



**FY2024/25 Financial Status Report
Third Quarter Ending March 31, 2025**

OVERVIEW

This report summarizes the City’s financial position through the third quarter ending March 31, 2025 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 March 31, 2025.

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 third quarter, General Fund revenues are at 64% of the amended budget, while expenditures are at 73%, shown in the table below.

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

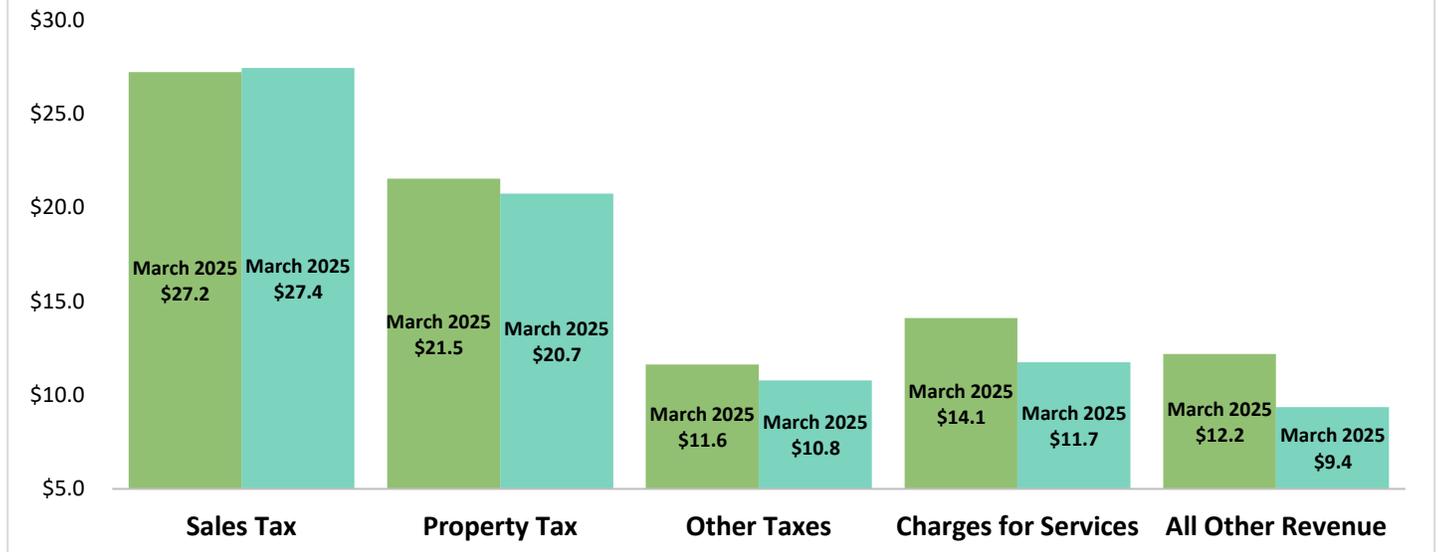
	FY2024/25 ADOPTED BUDGET	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS MARCH 2025	%
Total Operating Revenue	\$133,980,970	\$135,525,870	\$86,688,230	64%
Total Operating Expenditures	(134,581,410)	(136,709,670)	(100,307,611)	73%
Operating Transfers	600,440	600,440	600,440	-
	\$-	(\$583,820)		

GENERAL FUND REVENUE

The table below compares actual results for General Fund operating revenue as of March 2025 to March 2024.

	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS March 2025	ACTUAL RESULTS MARCH 2024	Prior Year vs. Current Year
Sales Tax	\$47,463,500	\$27,214,930	\$27,440,710	\$ (225,780)
Property Tax	38,249,300	21,539,470	20,742,160	797,310
Other Taxes	19,579,850	11,631,450	10,782,640	848,810
Charges for Services	17,800,080	14,112,960	11,743,720	2,369,240
Intergovernmental	4,164,460	4,940,650	3,808,580	1,132,070
Fines and Forfeitures	878,700	563,460	508,190	55,270
Permits and Licenses	2,255,630	3,724,060	1,677,160	2,046,900
Rental Income	4,030,980	2,396,420	2,375,250	21,170
Other Revenue	1,103,370	564,830	993,370	(428,540)
TOTAL OPERATING REVENUE	\$135,525,870	\$86,688,230	\$80,071,780	\$6,616,450

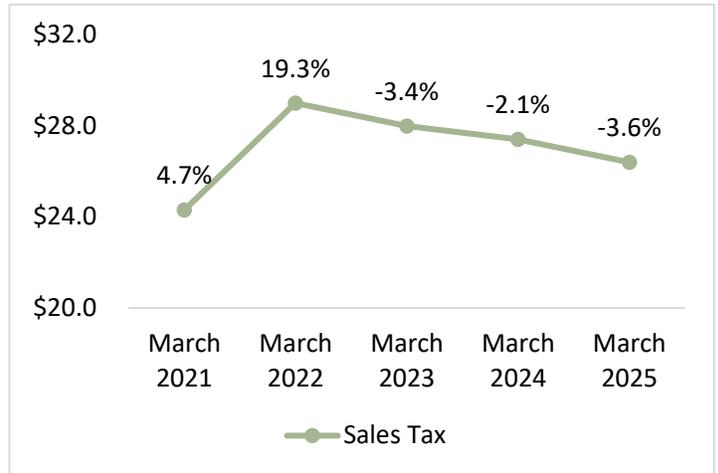
**GENERAL FUND REVENUE - CURRENT YEAR VS. PRIOR ACTUALS
(IN MILLIONS)**



Sales Tax (35% of Total General Fund Revenue): \$27.2 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 projected 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.

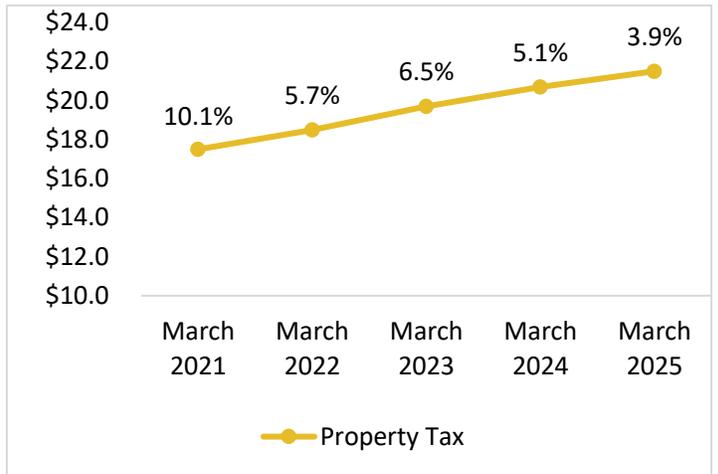
Actual sales tax receipts are under the March 2024 amount by \$225,780, indicating that the economy is continuing to slow from the post pandemic increase in spending.



Property Tax (28% of Total General Fund Revenue): \$21.5 million

Property Tax revenue increased by \$797,310 or about 3.9% 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.

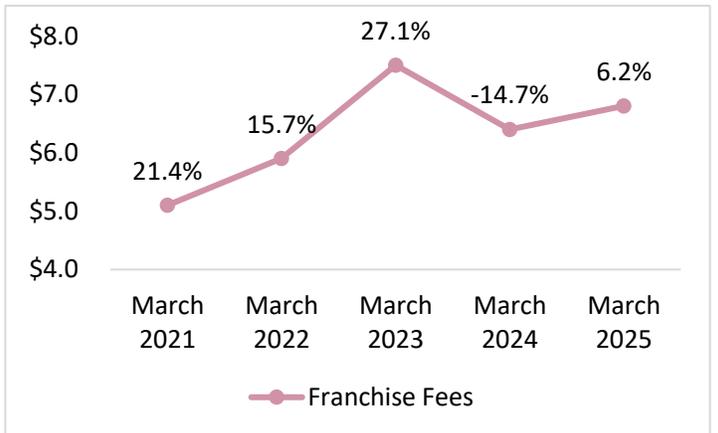


Other Taxes (14% of Total General Fund Revenue): \$11.6 million

Other Taxes include franchise fee revenues, transient occupancy tax, and business license revenue and combined have increased by \$848,810 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 \$250,090 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.



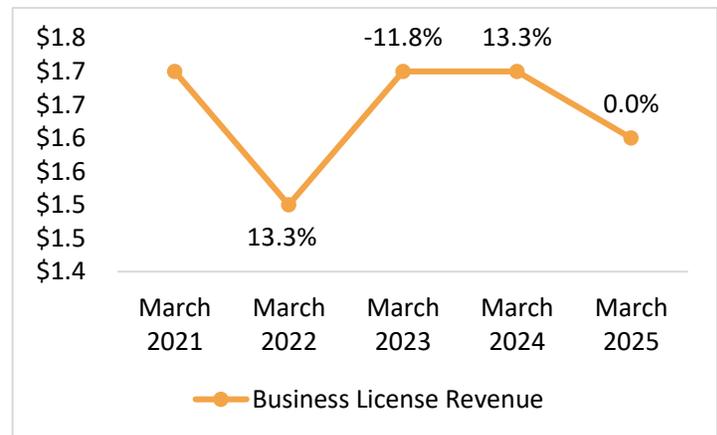
Transient Occupancy Tax

Transient occupancy tax, also known as hotel tax, increased by \$280,156 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

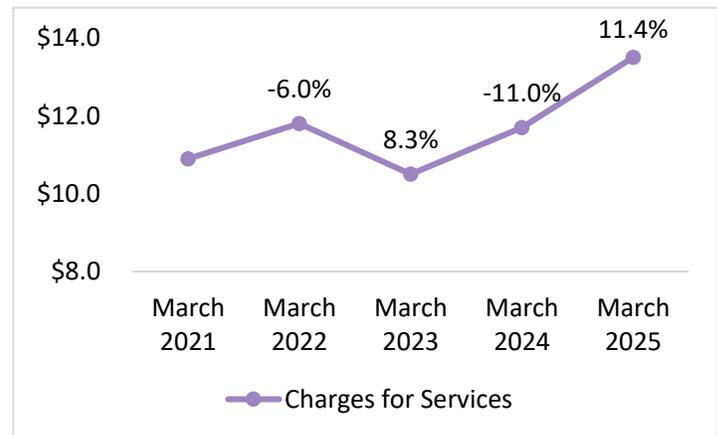
All entities doing business in the City are required to have a valid business license. The business license tax is calculated based on annual gross receipts; business license revenue from the 2024 calendar year is based off of 2023 gross receipts. Business license revenues decreased by \$53,909 compared to the prior fiscal year.



Charges for Services (13% of Total General Fund Revenue): \$14.1 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 increased by \$2,369,240. In July 2024 the City Council approved a User Fee schedule that set all direct benefit user fees to 100% full cost recovery. Direct Benefit Fees include Building, Planning, Engineering, Development Technology, Long-Range Planning, Fire Prevention, and Facility Rentals. Recreation program fees were moved to full cost recovery or the top of the market. If there is no comparator for a specific fee, the fee was increased by 10% to step closer to full cost recovery.



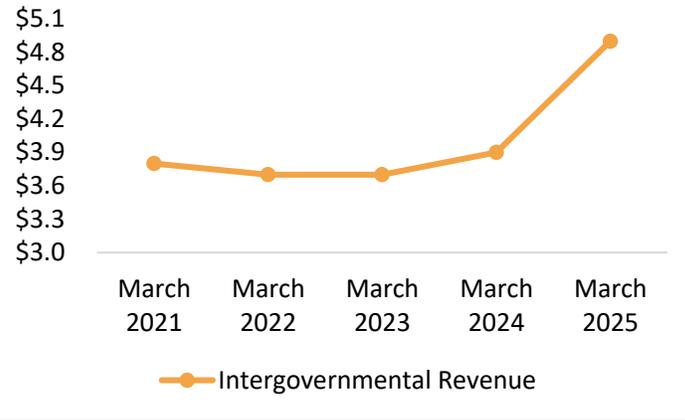
Intergovernmental (3% of Total General Fund Revenue):

\$4.9 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 \$1.1 million 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 March 2025, reimbursements of \$1,038,622 have been recorded.



Permits and Licenses (2% of Total General Fund Revenue):

\$2.0 million

Revenue generated from permits and licenses increased by \$2,046,900 compared to fiscal year 2023/24. In July 2024 the City Council approved a User Fee schedule that set all direct benefit user fees to 100% full cost recovery, including Building Permit Fees. Construction and development activity also continues driving building permit revenue compared to previous fiscal years.



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

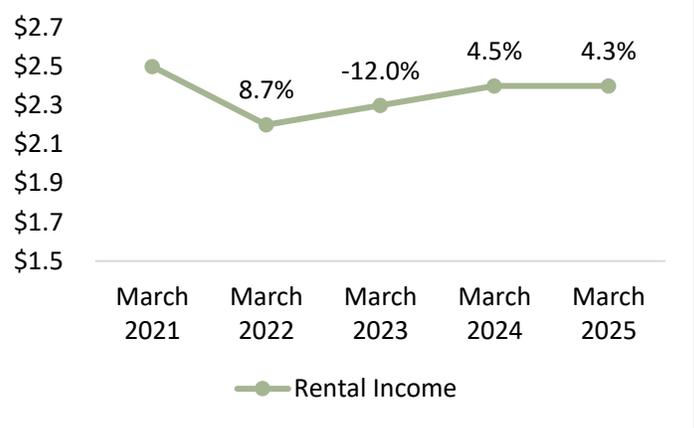
\$563,460

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 \$55,270 compared to the prior fiscal year.



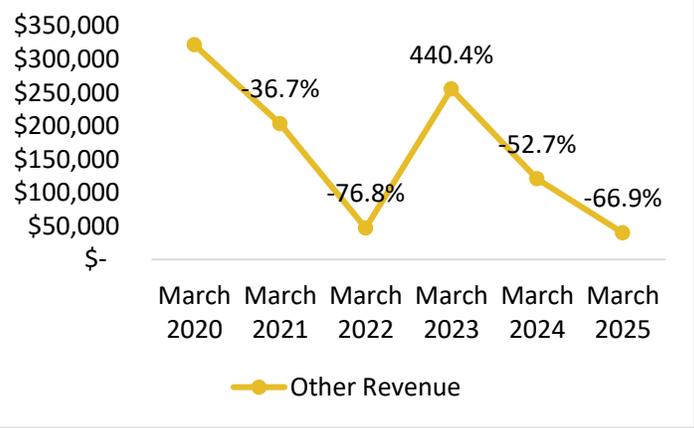
Rental Income (3% of Total General Fund Revenue):
\$2.4 million

The City receives lease and rental income from City owned properties, shared revenue with the City of San Diego for activity at the Vineyard Golf Course, and small cell tower lease revenue. Overall revenue has increased by \$21,170 compared to the prior fiscal year primarily due to increased receipts from the Vineyard Golf Course.



Investments and Other Revenues (1% of Total General Fund Revenue): \$564,830

Investments and Other Revenue includes interest earned from investing activities and other miscellaneous receipts and has decreased by \$80,797 compared to the prior year. The chart shows Other Revenue only. Interest earnings are reported in the quarterly Treasurer’s Report separately to the City Council.



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 March 2025.

	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS MARCH 2025	ACTUAL RESULTS MARCH 2024	Prior Year vs. Current Year
General Government Services	\$7,994,680	\$5,474,166	\$5,414,201	\$59,965
Community Services	6,811,600	4,631,607	6,780,635	(2,149,028)
Development Services	9,113,880	6,437,228	4,818,965	1,618,263
Public Works	13,938,230	10,053,326	9,519,327	533,999
Police	60,180,500	43,447,028	39,717,818	3,792,210
Fire	36,017,840	27,388,531	24,492,798	2,895,733
California Center for the Arts	1,282,180	1,016,935	2,504,079	(1,487,144)
Other Expenditures	1,436,100	1,858,790	740,476	1,118,314
TOTAL OPERATING EXPENDITURES	\$136,775,010	\$100,307,611	\$93,988,320	\$6,319,311

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 March 2025. 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	ACTUAL RESULTS MARCH 2025	% of Budget
Employee Services	\$110,146,180	\$73,622,145	67%
Employee Services - Overtime	6,156,800	7,515,374	122%
SUBTOTAL EMPLOYEE SERVICES	\$116,302,980	\$81,137,519	70%
Maintenance and Operations	21,416,610	17,624,272	82%
Internal Service Charges	17,124,220	12,940,428	76%
Allocations	(17,468,800)	(11,394,608)	65%
SUBTOTAL OPERATING EXPENDITURES	137,375,010	100,307,255	73%
Historical Cost Savings Reduction	(600,000)	-	-
TOTAL OPERATING EXPENDITURES	\$136,775,010	\$100,307,611	73%

The following tables show each department’s operating expenses through March 2025 compared to the amended budget for FY2024/25 as well as the list of Budget Adjustments approved this fiscal year:

GENERAL GOVERNMENT SERVICES	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS MARCH 2025	% Of Budget
City Council	\$414,950	\$25,000	\$439,950	\$314,024	71%
City Manager	1,799,630	96,810	1,896,440	1,241,856	65%
City Attorney	170,550	51,360	221,910	61,150	28%
City Clerk	642,520	-	642,520	443,321	69%
City Treasurer	180,110	-	180,110	144,712	80%
Finance	1,658,170	-	1,658,170	1,284,462	77%
Human Resources	717,430	-	717,430	408,045	75%
Information Systems	1,471,640	-	1,471,640	1,066,535	71%
Communications & Digital Media	729,810	36,700	766,510	509,972	66%
TOTAL GENERAL GOVERNMENT	\$7,784,810	\$209,870	\$7,929,340	\$5,474,166	68%

COMMUNITY SERVICES	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS MARCH 2025	% Of Budget
Recreation	\$4,744,940	\$ -	\$4,744,940	\$3,188,683	67%
Main Library*	543,970	95,000	638,970	597,246	93%
Older Adult Services	729,830	-	729,830	502,181	69%
Senior Nutrition	697,860	-	697,860	343,497	49%
TOTAL COMMUNITY SERVICES	\$6,716,600	\$95,000	\$6,811,600	\$4,631,607	68%

*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 MARCH 2025	% Of Budget
Planning	\$2,633,330	\$172,500	\$2,805,830	\$1,922,490	69%
Building	2,005,690	73,640	2,079,330	1,212,966	58%
Engineering	2,973,100	55,010	3,028,110	2,392,478	79%
Code Compliance	1,140,820	59,790	1,200,610	909,294	76%
TOTAL DEVELOPMENT SERVICES	\$8,752,940	\$360,940	\$9,113,880	\$6,437,228	71%

PUBLIC WORKS	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS MARCH 2025	% Of Budget
Street Maintenance	\$9,280,510	\$171,790	\$9,452,300	\$7,014,745	74%
Park Maintenance	4,485,930	-	4,485,930	3,286,804	73%
Radio Communications	-	-	-	(248,223)	0%
TOTAL DEVELOPMENT SERVICES	\$13,736,440	\$-	\$13,938,230	\$10,053,326	72%

POLICE DEPARTMENT	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS MARCH 2025	% Of Budget
Police Department	\$58,229,080	\$1,951,420	\$60,180,500	\$43,447,028	72%

FIRE DEPARTMENT	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS MARCH 2025	% Of Budget
Fire Department	\$35,636,680	\$-	\$36,017,840	\$27,388,531	76%

CENTER FOR THE ARTS	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS MARCH 2025	% Of Budget
California Center for the Arts*	\$1,282,180	\$-	\$1,282,180	\$1,016,935	79%

*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

OTHER EXPENSES	FY2024/25 ADOPTED BUDGET	BUDGET ADJUSTMENTS	FY2024/25 AMENDED BUDGET	ACTUAL RESULTS MARCH 2025	% Of Budget
Non-Departmental Community Relations	\$1,356,100	\$80,000	\$1,436,100	\$1,858,790	129%

The following table is a list of budget amendments approved by City Council this fiscal year:

DEPARTMENT	DESCRIPTION	CITY COUNCIL DATE	AMOUNT
Police Department	COPPS Unit Expansion: 4 Police Officers, Supplies, and Vehicles	June 19, 2024	\$1,013,000
Street Maintenance	COPPS Unit Expansion: 2 Maintenance Technicians and 1 Truck	June 19, 2024	246,790
City Manager’s Office	Position Reclassification for the Short-Term Rental Program	July 10, 2024	65,340
Fire Department	Additional funding for Medix Ambulances	December 4, 2024	157,752
Police Department	Renewal of the San Diego Humane Society Contract	December 4, 2024	768,708
Multiple Departments	Harmony Grove Emergency Declaration	December 16, 2024	4,000,000
Multiple Departments	Carryovers from Fiscal Year 2024/25	February 19, 2025	258,310
Multiple Departments	Additional funding for the ERP Project	February 19, 2025	407,700
Library	Library utilities and relocation consulting	February 19, 2025	95,000
City Manager’s Office	Addition of a Management Analyst II position	February 19, 2025	31,470
City Attorney’s Office	Addition of a Deputy City Attorney and Legal Assistant – STR Program	February 19, 2025	51,360
Police Department	Addition of a Program Coordinator – STR Program	February 19, 2025	23,930
Code Compliance	Addition of 2 Code Enforcement Officers & 2 Vehicles – STR Program	February 19, 2025	138,530
Development Services	Addition of 1 Principal Planner, 1 Senior Planner, 1 Associate Planner, and 1 Senior Administrative Assistant	February 19, 2025	161,640
City Council	Sister City Program	February 26, 2025	25,000
Fire Department	Firefighters Association MOU	March 26, 2025	310,500
Police Department	Police Officers Association MOU	March 26, 2025	445,780
Economic Development	Indigenous Culture & Art Festival	April 2, 2025	61,950
Community Services – Library	Library Relocation Services	April 9, 2025	828,000
Development Services - Planning	Second Amendment to the Matrix Contract	April 16, 2025	300,000
			\$9,390,760

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 March 31, 2025, the Section 115 Pension Trust Fund had a balance of \$35,884,413 which included City contributions of \$31,257,650 plus investment earnings net of expenses of \$4,626,763. The Trust Fund has a 3-year rate of return of 2.89%, a 1-year rate of return of 5.50%, and a 3-month rate of return of 1.24%.

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

<i>Section 115 Pension Trust Fund</i>	
<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>	4,626,763
<i>Balance as of March 31, 2025</i>	\$35,884,413

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.