



CITY OF MENIFEE

SUBJECT: Fiscal Year 2024/25 Mid-Year Budget Adjustments and Review, Including a Capital Improvement Program Status Update

MEETING DATE: February 5, 2025

TO: Mayor and City Council

PREPARED BY: Margarita Cornejo, Deputy Finance Director

REVIEWED BY: Travis Hickey, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Accept the Fiscal Year 2024/25 Mid-Year Budget review and approve the additional budget revenue and appropriations as presented; and
2. Adopt a resolution updating the City's Authorized Position Listing approving additional staffing changes; and
3. Adopt a budget amendment resolution for Fiscal Year 2024/25 Mid-Year Budget adjustments; and
4. Receive an update on the Fiscal Year 2024/25 Capital Improvement Program.

DISCUSSION

In June 2023, the City adopted its first biennial budget, incorporating the Fiscal Year (FY) 2023/24 and FY 2024/25, in efforts to take a longer view as it embarks on its new 2023-2028 Strategic Plan efforts and looks to streamline and consolidate budget processes. As presented during the budget adoption process, the biennial budget process incorporates the following Mid-Year/Mid-Cycle review meetings:

TABLE 1: MID-YEAR/MID-CYCLE REVIEW MEETINGS/TENTATIVE SCHEDULE

Description	Anticipated Timeline
Year 1 Mid-Year Review (FY 2023/24): Comprehensive review of year 1 year-to-date actuals for expenditures & revenues, and projections for rest of the fiscal year.	February 2024

Description	Anticipated Timeline
Mid-Cycle Review (FY 2024/25): Comprehensive review of ending year 1 (FY 2023/24), and adjustments for Year 2 (FY 2024/25).	June 2024
Year 2 Mid-Year Review (FY 2024/25): Comprehensive review of year-to-date actuals for expenditures & revenues, and projected rest of the fiscal year.	February 2025

FY 2024/25 represents the second year of the current FY 2023/24 & 2024/25 biennial budget cycle. A Mid-Cycle budget review was completed in the spring of 2024 and adjustments adopted in June in preparation for the beginning of FY 2024/25.

The FY 2024/25 Mid-Year budget review is presented to the City Council as an opportunity for the City Manager and the Finance Department to:

1. Provide an overall update of the City’s budget year underway.
2. Present any additional necessary budget adjustments identified during the Mid-year review process for City Council’s consideration and approval.
3. Update City Council on the Capital Improvement Program (CIP).

Executive Summary of 2024/25 Mid-Year Review:

In closing out FY 2023/24, the City completed the year in a fiscally strong position, with the addition of some key one-time revenues and operational savings supporting long-term financial management efforts. The City looks to strategically balance the needs and service demands of the community in the present, and financially situate the agency for future needs, including but not limited to service increases, new programs, and investment in capital infrastructure. As reviewed during the FY 2023/24 Mid-year process and through the end of the fiscal year, like other agencies, Menifee has experienced some leveling in growth of some of its principal revenue sources, including development revenue and sales tax. Continuing through the first half of the current year, and examining adjustments for the balance of the year, the City’s approach maintains a conservative method, with recommendations focused on required or priority-based items.

Operating Budget:

(Current Adjusted Budget FY 2024/25 \$129,206,762/ Proposed Mid-Year Adjustments \$2,390,904)

Overall performance through the first half of the fiscal year is generally meeting budgeted expectations, but there are some operational matters that will be presented for Council’s consideration and there are some variances in several City funds that should be addressed to keep the budget in alignment through the end of the fiscal year, and to place the City in the best possible position for the upcoming budget cycle. Corresponding budget appropriations to the General Fund and other funds are summarized on the following page (Table 2) and detailed in other sections of the report.

Capital Budget:

(Current Adjusted Budget FY 2024/25 \$90,883,634/Proposed Mid-Year Adjustments: \$1,600,000)

The City’s Capital Budget (CIP) continues to concentrate on moving the City’s infrastructure needs to fruition. In the first half of FY 2024/25, the City officially opened two (2) of its highest priority infrastructure projects, with the Holland Overpass officially opening October 2024 and the new Quail Valley Fire Station #5 opened in December 2024. Together these two projects represent an approximate \$49 million investment towards improving accessibility, mobility and safety of the Menifee community. Proposed FY 2024/25 Mid-year adjustment requests of \$1.6 million are for two (2) construction ready projects (Paloma Wash Pedestrian Bridge and the Menifee Road/Fire Station #76 Entrance Traffic Signal project) needing additional funding based on overall increased project costs. Details of the current CIP and requests are included within the CIP Review & Update of this report.

TABLE 2: FY 2024/25 CITYWIDE EXPENDITURE BUDGET

Category	FY2024/25 Adjusted Budget (\$)	% of Citywide Budget	FY2024/25 Mid-Year Adjustment Recommendations	Total Proposed FY2024/25 Adjusted Budget	% of Citywide Budget
Operating Budget: <i>(General Fund & Quality of Life)</i>	\$100,317,600	45.58%	\$362,928	\$100,680,527	44.93%
Operating Budget: <i>(ISFs, Special Revenue & Other)</i>	28,889,162	13.13%	2,027,976	30,917,138	13.80%
Total Operating Budget:	\$129,206,762	58.71%	\$2,390,904	\$131,597,665	58.73%
CIP Program <i>(General Fund & Quality of Life)</i>	27,126,463	12.33%	\$1,600,000	\$28,726,463	12.82%
CIP Program <i>(ISFs, Special Revenue & Other)</i>	63,757,171	28.97%	0	63,757,171	28.45%
Total CIP Budget:	\$90,883,634	41.29%	\$1,600,000	\$92,483,634	41.27%
TOTAL	\$220,090,396	100.00%	\$3,990,904	\$224,081,299	100.00%

In summary, for the Citywide Budget (represented by the Operating and Capital budgets combined) the City’s Executive Office’s (CEO) Mid-year recommendations include a recommended increase in total revenue appropriations of \$7,360,222 across all funds and an increase in total expenditure appropriations of \$3,990,904. The Citywide Budget, as adopted, does not include Bonded Community Facilities Districts (CFDs) for Infrastructure or the corresponding Fiduciary funds, as these funds are managed and used exclusively for the purpose of the CFD bond issuance, administration, reimbursements, and debt service payments. Mid-year budget adjustments for these funds are discussed in a separate section of the staff report.

The CEO’s request includes an increase in revenue of \$3,857,537 for General Fund, \$50,000 for Quality of Life, \$1,665,300 related to the Internal Service Funds (ISF) (representing a matching revenue transfer from General Fund to ISF for building and copier/printer leasing costs), and \$1,787,385 for Special Revenue & Other Funds for a total increase of \$7,360,222.

On the personnel/staffing side, FY 2024/25 Mid-year includes requests for two full-time positions, defunding of one vacant position, and four position reclassifications. Staffing requests include:

- 2 new personnel requests: Community Services Director and Management Analyst I (Engineering Division)
- Defunding of one (1) full-time vacant position, Assistant to the City Manager
- 4 reclassification requests (Public Works/Engineering, Information Technology (IT), and Code Enforcement)

Specific to the General Fund and Quality of Life Fund, expenditure appropriations for the proposed FY 2024/25 Mid-year recommendations includes requests to be funded from available excess fund balance for Quality of Life recommendations in the amount of \$1,600,000. For operational requests, funding would be from ongoing revenue in the amount of \$359,395 for the General Fund and expenditure appropriations in the amount of \$3,532 for the Quality of Life Fund. Other operational adjustments, such as additional support services, were reviewed and analyzed and will be absorbed within the current year budget through operational savings.

The recommended use of Quality of Life funds was presented at the Quality of Life Committee meeting on January 23, 2025. The Committee reviewed the presented use of available funds and made a motion to recommend the use of funds as presented.

Internal Service Funds that serve to assist all City departments, including Facilities and IT, incorporate recommended expenditure appropriations in the amount of \$1,665,199. This amount is primarily composed of the transfer of printer/copier leases and building lease expenditures within the respective ISF, instead of the General Fund, for management purposes. While the transfers technically result in increased appropriations to the ISF funds, overall costs for these leases will not increase. Budget and expenses previously budgeted under the General Fund will now be transferred into the respective ISF fund. There are also some IT and/or Facilities related capital outlays and/or operating appropriations estimated at \$92k.

Other revenue sources and Special Revenue sources, such as Development Impact Fees (DIF), have also been reviewed for year-to-date actuals. Additionally, actual tax roll assessments/enrollments were reviewed for County Service Areas (CSAs), Lighting & Landscape Maintenance Districts (LLMDs), and Community Facilities Districts (CFDs) charges. The CEO's Mid-year recommendations for Special Revenue Funds include expenditure appropriations requests of \$362,777 to cover some additional citywide road striping, park sod replacement, additional landscape maintenance area costs, and adjustments in projected utility costs in various special districts (LLMDs, CFDs).

The following table summarizes the recommended adjustments by fund type:

TABLE 3: SUMMARY OF MID-YEAR RECOMMENDED APPROPRIATIONS BY FUNDING SOURCE

Summary of Mid-year Appropriation Adjustments by Fund (Revenues)				
Fund Type	Adopted Budget FY 2024/25	Adjusted Budget FY 2024/25 ⁽¹⁾	Mid-year Adjustments Recommended	Adjusted Budget with Mid-year Requests FY 2024/25
General Fund	\$73,083,894	\$75,984,806	\$3,857,537	\$79,842,343
Quality of Life	21,584,750	20,851,000	50,000	20,901,000
General Fund TOTAL:	\$94,668,644	\$96,835,806	\$3,907,537	\$100,743,343

Internal Service Funds (ISFs)	9,308,685	9,187,087	1,665,300	\$10,852,387
All Other Special Revenue Funds	28,539,986	48,813,750	1,787,385	50,601,134
All Funds Total:	\$132,517,315	\$154,836,642	\$7,360,222	\$162,196,864

Summary of Mid-year Appropriation Adjustments by Fund (Expenditures)				
Fund Type	Adopted Budget FY 2024/25	Adjusted Budget FY 2024/25⁽¹⁾	Mid-year Adjustments Recommended	Adjusted Budget with Mid-year Requests FY 2024/25
General Fund	\$73,083,894	\$90,939,280	\$359,395	\$91,298,675
Quality of Life	21,584,750	36,504,783	1,603,532	38,108,315
General Fund TOTAL:	\$94,668,644	\$127,444,063	\$1,962,928	\$129,406,990
Internal Service Funds (ISFs)	9,308,684	10,329,801	\$1,665,199	\$11,995,000
All Other Special Revenue Funds	26,805,153	82,316,532	362,777	82,679,309
All Funds Total:	\$130,782,481	\$220,090,396	\$3,990,904	\$224,081,299

(1) See Attachment 1: Listing of FY 2024/25 Budget Amendment Resolutions (BARs) Items through February 1, 2025, to see detail of budget adjustments (carryovers and new appropriations).

The Adjusted Citywide Budget includes the one-time use of available fund balance, primarily for CIP projects carried over from the prior year(s). Use of available fund balance does not use any City Reserve Funds.

In addition to the Citywide Budget represented above, the following adjustments for the City's bonded Community Facilities Districts (CFD) (Infrastructure) and Fiduciary Funds are requested; revenue appropriations in the amount of \$28,487,120 and expenditure appropriations in the amount of \$21,463,689 to reflect recent CFD bond issuances.

Adopted Citywide Budget vs. Adjusted Citywide Budget (Summary of Adjustments) as of February 1, 2025

The adopted Citywide Fiscal Year 2024/25 budget totaled **\$132,517,315** in revenue and **\$130,782,481** in expenditures for all funds, excluding Fiduciary Funds, and supported **330.4 (302 full-time and 28.4 part-time)** positions. The City's General Fund total adopted budget, inclusive of **Quality of Life Measure**, totaled projected revenues of **\$94,668,644** and total projected expenditures of **\$94,668,644, resulting in a balanced operating budget.**

The Adopted Budget is adjusted throughout the biennial period by including appropriations that are carried forward from the prior fiscal year for projects that were planned for and authorized by the City Council, however, not fully completed. In addition, throughout the year and at Mid-Cycle the City Council approves adjustments to the Adopted Budget in separate City Council action agenda items. The summary of total revenue adjustments through February 1, 2025, totals **\$22,319,327**, and the expenditure adjustments through February 1, 2025, totals **\$89,307,915**, which is comprised of the following:

TABLE 4: FY 2024/25 CITYWIDE BUDGET ADJUSTMENTS THRU FEBRUARY 1, 2025

Description	Revenue	Expenditures
FY 2023/24 Carryover Appropriations	\$18,305,035	\$46,291,135
FY 2023/24 Carryovers Purchase Orders	0	35,769,440
FY 2024/25 Mid-Cycle Budget Resolution	2,360,523	5,271,555
FY 2024/25 Additional Budget Resolutions	1,653,769	1,975,784
TOTAL	\$22,319,327	\$89,307,915

Since June 5, 2024, staff presented 14 staff reports (Attachment 1), including Mid-Cycle, requesting to increase revenues and expenditure appropriations in the General Fund, Quality of Life, and/or other Special Revenues. Additionally, pursuant to the adopted budget policy, eligible existing encumbrances, CIP budgets, grants and capital outlays/projects have been carried forward under City Manager approval.

Current Economic Outlook (National, State, Regional & Local) & Revenue Analysis

The FY 2024/25 budget as adopted in June 2023, incorporated a 2-year budget with anticipated steady growth across its principal revenues. As the City continues to grow, development related revenue, property tax, and sales tax revenue have steadily increased year-over-year. However, against a national financial background of higher interest rates influenced by the Federal Reserve’s efforts to rein in inflation, the City’s principal revenues, from development to sales activity, have overall experienced a flattening in growth. In the first half of the current year, the City’s primary revenues (sales tax, property tax, and development related fees) have all experienced modest to little growth overall. As the overall economy appears to move more into the “soft landing” scenario of slow growth, there are some positive economic signs, as well as many economic uncertainties. On the inflation side, the peak rates of 9.1% (nationally) and 8.3% (California) experienced in June 2022, were at 2.6% and 2.5% respectively by October 2024. Residential permits activity experienced a decline as construction loans are now more expensive.

Nationally, the overall economy experienced an average growth of 3.1% in real Gross Domestic Product (GDP) during the first three quarters of 2024 but is anticipated to slow to approximately 2% during the first half of 2025. Continued elevated interest rates have also slowed spending. With new national policy goals on the immediate horizon, including those related to trade, there is uncertainty of how these will impact inflation and the economy at large.

State-wide, California’s GDP and labor market have grown in the past year, but this growth is not expected to last. In development of its upcoming state budget, there is consensus that the state economy will experience a continued economic slow-down through the balance of 2025. Overall projections indicate a generally weaker economy through 2025 and into the foreseeable future.

As the City moves through the second half of the current fiscal year, overall recommendations for adjustments are fiscally conservative. Within the City of Menifee, development activity during the first half of the fiscal year has been in line with projections. It is important to note that overall activity reflects a modest growth pattern, similar to the overall national and state economies.

The City’s top six budgeted revenue sources for the General Fund, inclusive of Quality of Life (Measure DD) are listed in the table below. Together, these six (6) revenues sources represent 90.8% of the budgeted General Fund revenues, including Quality of Life, as adopted in June 2023.

TABLE 5: TOP 6 CITY REVENUES

Revenue Description		Mid-year Review/Analysis & Recommendations
1.	Sales Tax	In the first half of FY 2024/25 sales tax revenue maintained slow growth, similar to the prior year, excluding 1x revenue receipts associated with the Nova Park Battery Storage Project collected in FY 2023/24. The adopted budget for FY 2024/25 was revised downward at Mid-cycle to reflect this slower growth. Year-to-date actuals reflect revenues in alignment with the Mid-cycle adjusted budget. Recommendation for balance of the year includes No Mid-year adjustments.
2.	Quality of Life (Measure DD)	In the first half of FY 2024/25 sales tax revenue maintained slow growth, similar to the prior year, excluding 1x revenue receipts associated with the Nova Park Battery Storage Project collected in FY 2023/24. The adopted budget for FY 2024/25 was revised downward at Mid-cycle to reflect this slower growth. Year-to-date actuals reflect revenues in alignment with the Mid-cycle adjusted budget. Recommendation for balance of the year includes No Mid-year adjustments.
3.	Property Tax	HdL projections received in January 2025 indicate property tax revenue is expected to meet adopted budget numbers. Compared to FY 2023/24, the taxable assessed value has increased by 8.5%. During the Mid-cycle budget process, property tax was projected to remain in line with the adopted budget. Current projections for the balance of the year are expected to meet the adjusted budget. Recommendation for balance of the year includes No Mid-year adjustments.
4.	Building/Planning/Engineering/Fire Fees (Development Fees)	In line with FY 2023/24, in the first half of FY 2024/25 activity has overall experienced consistent growth as budgeted (Building & Safety, Planning, Engineering and Fire). Recommendation for balance of the year includes No Mid-year adjustments.
5.	Vehicle License Fee (VLF)	Revised HdL projections reflect VLF revenue expected to meet adopted budget projections. Recommendation for balance of the year includes No Mid-year adjustments.
6.	Franchise Fees	Solid Waste Franchise Fees received for the first 1st quarter of FY 2024/25 are trending higher than originally forecast. Other franchise revenues (gas and electricity) are collected later in the year. Cable TV franchise revenues are trending slightly lower than the projected monthly average. Recommendation for balance of the year includes No Mid-year adjustments.

Economic conditions will continue to be closely monitored and factored in during the development of the next biennial budget scheduled to be presented for adoption in June 2025. The following table provides an overall summary of some of the Key Economic Indicators incorporated as part of the Mid-year review process.

TABLE 6: SUMMARY OF KEY ECONOMIC INDICATORS (NATIONAL, STATE, LOCAL)

Indicator (Positive or Negative)	National	State	Regional/Local
GDP (↓)	3.1% (Nov. 2024) 2.1% Forecast for 2025	3.1% (Nov. 2024)	---
Unemployment (+)	4.2% (Nov. 2024)	5.4% (Nov. 2024)	5.4% (Nov. 2024)
Inflation (↓)	3.1% (Oct. 2023)/ 2.6% (Oct. 2024)	3.2% (Oct. 2023)/ 2.5% (Oct. 2024)	4.3% (Nov. 2023)/ 1.1% (Nov. 2024)
Residential Permits (↓)	0.2% decrease from Nov. 2023 to Nov. 2024	13.5% decrease from Nov. 2023 to Nov. 2024 (SFR increase of 5.4% over prior year, and MFR 23.9% decrease over prior year)	---

Note: Sources include, UCLA Economic Forecast (December 2024), State of CA Budget 2024 (January 2025), U.S. Census Bureau and U.S. Department of Housing and Urban Development Monthly New Residential Construction (December 2024), California Department of Finance Economic Update (December 2024), HdL January 2025 Property Tax and Sales Tax projections.

General Fund & Quality of Life Funds (Mid-year Budget Adjustment Recommendations)

The following tables (Table 7 and Table 8) depict the recommended revenue and expenditure adjustments by category within the General Fund and Quality of Life.

TABLE 7: FY 2024/25 MID-YEAR ADJUSTMENT RECOMMENDATIONS (GENERAL FUND)

General Operating & Capital Budget Year-to-Date (YTD) & Fund Balance						
Fund Type	Adopted Budget FY 2024/25	Adjusted Budget FY 2024/25	Mid-year Adjustments Recommended	Adjusted FY 2024/25 Budget with Mid-year Adjustments	YTD Actuals FY 2024/25 as of 1/20/2025	Percentage (%) YTD to Current Adjusted Budget
Revenue:						
Sales Tax	\$13,469,380	\$12,592,390	\$-	\$12,592,390	\$3,975,921	31.57%
Property Tax	22,801,919	22,801,919	-	22,801,919	8,646,627	37.92%
Development Fees	13,070,624	13,838,320	-	13,838,320	6,137,682	44.35%
Vehicle License Fee	11,141,656	11,210,112	-	11,210,112	-	0.00%
Franchise Fees	5,055,000	5,487,753	-	5,487,753	729,498	13.29%
Other	7,535,315	10,044,312	3,857,537	13,911,849	6,955,585	69.25%
Total Revenue	\$73,073,894	\$75,974,806	\$3,857,537	\$79,842,343	\$26,445,313	34.81%
Expenditures:						
Personnel	\$33,360,062	\$33,696,617	\$175,331	\$33,871,948	\$16,446,108	48.55%
Operating Expenses	30,798,573	36,923,060	129,064	37,052,124	9,506,848	25.66%

Capital Outlays	-	176,000	-	176,000	-	0.00%
Transfers & Allocations	8,875,259	8,711,259	55,000	8,766,259	-	0.00%
Capital Projects (CIP)	50,000	11,432,344	-	11,432,344	1,377,986	12.05%
Debt	-	-	-	-	-	0.00%
Total Expenditures	\$73,083,894	\$90,939,280	\$359,395	\$91,298,675	\$27,330,942	30.05%

The Quality of Life recommended Mid-year revenue increase is \$50,000, for a total revised revenue budget of \$20,901,000, and a recommended \$1,603,532 increase in expenditure appropriations for a revised expenditure budget of \$38,108,315 from the FY 2024/25 Adjusted Budget (Current).

TABLE 8: FY 2024/25 MID-YEAR ADJUSTMENT RECOMMENDATIONS (QUALITY OF LIFE)

Quality of Life Operating & Capital Budget Year-to-Date (YTD) & Fund Balance						
Fund Type	Adopted Budget FY 2024/25	Adjusted Budget FY 2024/25	Mid-year Adjustments Recommended	Adjusted Budget with FY 2024/25 Mid-year Adjustments	YTD Actuals FY 2024/25 as of 1/20/2025	Percentage (%) YTD to Current Adjusted Budget
Revenue:						
Sales Tax ⁽¹⁾	\$21,449,750	\$20,451,000	\$-	\$20,451,000	\$6,395,343	31.27%
Interest	135,000	400,000	50,000	450,000	158,887	33.16%
Total Revenue	\$21,584,750	\$20,851,000	\$50,000	\$20,901,000	\$6,544,231	31.31%
Expenditures:						
Personnel	\$7,138,783	\$7,138,783	\$3,532	\$7,142,315	\$3,386,156	48.81%
Operating Expenses	14,049,927	13,671,881	-	13,671,881	1,034,003	25.75%
Capital Outlays	-	-	-	-	-	0.00%
Transfers & Allocations	-	-	-	-	-	0.00%
Capital Projects (CIP)	396,040	15,694,119	1,600,000	17,294,119	7,346,437	12.05%
Debt	-	-	-	-	-	0.00%
Total Expenditures	\$21,584,750	\$36,504,783	\$1,603,532	\$38,108,315	\$11,766,597	29.94%

(1) Reflects revenues collected through October 2024.

Revenue Adjustments

Based on the revenue analysis discussed in the preceding section relative to the City’s top six (6) revenue sources, no budget adjustments are recommended. However, staff is recommending the following adjustments to revenue for the General Fund and Quality of Life Funds, reflected in the table on the following page (Table 9), related to increased interest earnings from investments.

The General Fund recommended Mid-year budget for FY 2024/25 includes a revenue adjustment increase of \$600,000 in interest revenue due higher than projected interest earnings and an increase of \$3,257,537 in fiscal impact fees collected for the Rockport Ranch development. These

fees will be restricted in use to a CIP project due to the source from CFD financed one-time money. Quality of Life revenue adjustments include \$50,000 for higher interest earnings.

TABLE 9: FY 2024/25 MID-YEAR GENERAL FUND & QUALITY OF LIFE REVENUE PROPOSED REVENUE ADJUSTMENTS

No.	Fund	Description	FY 2024/25 Mid-year Revenue Adjustment Amount (\$)	Justification
1	General Fund	Interest Income	\$600,000	Higher interest revenue receipts based on YTD actuals.
2	General Fund	Fiscal Impact Fees	3,257,537	One time fiscal impact fee collected for Rockport Ranch development which is CFD financed and must be used for capital project(s).
3	Quality of Life	Interest Income	50,000	Higher interest revenue receipts based on YTD actuals.
TOTAL:			\$3,907,537	

Expenditure Analysis & Adjustments:

General Fund expenditure appropriation requests total \$359,395 and are all related to operating budget requests. Quality of Life includes a small operating appropriation request of \$3,532 related to the personnel request described in the following section.

Overall, budgetary expenditures within the General Fund, including Quality of Life, are in line with their original budget projections. Mid-year appropriation requests are primarily reflective of critical positions needed for ongoing operations and increases in insurance premiums.

Personnel Mid-year Requests:

Personnel expenditures year-to-date actuals are 48.6% of the Adjusted Budget for General Fund and Quality of Life.

The FY 2024/25 Adjusted Budget currently includes a total of 332.5 full-time equivalent (FTE) personnel as compared to the originally adopted workforce of 330.4 FTEs. As part of the Mid-year process, departments reviewed organizational structure and operations to identify critical staffing needs. Staff is requesting approval of the following: addition of two (2) new positions, defunding of one (1) vacant position, reclassification of four (4) positions, and an increase to the part-time budget to account for the state-wide increase of minimum wage and to update hourly wage rates for part-time classification to address pay compaction. If the FY 2024/25 Mid-year personnel requests are approved, the updated personnel total will be 333.5, 303 full-time and 30.5 part-time FTEs.

TABLE 10: FY 2024/25 MID-YEAR PERSONNEL REQUESTS (ALL FUNDS)

No.	Department	Position Title	FY 2024/25 Mid-year Appropriation Request ⁽¹⁾	Funding Source	Justification
1	City Executive Office	Assistant to the City Manager (Vacant)	(\$75,025)	General Fund	Operational Need – Based on current needs, to help offset the costs of the Community Services Director position and the high priority need for that position, this vacant position will be defunded. Full year cost FY 2025/26: \$225,074.
2	Community Services Department	Community Services Director	\$113,052	General Fund	Operational Need – Community Services Department existing and future operations require dedicated executive position. Full year cost FY 2025/26: \$341,745.
3	Public Works & Engineering – Engineering Division	Management Analyst I	\$61,502	General Fund	Operational Need – To reduce the time in processing developer applications and reimbursements (revenue), in addition to assisting the Financial Analyst with staff reports and all other Engineering administrative analysis. Full year cost FY 2025/26: \$158,529.
4	Community Services	Part-time staff	65,100	General Fund	The minimum wage increase as of 1/1/25 will increase PT wages and funds will also be needed to address pay compactions.
5	Public Works & Engineering – CIP Division	Management Analyst II (Reclassification from Management Analyst I)	3,899	General Fund	Operational Need - Align position with current function/assignments and overall department organization. Full year cost FY 2025/26: \$11,696.
6	Menifee Police Department – Code Enforcement Division	Code Enforcement Technician (Reclassification from Office Specialist II)	6,390	General Fund	Operational Need – Align position with current function/assignments and overall department organization. Full year cost FY 2025/26: \$19,170.

No.	Department	Position Title	FY 2024/25 Mid-year Appropriation Request ⁽¹⁾	Funding Source	Justification
7	Menifee Police Department – Code Enforcement Division	Code Enforcement Manager (Reclassification from Code Enforcement Supervisor)	3,533	Quality of Life Fund	Operational Need – Align position with current function/assignments and overall department organization. Full year cost FY 2025/26: \$10,597.
8	Information Technology	IT Analyst (GIS) (Reclassification from GIS Technician)	5,699	Information Technology ISF	Operational Need – Align position with current function/assignments and overall department. Full year cost FY 2025/26: \$17,097.
TOTAL			\$184,564		

(1) Prorated to begin 3/1/2025, 4 months.

Other Personnel Adjustments:

Other personnel adjustments were reviewed and analyzed and will be absorbed within the current year’s budget through salary savings. Of note, all pay updates resulting from changes to the updated Memorandums of Understanding (MOUs) will be covered through salary savings for the remainder of the fiscal year.

Operations & Maintenance Mid-year Requests:

Expenditures year-to-date are trending within budget. Operations and maintenance expenditures year-to-date are 25.7% of the adjusted budget for General Fund and Quality of Life. Larger expenses, such as Dispatch Services and Fire Services are expected to be received later in the fiscal year and are therefore not yet realized. The following requests from the General Fund will be funded as ongoing expenses offset through the overall increases in interest revenue. There are no appropriation requests for operations and maintenance expenditures from the Quality of Life fund.

TABLE 11: FY 2024/25 MID-YEAR OPERATIONS & MAINTENANCE REQUESTS

No.	Department	Description	Increase/ (Decrease)	Justification
1	Human Resources – Risk Management Division	Insurance Premium – Worker’s Compensation	\$56,277	Increase from insurance premium beyond latest CIRA estimate.
2	Community Development – CDBG Division	Neighborly software	20,100	Software to streamline CDBG program management.
3	Menifee Police Department	4 Flock Condor Solar Cameras and software agreement	23,000	Cameras to monitor locations in public places that cannot be hardwired.
4	Information Technology	Monsido / Acquia Optimize software platform	9,400	Site scanning software to assist in maintaining ADA compliance.

No.	Department	Description	Increase/ (Decrease)	Justification
5	Information Technology	Accela & Bluebeam license upgrade	14,000	Upgrade the license of development software as part of a future integration project.
6	Information Technology	ArchiveSocial software	6,287	Archive all City's social media posts.
7	Community Services	Special District (LLMD 89-1) Water-ROW increase	55,000	General Fund transfer to LLMD Fund 2370 and 2374 which do not have enough funds to cover overages in water utility bills.
TOTAL			\$184,064	

Other Operational Adjustments:

Other operational adjustments were reviewed and analyzed and will be absorbed within the current year's budget through savings.

Capital Outlay Mid-year Requests:

Capital Outlay year-to-date expenditure actuals are 0.0% of the Adjusted Budget for General Fund and Quality of Life. Larger capital outlays, such as vehicle purchases, continue to see delayed realization of expenditures due to supply shortages. There are no appropriation requests from the General Fund or Quality of Life Fund as part of the FY 2024/25 Mid-year review.

ISFs, Special Revenue & Other Funds (Mid-year Budget Recommendations)

Other recommended ISF, Special Revenue, and Other Funds adjustments for the FY 2024/25 Mid-year budget include increases of \$3,452,652 in revenues and \$2,027,976 in additional expenditure appropriations. The expenditure appropriation requests include the following:

1. *ISFs - \$1,665,199*: Additional appropriations of \$35,000 for ADA Compliance Study Phase II, E-waste storage containers (\$13,000), transfer of building and copier leases from General Fund to the respective ISF fund for budget management purposes (\$1.5 million), and reclassification of one existing personnel, GIS Analyst (\$5,699). Other appropriations include furniture replacement costs for Code Enforcement (\$20,000), purchase and installation of an AC unit for the server room in the PD Headquarters (\$8,500), and ADA compliant swing door at the PD headquarters.
2. *CFD/LLMDs/CSAs - \$256,637*: Various increases in operational costs, including sod replacement, additional landscape/park maintenance responsibilities, road striping and markings, increased utility costs and updated administrative costs.
3. *Other Special Revenues - \$106,140*: \$35,000 in CDBG Minor Home Repair Program to reflect final and increased HUD FY 2024/25 allocations, and \$71,000 in Gas Tax to be used for citywide road striping efforts.

With respect to recommended revenue adjustment increases, the largest increases are represented by the following:

1. Corresponding increase of TUMF related reimbursements totaling \$1,158,298 that are due to the City, and will be collected for previous CIP project expenditures; and
2. Increased interest revenue based on year-to-date actuals and trends.

The following table details the various recommended adjustments (revenues and expenditure appropriations) for the Special Revenue and Other Funds:

**TABLE 12: FY 2024/25 MID-YEAR ADJUSTMENT RECOMMENDATIONS
 (SPECIAL REVENUE & OTHER FUNDS)**

Fund Category Type	Revenue Adjustment (\$)	Expenditure Adjustment (\$)	Justification/Explanation
Internal Service Funds (ISF)	\$1,665,300	\$1,665,199	-Higher interest revenue receipts based on YTD actuals. - Appropriation for ADA Compliance Study Phase II to pay consultant to lead and address ADA website compliance issues for City-owned websites. - Additional appropriation to purchase new furniture for Code Enforcement division. - Transfer to Facility and IT ISFs of printers and building leases.
Gas Tax & Other Special Revenue Funds	1,349,233	106,140	Corresponding carryovers of TUMF related revenues to align with previously carried over expenditures (budget and encumbrances). Higher interest revenue receipts based on YTD actuals.
LLMD Funds	124,000	92,035	Higher interest revenue receipts based on YTD actuals. Additional appropriations in several special districts for higher YTD actuals on utilities.
CFD Funds (Maintenance)	135,152	142,340	Higher interest revenue receipts based on YTD actuals. Additional appropriations in several special districts for higher YTD actual operating expenses.
CSA Funds	14,000	22,262	Higher interest revenue receipts based on YTD actuals. Additional road striping/markings.
DIF/Quimby/RBBD Funds	141,000	-	Overall YTD actuals revenues are trending higher than budgeted.
Debt Service	24,000	-	Higher interest revenue receipts based on YTD actuals.
TOTAL:	\$3,452,685	\$2,027,976	

Capital Improvement Program (CIP) Review & Update:

At budget adoption in June 2023, the FY 2024/25 CIP included new funding totaling \$12,352,212 for twenty-one (21) existing and new projects. As part of the Mid-Cycle adoption an additional eight (8) projects were added, including two (2) unfunded projects. At Mid-Cycle the FY 2024/25 CIP was updated to include 27 funded projects with a budget of \$15,577,212. As many of the CIP projects are complex multi-year projects spanning across fiscal years, each year remaining funding of previously approved CIP projects is carried forward into subsequent years until project completion. Carried over project budgets are added to the current year's adopted budget, along with any additional appropriation/changes that transpire during the year to produce the current

and Adjusted CIP budget. The FY2024/25 Adjusted CIP budget as of 2/1/2025 represents approximately 84 active and funded projects.

In summary, the following updates occurred from July 2024 through February 2025 (prior to the FY 2024/25 Mid-year requests):

- Budget carryovers of \$78,438,922 (encumbrances and appropriated budget) for previously approved CIP projects underway.
- Mid-Cycle appropriations of \$500,000 for two (2) CIP projects, \$250,000 for the ADA Transition Plan and \$250,000 for the PMP Plan Update
- Additional budget appropriation totaling \$92,500, for the Menifee Road Resurfacing - Aldergate Drive to McCall Boulevard Project (CIP 24-21)

FY 2024/25 Mid-year CIP Requests:

There is an appropriation request for \$1,600,000 from Quality of Life funds to cover two CIP projects, \$1,500,000 for the Paloma Wash Pedestrian Bridge (CIP 20-13) and \$100,000 for the Menifee Rd./Fire Station No. 76 Traffic Signal (CIP 23-09). A summary of the adopted and adjusted CIP budget, including Mid-year requests, can be found below:

TABLE 13: FY 2024/25 ADOPTED vs. FY 2024/25 ADJUSTED BUDGET (CIP) UPDATE (Including FY 2024/25 Mid-year Requests)

No.	Project Category	FY 2024/25 Adopted Budget: Project Costs	FY 2024/25 Adjusted Budget: Project Costs
1	Transportation ⁽¹⁾	\$2,859,237	\$51,671,655
2	Traffic Signals ⁽²⁾	1,378,094	3,092,264
3	Street Improvements	1,692,000	5,165,160
4	Pavement Management	4,132,000	9,333,654
5	Drainage	749,000	749,000
6	Streetlights	-	51,067
7	Public Facilities	108,548	12,125,171
8	Parks, Trails and Recreation	1,200,000	9,539,313
9	Information Technology	233,333	756,612
	Total	\$12,352,212	\$92,483,634

(1) Includes the FY 2024/25 Mid-year request of \$1,500,000 for CIP 20-13: Paloma Wash Pedestrian Bridge

(2) Includes the FY 2024/25 Mid-year request of \$100,000 for CIP 23-09: Menifee Rd./Fire Station No. 76 Traffic Signal.

In total, the FY 2024/25 CIP Budget, inclusive of: (1) the current year adopted budget funding, (2) additional appropriations requests since July 1, 2024, (3) Fiscal Year 2024/25 Mid-year requests discussed above, and prior year budget and encumbrance carryovers for ongoing projects will be **\$92,483,634**.

Fund Balance Reserves and Assigned Fund Balances

As part of the FY 2024/25 Mid-Cycle budget review and adoption process the City reviewed its existing Fund Balance Policy. As part of this effort, the City revised its policy to incorporate the following updates, listed in order of funding priority:

1. Effective July 1, 2024, establish the General Fund reserve requirement at 40% of the adopted operating costs (*Cash Flow/Emergency Reserves*);
2. Incorporate dedicated Assigned Balances (*Operating Costs Stabilization Fund Balances*) to address larger capital outlay purchases and/or stabilize year over year operating costs increases in categories such as:
 - a. Fleet Replacement
 - b. Self-Insured Retention/Insurance Premiums Costs
 - c. Unfunded Pension Liability costs
3. Incorporate dedicated Assigned or City Council approved Committed Fund Balances for larger future capital projects (public facilities) (*Capital Projects Committed/Assigned Fund Balance*)

As previously indicated, from a financial standpoint in FY 2023/24 the City ended the year in a stable and positive position. From the revenue side, revenues within the General Fund and Quality of Life funds resulted in revenues exceeding the adjusted budget by just over \$11 million. \$8 million of the \$11 million is represented by Sales Tax and Quality of Life revenue received from the construction of the Nova Park Battery Storage Project. On the expenditure side, one-time operational savings, principally derived from fire contract savings, dispatch contract savings, and other one-time operational savings resulted in approximately \$8 million in savings from the adjusted budget.

With a robust CIP underway, excess Quality of Life funds are recommended to be immediately directed to active CIP projects. \$1.6 million is recommended as part of the FY 2024/25 Mid-year recommendations, and the balance will be included as part of the upcoming biennial budget process as the CIP, including the 5 Year CIP Plan, is updated. Based on active project activity forecast for the upcoming fiscal year, staff anticipates recommendation of the full remaining balance to be included as part of the new budget cycle.

In accordance with the City Council approved Fund Balance Policy and, recognizing the one-time nature of the revenue and operational savings sources, the excess General Fund balance (beyond the established 40% Reserve Requirement) has been distributed amongst the following Assigned Fund Balance categories as follows:

- *Fleet Replacement, \$1 million.* With several vehicles (Main City Hall and PD) requiring replacement in the near future, the City has established this assigned fund balance to help cover upcoming purchases.
- *Self-Insured Retention/Insurance Premium Costs, \$500,000.* As the City's services expand, the quantity/size of claims is anticipated to continue to grow. Insurance premiums have also experienced significant year-over-year increases and are forecast to continue to do so.
- *Unfunded Pension Liability, \$424,678.* Realized budget savings from FY 2023/24 will be set aside to offset significant increases in future years, as the City continues to prioritize maintaining no outstanding Unfunded Pension Liability balance.
- *Public Facilities, \$11.5 million.* The City has identified several large public facilities projects including, but not limited to, a future City Hall, Police Headquarters/Public Works Yard, and Community Center which will require identifying a multi-year and various funding sources approach.

Bonded CFDs: (Infrastructure) Funds and Fiduciary Funds

Through its established CFD policy, the City works with developers on the formation and bond issuance of infrastructure CFDs used to finance eligible public improvements and/or fees. During the first half of FY 2024/25 the City completed several bond issuances for respective CFDs. Specifically, CFD bond issuances completed after July 1, 2024, include CFD 2022-1, Series 2024 (Quartz Ranch) second bond issuance, and CFD 2023-1 (Rockport Ranch). These represent the bond proceeds which will be applied against eligible CFD reimbursements. It is important to note that the related debt is not an obligation of the City, but of the CFD and respective properties. The following adjustments for the bonded CFDs are requested:

TABLE 14: Bonded CFDs FY 2024/25 Mid-year Appropriation Requests

Fund Category Type	Revenue Adjustment (\$)	Expenditure Adjustment (\$)	Justification/Explanation
CFD Funds (Infrastructure)	\$25,909,503	\$20,665,030	The majority of these adjustments are based on YTD Actuals including higher interest earnings as well as 2 bond issuances (CFD proceeds) and related costs.
CFD Funds (Fiduciary)	2,577,617	798,659	The majority of these adjustments are based on YTD Actuals Including higher interest earnings as well as 2 bond issuances (CFD proceeds used to establish Reserve Requirement within the Fiduciary Fund for term of CFD).
TOTAL	\$28,487,120	\$21,463,689	

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

Summary of Revenue & Expenditures by Fund Type

Table 15 below provides an overall summary of all revenue and expenditure Mid-year adjustment requests by fund type and amount.

TABLE 15: FY 2024/25 MID-YEAR ADJUSTMENT RECOMMENDATIONS

Fund Category	Proposed FY 2024/25 Revenue Adjustments	Proposed FY 2024/25 Expenditure Adjustments
General Fund	\$3,857,537	\$359,395
Quality of Life Fund	50,000	1,603,532
Internal Service Funds (ISF)	1,665,300	1,665,199
Gas Tax & Other Special Revenue Funds	1,349,233	106,140
LLMD Funds	124,000	92,035
CFD Funds (Maintenance)	135,152	142,340
CSA Funds	14,000	22,262
DIF/Quimby/RBBD Funds	141,000	-
Debt Service	24,000	-
Sub-Total Citywide Budget	\$7,360,222	\$3,990,904
CFD Funds (Infrastructure) & Fiduciary Funds	\$28,662,120	\$21,463,689
TOTAL ALL FUNDS	\$36,022,342	\$25,454,593

ATTACHMENTS

1. FY 24/25 BARs & Carryover Item Summary
2. Resolution approving the Authorized Position Listing
3. Exhibit – Authorized Position Listing
4. Resolution - FY 2024/25 Mid-Year Adjustments