopted a Fund Balance Policy and established a General Fund target Reserve balance of 25% of General Fund operating revenues in order to maintain adequate levels of fund balance. This goal is based on a risk-based analysis to mitigate current and future risks, adequately provide for cash flow requirements, and to fund one-time unanticipated expenditure requirements.

Total General Fund budgeted operating revenue in FY2024/25 is \$132,924,390 and 25% of this amount is \$33,231,098. The current General Fund Reserve balance is \$17,392,319, or 13% of budgeted operating revenue, which is below the identified acceptable risk-based analysis adopted by City Council and general government practices.

Section 115 Irrevocable Pension Trust Fund

In February 2018, City Council authorized the establishment of a Section 115 Irrevocable Pension Trust Fund. The Trust Fund is used to set aside and hold money to meet future pension liabilities and can be used to provide economic relief during recessionary cycles and/or rate increases that are significantly above anticipated projected employee rate increases. Funds placed in this Trust can also be used to offset the City’s “normal” CalPERS costs, such that if funds are necessary for other purposes, a certain amount of flexibility is present. Another benefit is that funds held in the Trust can be invested in the same manner as funds in a typical pension fund rather than as part of the City’s General Fund, which means a potentially higher rate of return.

When the Pension Trust Fund was established, a funding policy for contributions to the Fund was recommended and included the four years of annual Successor Agency Redevelopment Loan Repayments of \$14 million that began in FY2018/19, future proceeds from the sale of City Property belonging to the General Fund, and a portion of General Fund surplus at the end of each fiscal year, if one exists.

On December 31, 2024 (most recent available as of the publishing of this report), the Section 115 Pension Trust Fund had a balance of \$36,243,732 which included City contributions of \$31,257,650 plus investment earnings net of expenses of \$4,216,754. The Trust Fund has a 3-year rate of return of 0.31%, a 1-year rate of return of 8.74%, and a 3-month rate of return of 0.94%.

The following table provides a summary of the activity since the establishment of the Trust Fund.

Section 115 Pension Trust Fund	
<i>Initial Deposit – General Fund</i>	\$1,984,000
<i>General Fund Operating Results (5 years)</i>	20,705,235
<i>Successor Agency Advance Repayments</i>	8,568,415
<i>Investment Earnings, net of expenses</i>	4,216,754
Balance as of November 30, 2024	\$35,474,404

FOR MORE INFORMATION

This summary report is based on detailed information generated by the City’s Finance department. If you have any questions or would like additional information on this report, please contact the Finance department at (760) 839-4676 or visit www.escondido.gov.