

City of Oceanside

Office of the City Manager

Memorandum

To: Honorable Mayor and City Councilmembers

From: Jonathan Borrego, City Manager

Date: April 8, 2026

Subject: **APRIL 15, 2026 BUDGET WORKSHOP**

Attached is the preliminary FY 2026-27 General Fund (GF) Budget for review at the April 15, 2026 Budget Workshop (Attachment A). The proposed budget continues to focus on the Council's collective priorities, including maintaining the quality of life for residents, enhancing public safety, supporting economic development, supporting our youth and seniors, addressing homelessness, funding shoreline restoration and implementation of the adopted climate action plan.

The General Fund Budget does not include any Measure X (sales tax) revenues or expenditures. The Measure X proposed spending plan will be presented at the Budget Workshop and subsequently reviewed by the Citizens Oversight Committee (COC) at its May 7, 2026 meeting. Likewise, the Capital Improvement Program (CIP) Budgets, Water Utilities Operating Budgets, and Harbor Operating Budget will be presented as separate agenda items.

Economic Outlook

The national economic outlook remains mixed. According to the UCLA Anderson Forecast (Spring 2026), the U.S. economy is expected to regain momentum in 2026, supported in part by fiscal stimulus and continued investment in artificial intelligence and related technologies. At the same time, the forecast notes that California's economy remains uneven, with stronger aggregate growth not yet translating into broad-based employment gains.

In addition to these structural economic trends, global geopolitical tensions and ongoing conflicts abroad have contributed to volatility in energy and commodity markets, which may place upward pressure on prices and create additional economic uncertainty. These factors, combined with broader inflationary pressures, could influence consumer spending and business activity in the near term.

In light of these conditions, staff will continue to closely monitor economic indicators, revenue performance, and expenditure trends throughout the fiscal year. If economic conditions weaken or revenues underperform, the City may consider cost control measures to maintain fiscal stability. Potential actions could include slowing or temporarily pausing hiring, reducing discretionary materials and operating expenditures, and delaying implementation of certain new positions recommended in this year’s budget until there is greater clarity regarding the economic outlook. While these actions are not being recommended at this time, they remain available tools to help ensure the City remains financially resilient and prepared to respond to changing economic conditions.

General Fund Proposed Budget FY 2026-27

The proposed FY 2026-27 GF budget is structurally balanced with recurring expenditures fully covered by recurring revenues.

Proposed General Fund Budget	
Revenues	\$239.70M
Expenditures	<u>239.57M</u>
Estimated Surplus	\$0.13M

Budget recommendations for FY 2026-27 total \$4.09M and are categorized as follows:

Ongoing Costs	\$3.14M
One-time Costs	<u>0.95M</u>
Total Recommendation	\$4.09M

The proposed budget for FY 2026-27 remains balanced, with a projected operating surplus of approximately \$130,000, reflecting a disciplined approach to aligning ongoing expenditures with available revenues while prioritizing critical services and operational needs. The budget also includes \$953,280 in one-time expenditures, which will be funded from available General Fund Assigned Infrastructure Reserves, currently estimated at approximately \$30 million. These one-time allocations allow the City to address targeted operational and capital-related needs without creating ongoing fiscal obligations.

Proposed Budget Additions

Through the budget development process, City Departments collectively submitted \$8.7 million in budget requests. After careful review, the City Manager’s Office recommends \$3.1 million in ongoing General Fund expenditures to address departmental operational needs, unavoidable cost increases beyond the 2% Maintenance & Operations (M&O) inflation included in the forecast, and funding for critical services necessary to maintain key operations and community programs.

The recommended budget also includes \$953,280 in one-time General Fund expenditure allocations funded from reserves to support operational needs, equipment replacement, and program enhancements. Additionally, Non-General Fund resources support \$574,850 in one-time allocations and \$616,937 in ongoing costs, allowing several operational needs to be addressed without impacting the General Fund. The following table summarizes the recommended funding allocations.

DEPARTMENT/DESCRIPTION	GENERAL FUND		NON-GENERAL FUND	
	ONE-TIME	ONGOING	ONE-TIME	ONGOING
City Attorney ▪ Subscription to IMLA and annual travel and conferences		5,000		
City Clerk ▪ Postage Machine	25,000			
City Manager ▪ g'Osider EV shuttle serving downtown Oceanside	150,000			
Development Services ▪ PSA with VCA Code for as-needed Permit Technician services - Offset: Permit Technician PCN AD88DS04 Keep vacant for FY26-27 only ▪ Additional M&O Budget for Sustainability/CAP Implementation	300,000 (112,674) 98,000			
Financial Services ▪ Software Upgrades and Integrations ▪ Accounting Technician - Purchasing		48,500 99,329	263,350	
Fire Department ▪ 2 Firefighter-Paramedics for Fire Station 9 ▪ Increase Lifeguard Hourly Extra Help Hours ▪ Fire Station 8 Lease		355,887 125,938 96,800		
Human Resources ▪ HR Assistant - Offset: Eliminate professional assistant PCN: XHR01 ▪ Risk Analyst I/II ▪ HR Technician		42,769 (19,667) 82,644		42,769 (4,917) 125,535 20,661

Information Technologies ▪ Information Systems Analyst II				134,212
Library ▪ PT 32-hr Library Asst - M&O for ESL Adult Literacy Svcs ▪ Automated Services Machinery and Software	190,150	68,160 14,920		
Neighborhood Services ▪ 75% of the cost of Housing Administrator ▪ Start-up and on-going fees for new online/cloud-based programs Matrix study recommendation ▪ Training - Matrix study recommendation ▪ Office Lease - Year 3 804 Pier View Way ▪ Community Engagement Support	182,801 52,840 50,000 17,163	112,339 5,500		
Parks and Recreation ▪ Professional Assistant (hourly extra help)		24,583		
Police Department ▪ 3 Police Officer Positions - 2 Vehicles ▪ Lease of 2 Drones for Drone as First Responder (DFR) Program Expansion		680,793 100,000	170,000	20,400
Public Works ▪ Bollard Deployment - Farmers/Sunset Market ▪ Adaptive Signal - PSA ▪ Convert Division Manager to Assistant PW Director ▪ Maintenance Worker I - Vehicle - Building Maintenance ▪ Oceanside Transit Center Parking Structure Maintenance & Security ▪ SLRR Clearing		130,000 250,000 23,235 200,000 700,000	75,000	7,745 90,714 10,000
Water Utilities ▪ Supervising Utilities Inspector - Vehicle, tools/uniform			66,500	169,818
Total One-time GF allocation from Reserves	\$953,280			
Total Ongoing GF allocation		\$3,146,730		
Total Non-GF One-time/Ongoing			\$574,850	\$616,937

City Attorney

Ongoing funding of \$5,000 is recommended to support participation in the International Municipal Lawyers Association (IMLA) and related training. This membership offers access to specialized legal resources, continuing education, and a network of municipal attorneys, helping the City Attorney's Office stay current on emerging issues and maintain high-quality legal services for the City.

City Clerk

The recommended budget includes \$25,000 in one-time GF allocation to replace the postage machine used to distribute official notices, election materials, Council agendas, and other legally required public communications. Replacing the aging equipment will ensure reliable operations and efficient processing of City mail services.

City Manager's Office

\$150,000 in one-time GF funding is recommended to continue operation of the g'Oside EV Shuttle serving downtown Oceanside. The shuttle provides a zero-emission transportation option that improves mobility and connectivity within the downtown area while supporting economic activity and advancing the City's sustainability goals. Historically, this program has also received funding through annual contributions from Visit Oceanside and SANDAG grant funds. Additionally, the Oceanside Cultural Arts District, Downtown Oceanside Property Business Improvement District (PBID) and Preserve Calavera provided funding in FY 2025-2026. Staff continues to pursue funding for the program from these sources and others to continue operations at appropriate service levels

Development Services

The one-time budget recommendation of \$285,326 includes the cost of Professional Services Agreement with VCA Code to provide as-needed Permit Technician services, helping maintain service levels and permit processing efficiency, and additional resources (\$98,000) to support implementation of the Climate Action Plan and related sustainability initiatives.

Financial Services

A total of \$411,179 is recommended, including \$263,350 in one-time funding from IT reserve and \$147,829 in ongoing GF allocation. These resources will support financial system upgrades and integrations designed to improve internal controls, modernize purchasing and payment processes, and transition systems to more efficient digital platforms. The recommendation also includes an Accounting Technician position to support purchasing operations. This position is required to maintain service levels and ensure compliance with increasingly complex regulatory requirements. It will also support new initiatives related to modernizing and improving procurement and accounts payable processes, as well as expand the City's ability to provide citywide training and guidance to enhance procurement compliance and internal controls.

Fire

A total of \$578,625 in ongoing GF allocation is recommended. This includes funding for two Firefighter-Paramedic positions that will be assigned to Fire Station 9, increased lifeguard hourly extra-help staffing to maintain beach safety coverage, and the lease of Fire Station 8.

The addition of two Firefighter-Paramedic positions will allow the City to restore an Advanced Life Support (ALS) ambulance in South Oceanside. In order to open Fire Station 9 in December, three Firefighter-Paramedic positions were reallocated from the ambulance at Fire Station 2 to staff Station 9. With the addition of these two positions, and by utilizing the existing Firefighter-Paramedic position in Fire Administration, the City will be able to re-establish the ALS ambulance at Fire Station 2. Station 9 will continue to be staffed daily with a Captain and Firefighter-Paramedic.

These resources help maintain emergency response capabilities and ensure continued public safety coverage in key service areas.

Human Resources

To strengthen citywide personnel and risk management services, \$289,794 in total funding is recommended. This includes \$105,746 in ongoing GF funding, and \$184,048 in ongoing Non-GF funding. These resources support the addition of an HR Assistant, Risk Analyst I/II, and HR Technician to address workload demands related to recruitment, onboarding, personnel administration, and claims management.

Information Technologies

A new Information Systems Analyst II, estimated at \$134,212 is recommended to support the City's expanding technology infrastructure, ensuring reliable operation of remote camera systems and related equipment that assist public safety operations and security at City facilities.

Library

A total of \$273,230 is recommended in total funding. This includes a one-time GF allocation to replace the automated materials handling equipment and associated software that have reached the end of its service life, an additional 32-hour part-time Library Assistant position and M&O for continued ESL Adult Literacy services that help residents improve language skills and job readiness.

Neighborhood Services

A total of \$420,643 in GF funding is recommended to support departmental operations, including \$302,804 in one-time costs and \$117,839 in ongoing funding. This reflects a shift to GF support due to declining federal and grant funding and reduced inclusionary housing in-lieu fee revenue, which has decreased largely due to developers choosing to build affordable housing units on-site in conjunction with density bonus projects rather than paying the in-lieu fee as was common in the past.

The recommended funding supports key recommendations associated with the recently completed Matrix study (e.g., enhanced staffing capacity, implementation of improved program management systems, and resources to enhance service delivery, compliance, and community engagement). One-time funding is focused on near-term operational

needs and maintaining current service levels, while ongoing funding supports continued program administration and oversight.

Parks and Recreation

A total of \$24,583 in GF funding is recommended to support a new hourly extra help Professional Assistant position. This position will enhance support for sports programming, field scheduling, and recreation program coordination, improving operational efficiency and expanding programming opportunities for residents.

Police

A total of \$971,193 across GF and Non-GF sources is recommended. The recommendations include three additional Police Officer positions and two patrol vehicles to strengthen patrol coverage and address increasing service demands, particularly in the areas of traffic and vehicle noise enforcement. Funding is also included to lease two drones for the Drone as First Responder program which has proven effective towards enhancing situational awareness and response efficiency.

Public Works

The total recommended allocation is \$786,694 to support several operational and infrastructure priorities. Funding will continue to support bollard deployment for the Farmers Market and Sunset Market to enhance pedestrian safety during large community events, as well as an Adaptive Signal Professional Services Agreement to improve traffic signal functionality and signal operations.

The recommendation also includes conversion of an existing Division Manager position to Assistant Public Works Director to strengthen oversight of maintenance operations across multiple service areas, including fleet, landscape maintenance districts, and building maintenance. In addition, funding is included for a new Maintenance Worker I position and vehicle to support increased building maintenance needs across City facilities due to acquisition of additional facilities in recent years.

Additional funding will support on-going maintenance and security services at the Oceanside Transit Center parking structure, which serves both transit riders and visitors to downtown Oceanside. Funding is necessary to sustain maintenance and repair efforts, including significant costs associated with critical elevator and window repairs.

The budget recommendation includes \$700,000 in ongoing GF funding to support maintenance of portions of the San Luis Rey River that are being transferred to City responsibility by the U.S. Army Corps of Engineers. As maintenance responsibilities for segments of the river channel transition to the City, this funding will support vegetation clearing and related maintenance activities necessary to maintain flood control capacity and ensure the river channel continues to function as designed.

Water Utilities

A total of \$236,318 is recommended to support a new Supervising Utilities Inspector position and associated vehicle. This position will strengthen inspection oversight and ensure compliance with regulatory requirements for water and wastewater infrastructure projects.

Personnel Recommendations

Summary of new positions recommended for this budget year is as follows:

General Fund

1. Accounting Technician for Purchasing - Finance
2. 2 Firefighter Paramedics - Fire
3. Library Assistant 32-hr – Library
4. Professional Assistant (hxh) – Parks and Recreation
5. 3 Police Officers – Police

General Fund/Non-General Fund Combined

1. HR Assistant - HR
2. HR Technician – HR

Non-General Fund

1. Risk Analyst - HR
2. Information Systems Analyst II – I/T
3. Maintenance Worker I – Public Works
4. Supervising Utilities Inspector – Water Utilities

Also included in the proposed GF budget:

- Pension cost increases
- Actual, known bargaining agreement costs and anticipated step increases
- 2% CPI for Maintenance & Operations which represents a reasonable increase to account for current inflation trends
- 2% Vacancy factor (\$3M) for salary savings attributable to lag time between a position becoming vacant and filled
- Estimated health insurance cap increases
- General Liability insurance increases

Pension costs continue to play a dominant role in all budget forecasting for the next few years. The City's pension cost is projected to increase \$5.84M over the next five years. Costs are projected to decline in the years following this peak. The City continues to pay

down the unfunded liability with half of the year-end surplus and a third of the quarterly investment interest earnings consistent with Council Policies 200-11 and 200-13.

The City also has a total of \$24.6M saved for future pension costs which includes \$19.6M in the Section 115 Pension Stabilization Trust and \$5.0M in the PERS Supplemental Reserve. In addition, the City continues to see a growing proportion of employees hired under the Public Employees' Pension Reform Act (PEPRA), which provides lower benefit tiers and is expected to help moderate and stabilize long-term pension cost growth.

The proposed budget complies with City Council Policy 200-13; both the Healthy Cities Reserves (12% of GF operating expenditures) and Economic Stabilization Reserves (3% of GF operating expenditures) are fully funded for FY 2026-27 and exceed the minimum requirements.

Updates to the General Fund Forecast

When presented to City Council on February 4, 2026, the Five-Year Forecast projected the following:

2026-27 Projected Revenues	\$238.92M
2026-27 Projected Expenditure	<u>235.23M</u>
Estimated Surplus FY 2026-27	\$3.69M

The Five-Year General Fund Forecast presented to the City Council in February is included as Attachment B.

Since the Five-Year General Fund Forecast was presented in February, staff has updated projected revenues and expenditures to reflect the most current information. Projected revenues have increased by \$0.78 million, primarily due to updates to align revenue assumptions with recent historical receipt trends.

Projected expenditures for FY 2026-27 have increased by \$4.34 million. This increase includes the ongoing budget recommendations of \$3.14 million, as well as higher personnel-related costs driven by unbudgeted adjustments such as position reclassifications, salary changes, and step increases. The remaining increase is largely attributable to updated health insurance premium rates that took effect in January 2026 after the forecast was prepared, along with a standard inflationary assumption applied to health insurance costs.

As a result of these changes, the revised projected surplus for FY 2026-27 is now \$0.13M.

Recommendation

Staff requests that the City Council provide feedback and direction on the proposed FY 2026-27 budget during the April 15, 2026 Budget Workshop. The final budget will be presented for adoption at a public hearing scheduled for June 3, 2026.

Attachments:

- A) General Fund Proposed Budget Summary
- B) Five-Year General Fund Financial Forecast
- C) FY 2026-27 Budget Worksheet

CC: Department Directors



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



General Fund Five-Year Financial Forecast

February 2026

GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

PURPOSE OF THE FORECAST

The purpose of the financial forecast is to project trends, anticipate shortfalls, and address potential concerns regarding the City of Oceanside's General Fund revenues and expenditures. By providing these projections, the forecast enables the city to proactively prepare for future fiscal challenges and opportunities. It evaluates the prospective impact of recent decisions while offering historical financial data to contextualize past performance. Positive projections reveal surpluses that can fund new initiatives, whereas negative projections highlight potential budgetary gaps that may require corrective actions.

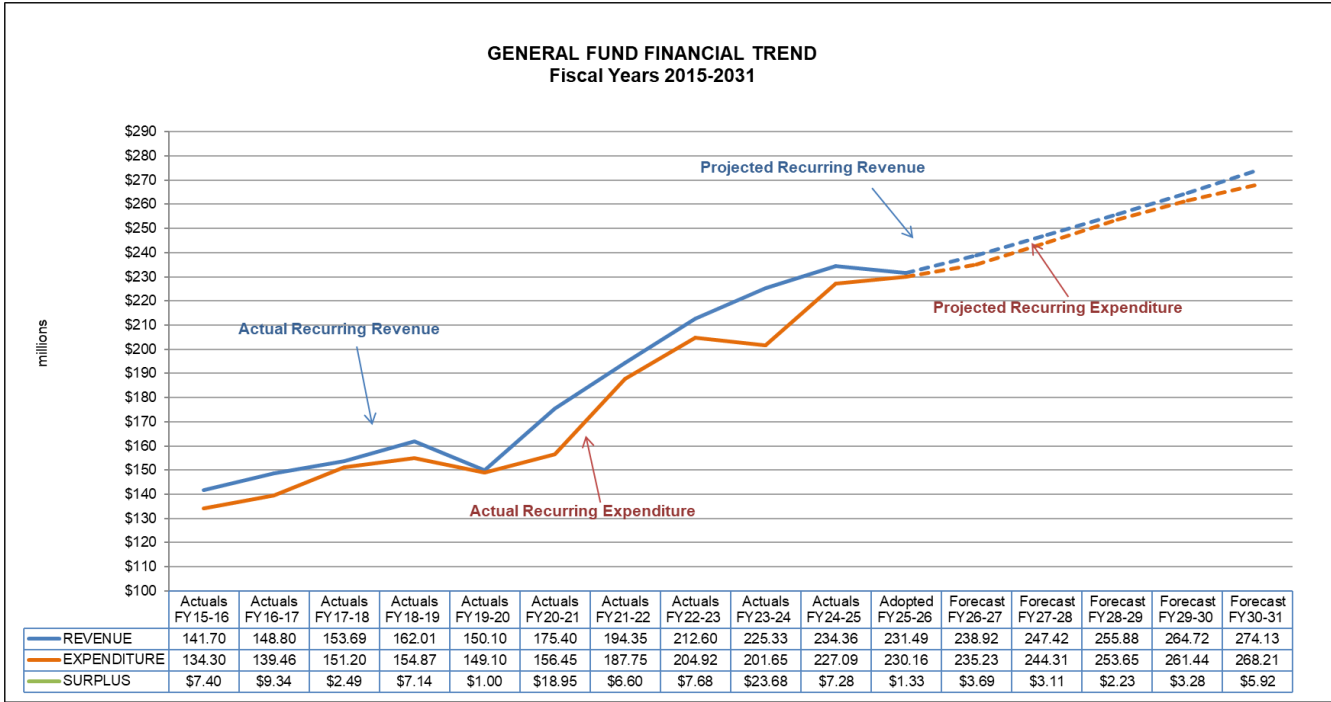
This approach aligns with the Recommended Budget Practices established by the National Advisory Council on State and Local Budgeting (NACSLB), which emphasizes forecasting as a critical component of sound fiscal management. However, it is important to note that this financial forecast is neither a budget nor a financial strategy designed to achieve specific objectives. Instead, it serves as a planning tool to inform decision-making and support long-term fiscal health.

GENERAL FUND FINANCIAL TREND

Below is a chart showing the actual General Fund revenues and expenses for the past ten years, as well as projected revenues and expenses for the current year and the next five years. The revenue decline in fiscal year 2019-20 was a result of the Covid-19 pandemic. In response, the city's general fund expense budgets were reduced, allowing the city to avoid a deficit by the end of the year. Following the pandemic, with economic uncertainty and concerns about a potential recession, the city adopted a conservative approach to revenue projections, which led to larger-than-expected surpluses. The General Fund Five-Year forecast for FY 2026-27 to FY 2030-31 takes a somewhat less conservative approach, factoring in projected revenue increases driven by anticipated development and a growing economy.

Under current assumptions, the General Fund is expected to remain structurally balanced through FY 2030–31, with modest but stable operating surpluses each year. This sustained positive operating margin indicates that the City is positioned to maintain service levels, absorb cost pressures, and plan strategically for future financial needs.

GENERAL FUND FIVE-YEAR FINANCIAL FORECAST



GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

The following table summarizes projected General Fund revenues, expenditures, and annual operating surpluses for the five-year forecast period. These projections incorporate the City's long-term assumptions, expected economic conditions, and known contractual obligations. Beginning in FY 2026–27, the first year of the forecast, the General Fund is projected to generate a modest operating surplus that continues throughout the forecast period. The table provides a consolidated view of the City's financial trajectory and serves as the foundation for the detailed revenue and expenditure discussions that follow.

General Fund Five-Year Forecast Summary

	Adopted Budget FY25-26	Forecast Year 1 FY26-27	Forecast Year 2 FY27-28	Forecast Year 3 FY28-29	Forecast Year 4 FY29-30	Forecast Year 5 FY30-31					
RECURRING REVENUES											
Property Taxes	\$ 95.69	\$ 101.12	5.7%	\$ 107.34	6.2%	\$ 113.31	5.6%	\$ 119.73	5.7%	\$ 126.64	5.8%
Sales & Use Taxes	32.98	32.15	-2.5%	32.99	2.6%	33.96	2.9%	35.06	3.2%	36.19	3.2%
Transient Occupancy Tax	13.29	13.49	1.5%	13.60	0.8%	13.71	0.8%	14.43	5.3%	14.55	0.8%
Beachfront TOT	3.59	4.07	13.3%	4.19	3.0%	4.32	3.0%	4.45	3.0%	4.58	3.0%
All Other Taxes	5.49	5.71	4.0%	5.82	1.9%	5.94	2.1%	6.06	2.0%	6.18	2.0%
Franchise Fees	4.56	4.02	-11.8%	4.01	-0.2%	3.99	-0.5%	3.98	-0.3%	3.97	-0.3%
Licenses & Permits	4.97	5.05	1.6%	5.05	0.0%	5.05	0.0%	5.06	0.2%	5.06	0.0%
Fines & Forfeitures	4.28	4.29	0.2%	4.29	0.0%	4.29	0.0%	4.29	0.0%	4.29	0.0%
Use of Money & Property	10.42	10.32	-1.0%	10.44	1.2%	10.56	1.1%	10.69	1.2%	10.81	1.1%
Intergovernmental	0.56	0.60	7.1%	0.60	0.0%	0.60	0.0%	0.60	0.0%	0.60	0.0%
Ambulance Billing	9.80	10.42	6.3%	10.62	1.9%	10.84	2.1%	11.05	1.9%	11.27	2.0%
Charges for Services	25.12	25.63	2.0%	25.91	1.1%	26.23	1.2%	26.39	0.6%	26.60	0.8%
Transfers In & Other Revenues	20.75	22.06	6.3%	22.56	2.3%	23.08	2.3%	23.53	1.9%	23.99	2.0%
TOTAL RECURRING REVENUES	\$ 231.49	\$ 238.92	3.2%	\$ 247.42	3.6%	\$ 255.88	3.4%	\$ 265.32	3.7%	\$ 274.73	3.5%
RECURRING EXPENDITURES											
Personnel											
Compensation Cost	85.16	89.26	4.8%	93.62	4.9%	97.57	4.2%	101.53	4.1%	105.33	3.7%
Overtime	8.06	8.25	2.4%	8.51	3.1%	8.76	3.0%	9.02	3.0%	9.29	3.0%
PERS	35.68	36.95	3.6%	38.54	4.3%	41.24	7.0%	42.07	2.0%	42.54	1.1%
Pension Bond	0.26										
Health Insurance	13.27	13.11	-1.2%	13.77	5.0%	14.45	5.0%	15.18	5.0%	15.94	5.0%
Workers Comp	6.05	6.30	4.1%	6.61	5.0%	6.90	4.3%	7.18	4.1%	7.45	3.8%
Other Benefits	4.50	4.82	7.1%	4.95	2.8%	5.07	2.4%	5.19	2.3%	5.33	2.7%
<i>Personnel Cost Subtotal</i>	\$ 152.99	\$ 158.69	3.7%	\$ 166.00	4.6%	\$ 173.99	4.8%	\$ 180.18	3.6%	\$ 185.88	3.2%
Maintenance & Operations											
Maintenance & Operations	36.48	38.82	6.4%	39.59	2.0%	40.19	1.5%	40.99	2.0%	41.73	1.8%
Rebate for Beachfront Resort	2.80	2.19	-22.0%	2.12	-3.2%	2.18	3.0%	2.25	3.0%	2.31	3.0%
Rebate for Carmax	0.61	0.57	-5.0%	0.60	3.5%	0.62	3.5%	0.64	3.5%	0.47	-25.9%
Transfers Out & Internal Service Charges	34.29	34.97	2.0%	36.01	2.9%	36.68	1.8%	37.39	1.9%	37.81	1.1%
One-time transfer to CIP	3.00										
TOTAL RECURRING EXPENDITURES	\$ 230.16	\$ 235.23	2.2%	\$ 244.31	3.9%	\$ 253.65	3.8%	\$ 261.44	3.1%	\$ 268.21	2.6%
Expected Remaining Surplus (Shortfall)	\$ 1.33	\$ 3.69		\$ 3.11		\$ 2.23		\$ 3.88		\$ 6.52	
One-time costs	\$ 4.38										

ECONOMIC OUTLOOK

Recent economic indicators suggest that the U.S. economy is entering a period of moderate and more balanced growth following several years of volatility. Inflation has eased from recent highs, labor market conditions have cooled but remain stable, and economic activity continues to expand at a slower, more sustainable pace. While cost pressures and uncertainty persist in certain sectors, most economic forecasts anticipate continued expansion rather than recession over the near term.

The most recent UCLA Anderson Forecast characterizes the national outlook as slowing but resilient, with growth supported by consumer spending, business investment in select high-productivity sectors, and easing inflation. For California, UCLA projects a continuation of relatively weak job growth in the near term, followed by a gradual improvement later in the forecast period. Economic growth is expected to be led by technology, aerospace, and other innovation-driven industries, while interest-sensitive sectors such as construction and commercial real estate remain more constrained.

GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

Regional conditions in San Diego County generally reflect these statewide trends. Economic indicators point to slower employment growth, softer commercial real estate activity, and more cautious business investment. At the same time, the region benefits from a diverse economic base, a strong tourism sector, and long-term demand for housing and services, which continue to support overall economic stability.

While broader economic trends influence the City's revenue outlook, Oceanside's local economy continues to demonstrate relative resilience. Ongoing development activity, stable residential demand, and sustained visitor activity support continued growth in property tax and transient occupancy tax revenues. These local conditions, combined with conservative forecasting assumptions, support the City's expectation of remaining structurally balanced throughout the forecast period.

DEMOGRAPHIC TRENDS

Population - According to the California Department of Finance, Oceanside's population is estimated at approximately 174,340, compared to 171,483 in the prior year, representing an increase of about 1.7 percent. This modest growth reflects continued population stability and incremental increases. While statewide population growth has moderated in recent years, Oceanside continues to benefit from its coastal location, employment base, and ongoing residential development, supporting sustained demand for City services.

Inflation - The City monitors inflation using the Consumer Price Index for All Urban Consumers (CPI-U) for the San Diego metropolitan area, as reported by the U.S. Bureau of Labor Statistics. Over the most recent 12-month reporting period, CPI-U for the San Diego region increased by approximately 4.0 percent, reflecting moderation from peak inflation levels observed in prior years. While energy prices have stabilized, price increases remain elevated for food, housing, and labor-intensive services. These conditions support the City's use of a 2 percent long-term inflation assumption in the forecast, reflecting expected normalization toward historical inflation levels over the planning horizon.

Consumer Confidence Index — The Consumer Confidence Index has fluctuated in response to inflation trends, labor market conditions, and broader economic uncertainty. While recent readings show periods of improvement, sentiment remains sensitive to evolving economic conditions. This variability underscores the importance of using conservative revenue assumptions, particularly for economically sensitive sources such as sales tax and TOT.

Unemployment Rate – According to the California Employment Development Department (EDD), Oceanside's unemployment rate was approximately 4.5 percent as of November 2025, the most recent data available, compared to about 4.6 percent for San Diego County and approximately 5.4 percent statewide. These figures reflect slower job growth in interest-sensitive sectors. Overall, Oceanside's labor market remains relatively stable and aligned with regional conditions.

REVENUES

General Fund revenues are projected to grow steadily over the five-year forecast period, supported by continued strength in property values, stable economic activity, and consistent tourism performance. Although individual revenue categories move at different rates, Oceanside benefits from a diverse revenue base that helps buffer the General Fund from economic fluctuations. The following section highlights the major revenue drivers that influence the City's financial outlook and shape year-over-year changes in the forecast.

Property Tax – The City of Oceanside contracts with HdL Companies for property tax management services. HdL Companies reports the median sale price of a detached single-family home in Oceanside at \$880,000 in 2025, a slight decrease from 2024. However, Oceanside continues to experience commercial and residential construction

GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

growth. The City's taxable assessed value increased by 5.6% or \$1.9 billion from FY 2024-25. Forecasted revenues based on market trends and timing of future construction projects an average increase of 5.8% for the next five years.

Sales & Use Tax –The City of Oceanside contracts with HdL Companies for sales tax management services. Sales tax is projected to decline by 2.5 percent in Year 1 due to statewide consumer softening and is expected to increase an average of 3% in the next 4 years.

Transient Occupancy Tax (TOT) – City's transient occupancy tax revenues (not including the beachfront hotels) are projected to be \$13.49M in Year 1 based on prior year history, an increase of 1.5 percent over the FY 2025-26 adopted budget. The future years are only projected to have a slight increase at an average of 0.8 percent due to the change in STR zoning ordinance.

Beachfront Hotels (TOT) – The City's transient occupancy tax revenues for the Seabird and Mission Pacific hotels are projected to increase 13 percent in Year 1. Years 2 through 5 are expected to increase 3 percent annually.

All Other Taxes - This category includes business license, card room, and Measure M Cannabis Business tax revenues. Year 1 is expected to increase 4 percent based on the actual revenue received in the 2 prior years. This category is forecasted to grow 2 percent in Years 2 through 5 due to moderate economic growth.

Franchise Fees - Includes fees from SDG&E, Cox, and AT&T. Overall revenues are projected to decline due to decreasing numbers of cable subscribers and an increase in internet-based options. Year 1 is projected to decrease by 11.8% based on prior year actuals and an average of 0.3% decline in the future years.

Licenses & Permits - A majority of these permits are development and parking related, with the largest portion for building permits and annual parking permits. The forecast projects a 1.6 percent increase in Year 1 due to expected increase in construction. Years 2 through 5 are projected to remain relatively flat.

Fines & Forfeitures - The majority of these revenues collected by the City are for parking citations and code enforcement citations. The forecast projects for futures years to remain relatively flat.

Use of Money and Property - The revenues collected in this category are from investment returns, leases and rentals. The forecast projects a 1 percent decrease in Year 1 is based on interest rate cuts effecting investment returns. Future years are projected to increase by an average of 1.2%, mostly due to the CPI built into current contracts.

Intergovernmental - The revenue in this category relies on State and Local programs such as Peace Officer P.O.S.T training reimbursements, and Fire training agreement with Palomar College, which can be difficult to project. Years 1 through 5 are projected to remain flat.

Ambulance Billing - Rates are adjusted annually each year in July. This category is expected to increase 6.3 percent in Year 1 based on prior years revenues received. Years 2 through 5 are projected to increase an average of 2 percent.

Charges for Services - This category includes development-related revenues, fire inspections, parking machine collection and general administration charges. The forecast assumes revenues will increase 2 percent in Year 1 due to an increase in land development plan review. Years 2 through 5 are projected to increase an average of 0.9 percent.

Transfers In & Other Revenue - Transfers from other funds are projected to increase 6.3 percent in Year 1, primarily driven by the overall budgets based on M&O CPI and bargained salary increases. Years 2 through 5 are projected to increase an average of 2.1 percent.

GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

EXPENDITURES

While revenue growth provides the foundation for the City's fiscal outlook, expenditure trends ultimately determine Oceanside's long-term capacity to sustain service levels and respond to emerging needs. The expenditure forecast reflects known labor agreement salary increases, expected benefit cost changes, operational requirements, and long-term financial obligations. The following sections summarize projected changes across major expenditure categories, including personnel costs, maintenance and operations, internal service charges, and rebate agreements, that collectively shape the General Fund's cost structure over the next five years.

Personnel - Personnel costs, including compensation, overtime, pension contributions, health insurance, workers' compensation, and other employee benefits, are projected to increase 3.7% in FY 2026–27, reflecting:

- Negotiated labor agreement salary increases
- Scheduled step increases
- Updated CalPERS employer rates
- Expected changes in employee benefit costs.

From FY 2027–28 through FY 2030–31, personnel costs grow between 3.2% and 4.8% annually, averaging about 4%. This growth is driven by normal staffing adjustments, contractual compensation changes, and benefit-related cost increases.

CalPERS retirement costs remain a major component of personnel expenditure. Because annual employer contributions depend on CalPERS investment returns, actuarial assumptions, and statewide payroll trends, costs may fluctuate over time. The City maintains both a General Fund pension reserve of \$5 million and an IRS Section 115 Pension Trust of \$19 million to help buffer against potential volatility.

Workers Compensation and General Liability - Workers Compensation costs are projected to increase by an average of 4.3% annually over the next five years, driven by rising healthcare costs, base wage increases, state Labor Code changes, and rulings from the Workers Compensation Appeals Board. To manage long-term liability costs, the City has implemented enhanced safety training, proactive injury management with the City's Third-Party Administrator, and modified duty opportunities to support injured employees returning to work. Staff also aggressively investigates questionable claims and expedites settlements. Over time, these measures aim to reduce exposures and improve Workers Compensation insurance rates.

General Liability costs are similarly rising due to the hardening of the insurance markets, which is impacted by rising claims costs within PRISM, the City's insurance pool provider. To address these rising costs, last year the City increased its self-insured retention from \$750,000 to \$1 million. These trends are consistent with challenges faced by other public agencies.

Maintenance & Operations – Maintenance & Operations (M&O) expenditures include professional and contractual services, equipment maintenance and rentals, memberships and subscriptions, training, utilities, and a variety of other operating costs that support General Fund departments. The forecast reflects baseline adjustments that incorporate Council-approved contractual costs and a 2 percent CPI factor. Any future adjustments will stem from Council actions, contractual obligations, or operational needs necessary to maintain service levels.

Beachfront Hotels Rebate – Under the City's TOT rebate agreement with the Seabird and Mission Pacific hotels:

- The Mission Pacific rebate obligation is projected to be completed in FY 2026–27
- The Seabird rebate is projected to be completed in FY2031-32

As the City's total obligation decreases, the City retains an increasing share of beachfront TOT. Over FY 2026–27 through FY 2030–31, the City is expected to retain approximately \$10.57 million in beachfront TOT as rebates phase down.

GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

Carmax Rebate – CarMax’s sales tax rebate agreement provides:

- A rebate capped at \$5 million or 10 years, whichever comes first
- A City-retained base amount beginning at \$100,000, increasing 3% annually.

To date, the City has issued \$1,548,229 in rebates. Current projections show the \$5 million cap being reached in FY 2030–31, after which the City will retain 100% of sales tax revenue from the site.

Internal Service Charges/Transfers – Internal service charges fund centralized City services including Risk Management, Fleet, Information Services, General Services, and City Building Maintenance. Key cost drivers include rising liability and property insurance premiums, higher vehicle acquisition costs, software subscriptions and cybersecurity cost increases, and facility maintenance and equipment replacement schedules. Overall, internal service charges grow moderately as operational needs, insurance rates, and replacement costs evolve over time.

Information Technology (IT)

FY 2026–27 includes several IT adjustments tied to cybersecurity, software renewals, infrastructure upgrades, and operational support, totaling approximately \$262,700 in incremental costs. These include:

- Cybersecurity enhancements (MS-ISAC, Arctic Wolf, DarkTrace) — \$38,500
- Software renewals & system licensing updates (CommVault, SeamlessDocs, GoAnywhere, Website/Legistar) — \$83,400
- Infrastructure & operational support (camera hardware, Azure, microwave support, Council Chambers stipend, reserve increase) — \$140,800

Additionally, \$200,000 is added into the Police budget for the CAD hardware refresh that is needed every 5 years.

Public Works – Building & Fleet Services

Public Works internal service allocations include cost increases tied to expiring service contracts and one-time equipment purchases, totaling approximately \$312,550:

- Building Maintenance needs (gym floors/dance rooms resurfacing; OPD/Library facility maintenance) — \$56,800 (One-time cost)
- Fleet equipment purchases (MAHA lifts, electric forklift, shop improvements) — \$255,750 (One-time cost)

These adjustments reflect market-driven contract pricing and necessary equipment replacements to maintain operational readiness.

Human Resources/Risk Management

Human Resources–related internal service costs increase by approximately \$155,000 in FY 2026–27, reflecting cost increases in workforce support, safety, and risk management. Key components include:

- Benefits — approximately \$65,000 increase, driven by ongoing recruitment and compliance tools, including enhanced background screening services and testing software to support hiring and workforce management.
- Risk Management — relatively flat net impact, as increases in general liability insurance and self-insured claims costs are largely offset by decreases in property, cyber, crime, and pollution insurance estimates, along with minor administrative adjustments.
- Workers’ Compensation — approximately \$75,000 increase, reflecting expanded pre-employment physicals and drug screening, additional safety consulting support, and compliance software. These investments support employee safety, regulatory compliance, and proactive claims management.

GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

KEY FORECAST RISKS

Although the Five-Year Forecast projects operating surpluses through FY 2030–31, several factors could materially influence the City's financial position. CalPERS investment performance and actuarial adjustments remain key cost drivers and may increase required pension contributions beyond current projections. Economic softening, particularly in consumer spending, could affect sales tax revenues, while tourism-related revenues remain sensitive to fluctuations in travel demand and broader economic conditions. In addition, continued volatility in liability and workers' compensation insurance markets may place upward pressure on internal service charges. Labor negotiations currently underway also present uncertainty, as final contract terms may differ from assumptions built into the forecast. Finally, development activity and inflationary pressures may vary from projected levels, affecting both revenues and operating costs. Staff will continue to monitor these risks closely and provide updates should conditions change materially.