

Assignment of the Fund Balance of the Primary General Fund

Following the City of Santa Cruz's financial and budgetary policies and in alignment with fiscal best practices, the estimated ending fund balance for the Primary General Fund is set aside for specific purposes, as is the case with the pension reserve and the emergency reserve, and the remaining is unrestricted fund balance.

Pension Reserve

This reserve is restricted. Appropriations require resolution from the City Council and can only be used to cover costs associated with employee pension benefits.

Emergency Reserve

This reserve is used for sustaining General Fund operations in the case of a public emergency such as a natural disaster, economic recession, or other unforeseen catastrophic event. The use of this reserve requires resolution from City Council.

Unrestricted Fund Balance

These funds are set aside to cover unexpected operational and one-time needs. This is made up of committed and assigned fund balance.

After FY 2024 closes, the new audited balance of these portions of the fund balance for the Primary General Fund will be known.

Explanation of Fund Balance Change Over 10%

It is considered a best practice to provide an explanation of the change in fund balance if this change is greater than 10%. As can be seen on the previous page, the following funds are anticipating a greater than 10% change, so an explanation for this follows:

The Gasoline Tax Fund has a planned 80% decrease in fund balance in FY 2025. This is in large part due to the large, anticipated costs for Murray Street Bridge Seismic Retrofit CIP project (c409321) in FY 2025, which currently is underfunded.

Transportation Measure D Fund will have a 145% increase in fund balance as projects ordinarily receiving Measure D funds are diverted to other funds or deferred. Measure D funds will be set aside to fund construction of the remaining Monterey Bay Sanctuary Scenic Trail (Rail Trail) segments (c401804) within the City limits.



The Traffic Impact Fee- Citywide Fund will have a 42% decrease in its fund balance because of a decrease in anticipated revenues and increased personnel costs, as a Senior Professional Engineer, an Associate Professional Engineer, and a portion of the Assistant Director of Public Works are funded through this fund, and as the Delaware-Swift Intersection Improvements (c401904) and the Pacific Beach Roundabout Enhancements (c402507) CIP projects are partially funded through this fund.

The Clean River, Beaches Fund will similarly have a decrease in its fund balance, which will be reduced by 35% in FY 2025. This is largely due to the new costs associated with the FY 2025 project, Recreational Vehicle (RV) Sanitary Disposal Station (c402508).



The fund balance for the Housing and Community Development Funds will decrease by 21% due to the addition in the FY 2025 budget of two positions in Fund 279, the Affordable Housing Trust Fund: a Principal Management Analyst and a Development Manager. The rationale for these two new positions is included in the Personnel Profile – Overview of Changes. The financial impact of these positions on the fund balance will be reduced as these individuals charge their time to already-budgeted projects. This will create a labor credit that will be added to this fund, which will reduce the fund's budgetary deficit.

The Capital Projects Funds will have an increase in fund balance of 51%, which is in part due to the \$2.0M Measure S parcel tax revenue received in Fund 316 for the Santa Cruz Library CIP. Currently, this revenue does not have an offsetting expenditure as these funds are intended to eventually be used

towards the construction of the Downtown Mixed-Use Project, c512002.

Internal Service Funds will see a 48% increase in fund balance at the end of FY 2025 due to a surplus in the Group Health Fund 843 of \$1.45M and a surplus in the Unemployment Insurance Fund 844 of \$0.8M. These fund balances are being allowed to build up in the 2025 fiscal year to be able to cover large, unanticipated claims in the future.