



City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 25-567

Agenda Date: 2/5/2025

Agenda #: 13.

DATE: February 5, 2025

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

TITLE: **GENERAL FUND FIVE-YEAR FINANCIAL FORECAST**

RECOMMENDATION

Staff presents the FY 2025-26 through FY 2029-30 General Fund Five-Year Financial Forecast for review and seeks direction to proceed with the development of a fiscally sustainable budget strategy that aligns with the City's long-term goals and priorities. Staff concurrently recommends that the City Council approve the allocation of 50% of the FY 2023-24 General Fund surplus (\$8.25M) to the San Luis Rey River (SLRR) project reserve account and the appropriation of the remaining 50% of the surplus (\$8.25M) to the El Corazon Park Site 1 project.

BACKGROUND AND ANALYSIS

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 the five-year forecast period, staff projects a consistent positive balance, beginning with a projected surplus of \$3.8 million for FY 2025-26, based on projected revenues of \$231.18 million and expenditures of \$227.38 million.

It is important to stress that this financial forecast is not a budget, nor is it a proposed financial plan for achieving City or City Council objectives. The forecast is a projection informed by current economic data, consultant reports, and staff analysis, representing a consensus on likely revenues and expenses.

Year one of the forecast serves as the foundation for developing the FY 2025-26 General Fund annual operating budget, which will be presented during the budget workshop on April 30, 2025 and finalized during the budget adoption on June 4, 2025.

Per the City's FY 2023-24 Audited Annual Comprehensive Financial Report (ACFR), last year's general fund annual surplus was \$23.9M. Of this amount, \$2.1 million was carried forward to the next fiscal year, \$0.8 million represented a Measure X surplus, and \$4.5 million was attributed to unrealized investment gains. After these adjustments, the total surplus available for allocation is \$16.5 million. In accordance with the City's Financial Policy 200-13 OB-6, any excess revenue at the end of the fiscal year is allocated in the following year as follows: 50% is directed to enhance the unassigned fund balance, and 50% is applied to reduce long-term unfunded liabilities. This practice ensures that surplus revenues are used strategically to address critical infrastructure needs while mitigating future financial risks.

Staff proposes that 50% of the surplus, or \$8.25M, be added to the San Luis Rey River (SLRR) project assigned account, which is one of the city's long-term unfunded liabilities. This action would fulfil the intent of Financial Policy 200-13 OB 6. There is currently \$12,666,667 available in a reserve account for the City's matching funds for the SLRR project. Adding the \$8.25M would bring the reserve balance to \$20,916,667. The outstanding balance of the City's share is currently approximately \$26,000,000, but will fluctuate as project costs change. Therefore, further steps will be needed to increase the amount of reserves for this project through incremental allocation of funds to the SLRR reserve account in the future budget cycles or other potential funding mechanisms.

Staff proposes that the other 50% of the surplus be allocated to El Corazon Park Site 1. Currently, \$10.1M of funding has been identified for El Corazon Park Site 1. This leaves about an \$8M funding gap to complete the project. Allocating \$8.25M from the FY2023-24 surplus will close this funding gap.

FISCAL IMPACT

The FY 2023-24 General Fund surplus available to allocate totals \$16.5M. \$8.25M is recommended to be allocated to the San Luis Rey River (SLRR) project reserve. The remaining \$8.25M is recommended to be allocated to the El Corazon Park Site 1 project. Funds are to be appropriated and transferred as follows:

Program	Appropriate	Account Number
El Corazon Park Site 1	\$8,250,000	906174923501.5703.10600
Transfer \$8,250,000 from 1101.6900.0501 to 906174923501.6800.0101 Assign \$8,250,000 of Unassigned General Fund Balance 101.3100.0002 to Assigned-SLRR account 101.3020.0231		

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

Does not apply.

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