



City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 26-1187

Agenda Date: 2/4/2026

Agenda #: 10.

DATE: February 4, 2026

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

TITLE: GENERAL FUND FIVE-YEAR FINANCIAL FORECAST, PROPOSED COUNCIL POLICY UPDATE AND APPROPRIATION OF FUNDS TO CALPERS UNFUNDED ACCRUED LIABILITY ACCOUNT.

RECOMMENDATION

Staff presents the FY 2026-27 through FY 2030-31 General Fund Five-Year Financial Forecast for review, recommends approval of updates to the City Council Policy 200-13 - Financial Policies, and requests an appropriation of \$1,339,141 from prior-year General Fund surplus to the CalPERS unfunded accrued liability account.

BACKGROUND AND ANALYSIS

General Fund Five Year Forecast

The financial forecast is a forward look at the City of Oceanside's General Fund revenues and expenditures. Its purpose is to identify financial trends and issues so the City can proactively address them. The forecast projects fiscal outcomes based on the continuation of current service levels, policies, and anticipated changes to revenue streams or expenses. It also incorporates historical data to provide context and illustrate the financial trajectory resulting from past decisions.

Generally speaking, positive results within the forecast indicate surplus funds available for new initiatives and projects, while negative results highlight potential budget gaps which could result in spending reductions. For this latest five-year forecast period, staff projects a consistent positive balance, beginning with a projected surplus of \$3.69 million for FY 2026-27, based on projected revenues of \$238.92 million and expenditures of \$235.23 million. Details on the five-year forecast are included in the attached forecast report.

This financial forecast is not a budget or a proposed financial plan for achieving City or City Council objectives. Instead, it is a projection based on current economic conditions, consultant analyses, and staff assumptions, reflecting a consensus view of anticipated revenues and expenditures under existing policies and service levels.

Year-one of the forecast serves as the foundation for developing the FY 2026-27 General Fund

annual operating budget, which will be presented during the budget workshop to be held on April 15, 2026 and finalized during the budget adoption on June 3, 2026.

Proposed Council Policy Update

Additionally, staff recommends approval of an update to Council Policy 200-13 - Financial Policies. Specifically, staff recommends an update to the policy section that addresses the use of surplus general fund revenues. Under the existing policy, surplus revenues are allocated equally between enhancement of the unassigned fund balance and reduction of long-term unfunded liabilities.

The proposed policy update prioritizes the use of year-end surpluses to first restore required General Fund reserves and then replenish assigned fund balances that were utilized during the prior fiscal year for one-time, non-recurring purposes. This change does not authorize the use of surplus revenues for ongoing operating needs, but rather ensures that reserves and one-time funding sources are restored before surplus revenues are allocated for other purposes. Additional updates were made to clarify language and adjust thresholds, such as the threshold to appropriate grant funds and the threshold to notify of budget changes within the same fund and department, to levels appropriate for current conditions, as these thresholds have not been revised since 2012.

This update reinforces the City's conservative financial practices by prioritizing reserve restoration, supporting long-term financial stability, and ensuring that surplus revenues are used strategically to address critical needs while mitigating future fiscal risks.

Proposed language be added to City Council Policy 200-13:

Any excess general fund revenue at the close of the fiscal year shall be allocated in the following priority order:

- a. Healthy City Reserve Fund - Restore the reserve to the required level of 12 percent of General Fund operating expenditures.
- b. Economic Stabilization Reserve Fund - Restore the reserve to the required level of 3 percent of General Fund operating expenditures.
- c. Post-Employment Leave Reserve Fund - Restore the reserve to 8 percent of the prior fiscal year's compensated absences balance for governmental activities, as reported in the City's Annual Comprehensive Financial Report.
- d. Other Fund Balances - Replenish any Fund Balances that were utilized in the prior fiscal year per City Manager's discretion.

After the above fund balance requirements have been met, any remaining General Fund surplus shall be allocated as follows:

- a. 50 percent to enhance the unassigned fund balance.
- b. 50 percent to reduce long-term unfunded liabilities.

For fiscal year 2024-25 the General Fund ended the year with a \$1,058,119 operating surplus and a market valuation gain on investments of \$6,220,678. Therefore, there is a total of \$7,278,797 to allocate.

Funds	Amount
2024-25 General Fund Operational Surplus	\$1,058,119
Market Valuation Gain	6,220,678
Total Surplus to Allocate	\$7,278,797

Consistent with the proposed updates to Council Policy 200-13, staff evaluated the FY 2024-25 General Fund surplus using the proposed priority order for reserve restoration and one-time fund balance replenishment.

The Healthy City Reserve Fund and the Economic Stabilization Reserve Fund currently meet their respective policy-required minimum levels. As a result, no additional allocation to these reserves is necessary at this time. A minimal allocation of \$515 is needed to fully restore the Post-Employment Leave Reserve Fund to its required level of 8 percent of prior year compensated absences.

During the prior fiscal year, the City utilized one-time funding from the Assigned Infrastructure Reserve and the Assigned San Luis Rey River Reserve to address specific, non-recurring project needs. Consistent with the intent of the proposed policy update, staff recommends replenishing these reserves to maintain their availability for future one-time capital and infrastructure-related needs.

Following the restoration and replenishment of reserves, approximately \$2.7 million in remaining surplus funds are available for allocation. In accordance with the proposed policy updates, the remaining surplus will be allocated evenly between the unassigned General Fund balance and the reduction of the City's long-term unfunded liabilities, with the liability portion applied as a one-time payment toward the CalPERS Unfunded Accrued Liability (UAL).

Allocation Type	Amount
Post-Employment Leave Reserve	\$ 515
Assigned Infrastructure Reserve	2,300,000
Assigned San Luis Rey River Reserve	2,300,000
CalPERS UAL payment	1,339,141
Unassigned General Fund Balance	1,339,141
Total	\$7,278,797

FISCAL IMPACT

For the CalPERS Unfunded Accrued Liability (UAL), staff requests a budget appropriation of \$1,339,141 to the NonDepartmental CALPERS Unfunded Liability expense account. Funding source is prior year (FY 2024/25) general fund surplus.

Funds are to be appropriated as follows:

Account Description	Account Number	Appropriate
Non Departmental Expense	170174101.5213	\$1,339,141

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

Approved as to form.

Prepared by: Jill Moya, Financial Services Director
Reviewed by: Michael Gossman, Assistant City Manager
Submitted by: Jonathan Borrego, City Manager

ATTACHMENTS:

1. Staff Report
2. General Fund Five-Year Financial Forecast Report
3. FY 2026-27 Budget Calendar
4. Proposed Council Policy Update