



City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 25-846

Agenda Date: 6/4/2025

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DATE: June 4, 2025

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

TITLE: PUBLIC HEARING TO ADOPT THE FY 2025-26 OPERATING BUDGET AND THE FY 2025-26 CAPITAL IMPROVEMENT PROGRAM BUDGET; AND AUTHORIZE A LUMP SUM PREPAYMENT TO CALPERS

RECOMMENDATION

Staff recommends that the City Council, the Community Development Commission, and the Harbor District Board take the following actions to adopt the FY 2025-26 Operating and Capital Improvement Program Budgets; and authorize a lump-sum prepayment to CalPERS:

1. Adopt a resolution approving the Appropriation Limitation as required by Article XIII-B of the State Constitution, as modified by Proposition 111 for FY 2025-26. (Attachment A)
2. Adopt a resolution approving the FY 2025-26 City of Oceanside Operating Budget. (Attachment B)
3. Adopt a resolution approving the FY 2025-26 City of Oceanside Measure X Operating Budget. (Attachment C)
4. Adopt a resolution approving the FY 2025-26 City of Oceanside Capital Improvements Program Budget. (Attachment D)
5. Adopt a resolution approving the FY 2025-26 Community Development Commission (CDC) Operating Budget. (Attachment E)
6. Adopt a resolution approving the FY 2025-26 Small Craft Harbor District Operating Budget. (Attachment F)
7. Adopt a resolution approving the FY 2025-26 Small Craft Harbor District Capital Improvements Program Budget. (Attachment G)
8. Approve a lump-sum prepayment to CalPERS estimated at \$24.74 million for the City's annual required Unfunded Liability contribution for both Safety and Miscellaneous Retirement Plans; prepayment will provide an estimated \$827,165 in savings which will be directly applied to the City's CalPERS Unfunded Liability. (Attachment H)

BACKGROUND AND ANALYSIS

Presented for consideration are the Fiscal Year 2025-26 budgets for the City of Oceanside, the CDC, and the Harbor District, inclusive of the Capital Improvement Program (CIP). The FY 2025-26 total appropriations for all funds, including Measure X, is \$626,557,420. The operating appropriations on an all-funds basis are \$580,455,029 and the appropriations for the CIP are \$46,102,391. Adoption of the attached resolutions will establish a balanced budget across all funds. Please refer to Attachment I for details.

A Budget Workshop was held on April 30, 2025. At that time, staff provided specific recommendations for inclusion in the City's FY 2025-26 budgets. The recommendations provided by staff maintain existing service levels and continue the focus on 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 purpose of this public hearing is to provide the City Council and the public with an additional overview of the budgets, receive public comments, and give final consideration to the City's FY 2025-26 budgets. The City's Appropriation Limitation resolution required for FY 2025-26 is also included for Council action. (Attachment A)

The proposed budget represents the City's operating and capital spending plans across all funds, including General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds, Internal Service Funds, and Measure X Funds.

At the direction of the City Council during the April 30 Budget Workshop, staff prepared a follow-up memorandum, dated May 21, 2025 (Attachment M), summarizing additional Councilmember funding requests discussed at the workshop, their associated costs, and implementation considerations.

Several of these requests have since been incorporated into the FY 2025-26 proposed budget now presented for consideration. These include:

- \$500,000 from Infrastructure Reserves for renovation of the City-owned Brooks Theater
- \$600,000 from Infrastructure Reserves for conceptual and final design of a new overhead "Welcome to Oceanside" sign
- \$68,100 from Infrastructure Reserves for soccer goals at six school sites (pending a maintenance MOU with OUSD)
- \$950,000 for lighting at Prince Memorial Skatepark, funded through \$475,000 from Infrastructure Reserves and \$475,000 remaining from a prior \$3 million transfer to the General Capital Projects account

The Measure X budget was also updated to include a phased three-year funding strategy to add a second Fire Department Battalion as follows:

- Year 1 (FY 2025-26): One Battalion Chief funded by General Fund and two funded by Measure X
- Year 2 (FY 2026-27): Two Battalion Chiefs funded by General Fund and one funded by

Measure X

- Year 3 (FY 2027-28): All three Battalion Chiefs funded by General Fund

Measure X's estimated one-time costs for this plan are \$587,000 in FY 2025-26 and \$322,000 in FY 2026-27. The General Fund's ongoing costs are estimated at \$322,000 in FY 2026-27 and \$680,300 in FY 2027-28.

The revised Measure X budget also allocates \$150,000 from the \$1 million set aside for Gang Diversion and Youth Programming to support the expansion of youth development initiatives at John Landes Park.

Prior to the budget workshop, KOCT requested an additional \$250,000 annually from the General Fund to expand its media services, citing a decline in PEG funding from \$468,093 in 2018 to \$269,000 in FY 2024. Staff recommends amending the City's current agreement to implement a one-year pilot program with up to \$250,000 in additional funding. The pilot would evaluate expanded services-such as enhanced social media, public outreach, and event coverage-with staff returning to Council in early fall 2025 with a formal proposal.

The Oceanside Theatre Company (OTC) requested ongoing City funding equal to 15% to 20% of its annual operating budget-estimated at \$109,000 to \$145,000-for a two-year period. Staff recommends returning to City Council in August with a stand-alone item to consider this request, pending Council direction to proceed in this manner.

The memo also provides important fiscal context, outlining major unfunded projects and obligations such as long-term CalPERS liabilities, public safety facility needs, beach restoration efforts, and the San Luis Rey River flood protection and maintenance projects. These financial obligations, along with signs of broader economic uncertainty, underscore the need for strategic use of reserves and careful evaluation of new funding proposals.

The FY 2025-26 revised budget includes an additional \$700,000 in ongoing General Fund expenditures to support maintenance of the Phase III area of the San Luis Rey River Flood Risk Management Project. This adjustment was made in response to a formal letter received from the U.S. Army Corps of Engineers (USACE) on April 29, 2025, which officially notified the City that the Phase III project area, along with several associated functional elements, had been completed and would now fall under the City's responsibility for ongoing operation, maintenance, repair, rehabilitation, and replacement. Because the letter was not received in time to be incorporated into the Budget Workshop discussion, this funding was subsequently added to ensure the City can meet its regulatory and environmental obligations associated with vegetation management, biological monitoring, and maintenance of the newly turned-over areas.

General Fund

The City's General Fund provides for the majority of City services and comprises approximately 40 percent of the total operating appropriations on an all-funds basis. The General Fund revenues will continue to be monitored each quarter. Revenues for FY 2025-26 are projected at \$231.49 million.

The proposed General Fund budget for FY 2025-26 totals \$234.54 million, including \$4.38 million in one-time costs and \$230.16 million in recurring expenditures. The Maintenance & Operations (M&O) budget builds off the prior year's base with a 3% cost-of-living adjustment, slightly below the 3.5% adjustment used in FY 2024-25. Over the past decade, annual M&O cost-of-living increases have ranged from 0% to 5%, making the current adjustment a modest response to ongoing inflation.

Personnel costs assume a continued soft hiring freeze, with City Manager approval required to fill vacancies. A 2% salary savings assumption-equal to approximately \$2.9 million-reflects the average delay of two to three months in filling vacant positions. This estimate is conservative compared to the past five-year average of 5.32% or \$6.5 million in annual salary savings.

The General Fund expenditure budget incorporates CalPERS actuarial assumptions and rate smoothing methods. For FY 2025-26, total CalPERS costs are budgeted at \$35.68 million. Within the General Fund, CalPERS costs are projected to increase by \$10.17 million over the next five years.

To help offset this impact, the City will continue its strategy of prepaying the FY 2025-26 CalPERS Unfunded Liability contribution of \$24.74 million, generating \$827,165 in savings. These savings will be applied directly toward reducing the Unfunded Liability. In addition, consistent with Council Policies 200-11 (Interest Earned Allocations) and 200-13 (Financial Policies), the City will make further Unfunded Liability payments using half of any year-end budget surplus and one-third of quarterly investment interest earnings from FY 2024-25.

As presented at the Budget Workshop, the FY 2025-26 General Fund was projected to have a \$1.35 million surplus. At that time, staff recommended \$1.93 million in ongoing costs and \$2.03 million in one-time expenditures funded by reserves (see Attachment K). Since the Workshop, staff has identified the need to fund two additional Fire Battalion Chief positions, bringing the total to three. These positions will be phased into the General Fund over three years: in FY 2025-26, one will be funded by the General Fund and two by Measure X; in Year 2, two will be funded by the General Fund and one by Measure X; and by Year 3, all three positions will be fully absorbed by the General Fund. In addition, changes have been made to the preliminary budget to reflect any Council-approved staff actions that have been adopted since the Workshop.

The net impact of updates since the Budget Workshop results in a revised \$1.33 million estimated surplus. Attachment J summarizes the General Fund Revenue and Expenditure budget.

GENERAL FUND BUDGET			
	FY 2023-24	FY 2024-25	FY 2025-26
Revenues	\$204,019,076	\$216,277,872	\$231,491,469
Recurring Expenditures	203,288,293	215,278,746	230,160,504
Estimated Surplus	\$ 730,783	\$ 999,126	\$ 1,330,965
One-time/use of reserves		\$ 3,433,144	\$ 4,377,352

Measure X

The FY 2025-26 (Year 7) Measure X Spending Plan was presented at the Budget Workshop. The total Measure X funds available for budgeting in FY 2025-26 is \$16.59 million. Consistent with the intent of Measure X to support public safety and infrastructure, the \$17.97 million spending plan includes \$12.47 million for enhanced public safety services-including continued operation of the Oceanside Navigation Center and programs addressing homelessness-\$4 million for street and road repairs, and \$1.5 million for beaches, beachfront, pier, and park improvements. The difference between projected revenue and planned expenditures will be funded through the use of available Measure X reserves.

Proposed new projects for Year 7 include:

- Teens Work paid internship program - \$45,000, previously supported through grants expiring in June 2025
- Expansion of afterschool youth programming at John Landes Park - \$150,000
- Hand Crew Brush Clearance Program - one-time \$300,000, a wildfire mitigation and workforce development pilot
- Shoreline Restoration Program - \$500,000, planning and protecting against coastal erosion and sea level rise
- Phased addition of new Fire Battalion Chief positions - \$587,154, partially supported by Measure X

The Year 7 Spending Plan and seventeen-year preliminary expenditure plan was presented at the May 8 Measure X Citizens Oversight Committee (COC) meeting. A long-term outlook for Measure X spending will continue to be reviewed and updated annually based on actual revenues, expenditures, and current Council priorities.

Capital Improvements Program (CIP)

The CIP budget for all funds (including Water Utilities) totals \$213.5 million. Funding for the CIP budget is approved by the Council for the first year of the five-year program; the other four years are shown in the budget as a planning tool. Unused appropriations are rolled forward in subsequent years when projects are not complete; the proposed FY 2025-26 CIP budget includes \$46.1 million in new funding, of which \$5.5 million is allocated for Measure X-funded projects.

Community Development Commission

The appropriations for the Community Development Commission total \$33,650,537 for FY 2025-26. While no capital projects are budgeted, the following housing-related programs will be funded:

- Section 8 Housing Assistance Program - \$33,013,111
- Housing Rehabilitation Loan Program - \$430,000
- Administrative and Program Development activities - \$177,426
- CDC Successor Agency Low- and Moderate-Income Housing Fund - \$30,000

Harbor District

The appropriations for the Harbor District total \$10.1 million for FY 2025-26 and \$520,000 in capital projects. The District transfers funding to the General Fund to support Harbor Lifeguards, Harbor Fire/Lifeguards, Harbor Maintenance, Harbor Administration, and Property Management.

Capital improvement projects include:

- Lot 1 Pavement Repair - \$300,000
- Lot 4 Pavement Repair - \$100,000
- Fish Scale Replacement - \$50,000
- Oceanside Sign Post Replacement - \$40,000
- Coast Guard Dock Ramp Replacement - \$30,000

Water Utilities Department

The Water Utilities Department is responsible for delivering essential water, sewer, and solid waste services that protect public health and support the City's sustainability goals. The department's FY 2025-26 operating budget totals \$138.1 million, including \$93.6 million for water services, \$42.1 million for sewer services, and \$2.4 million for solid waste and recycling. The FY 2025-26 Capital Improvement Program budget allocates an additional \$14.7 million for infrastructure investments across these utilities.

The proposed budget supports continued maintenance and upgrades to critical infrastructure, compliance with evolving regulatory requirements, and strategic planning to ensure long-term service reliability. Rising costs for energy, chemicals, and water purchases are incorporated, along with the addition of two new positions to enhance department operations. These investments will help advance the City's water reuse efforts, reduce reliance on imported water, and support progress toward the Zero Waste Plan and Climate Action Plan objectives.

FISCAL IMPACT

Adoption of the attached resolutions will establish a balanced budget across all funds. Total appropriations are summarized in Attachment I.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and 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. Attachment A - Resolution - Appropriation Limitations as required by Article XIII-B of the State Constitution
3. Attachment B - Resolution - Adopt Operating Budget-City Council
4. Attachment C - Resolution - Measure X Resolution
5. Attachment D - Resolution - Adopt City CIP Budget
6. Attachment E - Resolution - Adopt Operating Budget-CDC
7. Attachment F - Resolution - Adopt Operating Budget-Harbor
8. Attachment G - Resolution - Adopt CIP Budget-Harbor
9. Attachment H - CalPERS Safety and Misc Plan Actuarial Valuations
10. Attachment I - Comparative Appropriations by Category
11. Attachment J - General Fund Revenues and Expenditures Budget Worksheet
12. Attachment K - April 30, 2025 Budget Workshop Materials
13. Attachment L - May 8, 2025 Measure X Spending Plan and Update FY 2025-26 (Year 7)
14. Attachment M - 5-21-25 Memo - Budget Workshop Follow-Up