



Office of the City Manager

Date: November 6, 2025
To: Budget & Finance Policy Committee
From: Paul Buddenhagen, City Manager
Submitted by: Maricar Dupaya, Budget Manager
Subject: First Amendment to the FY 2026 Annual Appropriations Ordinance

RECOMMENDATION

Request that the Budget & Finance Policy Committee:

1. Receive the preliminary Fiscal Year 2025 General Fund Year-End status and the requested carryover and adjustments for inclusion in the first amendment to the Fiscal Year 2026 Annual Appropriations Ordinance (“AAO#1”) and provide direction to staff
2. Authorize staff to present the approved Amendment to the FY 2026 Annual Appropriations Ordinance to the full City Council on November 18, 2025, for consideration and adoption of the first reading of the Ordinance

BACKGROUND

The Annual Appropriations Ordinance (AAO) establishes the expenditure limits by fund. For FY 2026, the AAO was adopted on June 24, 2025 (ORDINANCE NO. 7,977–N.S.).

After budget adoption and during the fiscal year, the City takes actions that amend the adopted budget. These may include, but are not limited to, the acceptance of new grants, revisions to existing grants, adjustments to adopted expenditure authority due to emergency needs and other funding needs that occur after budget adoption, and transfers in accordance with Council’s fiscal policies.

The adopted budget is also amended annually to reflect the re-appropriation of prior year funds for contractual commitments (i.e. encumbrances) as well as unencumbered carryover of unexpended funds previously authorized for continuation of capital and other specific projects, and for one-time, non-recurring purposes. These budget modifications are periodically presented to the Council in the form of an Ordinance amending the Annual Appropriations Ordinance, which formally requires a two-thirds vote of the City Council.

When Council adopts an appropriations ordinance (budget), it is based on projected revenues and expenditures. If fund balances do not support the requested level of expenditures, no carryover or adjustment is recommended.

Carryover Process

Departments were asked to submit information regarding the reasons for the unencumbered carryover requests to assist staff in determining which funds should be carried into FY 2026. In prior years, funds have been approved for carryover from one year to the next based on funding availability.

Types of Carryovers

Encumbrance Rollovers reflects contractual obligations which had not been paid as of June 30, 2025. Funding for these “encumbered” commitments is brought forward into the current fiscal year to provide for payment of these obligations.

Unencumbered Carryovers reflect the carryover of funding appropriated by the City Council for specific purposes that had **not** been encumbered by year-end. The carryovers for the General Fund are for priority projects. There are also additional carryover requests in nondiscretionary funds. Capital Improvement Funds carryovers are for continuing projects.

Other Adjustments and New Funding Requests

Other Adjustments reflect actions taken after the adoption of the FY 2026 budget. It also includes new General Fund supported funding requests by City departments. Citywide, there are other adjustments in nondiscretionary funds and reflect the appropriation of grant funding and the use of available fund balance.

The proposed amendments are summarized as follows:

	Encumbered Recommended	Unencumbered Recommended	Other Adjustments	Total
General Fund (011)	\$ 22,721,191	\$ 5,446,108	\$ 4,766,827	\$ 32,934,126
Capital Improvement Fund (501)	\$ 10,347,460	\$ 8,233,228	\$ -	\$ 18,580,688
All Other Funds	\$ 112,163,316	\$ 79,648,270	\$ 114,747,096	\$ 306,558,682
Total	\$ 145,231,967	\$ 93,327,606	\$ 119,513,923	\$ 358,073,495

CONCLUSION

The Amendment to the FY 2026 Annual Appropriation Ordinance allows the City to augment the FY 2026 Adopted Budget, re-appropriating funds from FY 2025 to FY 2026 for contractual commitments that need to be paid and revising the budget to reflect approved carryover requests in both discretionary and non-discretionary funds. Staff is presenting carryover recommendations for projects that are either currently under contract, represent Council priorities, and/or are considered critical for ongoing operations.

This is the first meeting scheduled with the Budget & Finance Policy Committee (Committee) to discuss and determine the Amendment to the FY 2026 Annual Appropriation Ordinance (AAO#1). If needed, a second Committee meeting is scheduled for November 13, 2025, to continue the discussion of the Amendment to the FY 2026 Annual Appropriation Ordinance (AAO#1).

CONTACT PERSON

Maricar Dupaya, Budget Manager, City Manager's Office, 981-7000

Michelle Rosete, Senior Management Analyst, City Manager's Office, 981-7000

Attachment:

1. Budget and Fiscal Policies
2. FY 2025 Departmental Carryover and FY 2026 Other Adjustment Detail Request
– All Funds