

Memo

To: Mayor and Vice Mayor
From: Melissa Crowder, City Clerk
CC: J. Rocco, O. Jones, M. Lindley
Date: February 5, 2026
Re: Finance & Budget Subcommittee Agenda Item No. 5A

The attached draft Staff Report is being shared with you as part of Item 5.A. on Monday's City Council Finance & Budget Subcommittee meeting.

5.A. UPDATE AND DISCUSSION OF THE FISCAL YEAR 2024-25 YEAR-END FINANCIAL STATUS AND FISCAL YEAR 2025-26 MID-YEAR BUDGET UPDATE [J. ROCCO, O. JONES, M. LINDLEY]:

SUBJECT: UPDATE OF THE FISCAL YEAR 2024-25 YEAR-END BUDGET, FISCAL YEAR 2025-26 MID-YEAR BUDGET, PROGRESS ON WORK PLAN PRIORITIES, AND ORGANIZATIONAL CHANGES

INITIATED BY: CITY MANAGER'S DEPARTMENT
(Jackie Rocco, City Manager)

FINANCE & TECHNOLOGY SERVICES DEPARTMENT
(Onyx Jones, Interim Director of Finance & Technology Services)
(Karen Bareng, Accounting Manager)
(Melissa Lindley, Budget Officer)
(Stephen Peloso, Senior Accountant)

ADMINISTRATIVE SERVICES DEPARTMENT
(Janet Jimenez, Director of Administrative Services)
(Raelynn Napper, Human Resources Manager)

STATEMENT ON THE SUBJECT:

The City Council will receive an update on the Fiscal Year 2024-25 year-end financial status and Fiscal Year 2025-26 mid-year budget status, including proposed mid-year budget adjustments, and a report of progress on departmental work plan priorities. The City Council will also consider approval of position changes, including adding one position and converting one vacant position.

RECOMMENDATIONS:

- 1) Receive an update on the Fiscal Year 2024-25 year-end financial status.
- 2) Receive an update on the Fiscal Year 2025-26 mid-year budget status and approve budget adjustments identified in the attached "Proposed Mid-Year Adjustments to the Fiscal Year 2025-26 Budget" (Attachment A).
- 3) Receive and file the Progress on FY 2025-26 Departmental Work Plan Priorities (Attachment B).
- 4) Approve the following position changes:
 - a. Add 1.0 FTE Assistant Director of Public Works

- b. Convert a 1.0 FTE vacant Senior Maintenance Technician to a 1.0 FTE Lead Maintenance Technician
- 5) Approve the classification of Assistant Director Public Works at Grade 1400e.
- 6) Approve the updated Fiscal Year 2025-276 Salary Schedule (Attachment C) reflecting all City positions and associated salaries in order to meet the California Public Employees' Retirement System requirements of Government Code §20636(b)(1).

BACKGROUND / ANALYSIS:

Each year, the City of West Hollywood develops a budget, which is both a spending plan for the City's available financial resources and the legal authority for the City's various departments to spend available resources to address the needs of City's diverse community, reflecting shared priorities, goals, and values. The City's budget consistently reflects a commitment to fiscal responsibility, economic growth, and the overall well-being of our community. Regular monitoring of the City's budget performance, fiscal position, and the broader economic landscape is critical for responsible fiscal stewardship.

The City operates on a fiscal year from July 1 to June 30. The fiscal year ending June 30, 2025 (FY25) has concluded and staff have completed the audit and prepared the Annual Comprehensive Financial Report (ACFR). This report is intended to provide an overview of the City's General Fund financial status at the end of FY25, an update at the midpoint of the current Fiscal Year 2025-26 (FY26), and proposed adjustments.

The following discussion is organized into five sections:

- 1. FY25 Year-End Audited Financial Status
- 2. FY26 Mid-Year Budget Update
- 3. FY26 Progress on Departmental Work Plan Priorities
- 4. Proposed Position Changes
- 5. Looking Ahead

Report Enhancements: This report reflects a few significant changes from prior reports, to align with best practices and ensure consistent reporting:

- The FY25 Year-End Financial Status section is based on information derived from the City's audited financial statements included in the Annual Comprehensive Financial Report (ACFR), presented in a separate staff report on tonight's City Council Agenda. While the groupings in the ACFR and budget are very similar for revenues, they are quite different for expenditures. Furthermore, the report now includes a summary of the fund balance of the General Fund, and the components within the fund balance.
- The FY26 Mid-Year Budget Update follows the modified accrual method. Cities typically record revenues on a cash basis during the fiscal year for simplicity and then apply the modified accrual method at year-end to comply with governmental accounting standards. In previous years, the Mid-Year report included certain General Fund revenues received after December if they related to that period, in order to represent a full six months of activity. Going forward, the report will include only revenues and expenditures recorded in the City's financial system through December for consistency and ease of reporting. This change makes FY26 Mid-Year revenues appear lower compared to last year. The adjustment is one-time, and future reports will reflect normal trends.

Financial analysis is provided for the General Fund, the City's primary source of unrestricted operating revenue, which accounts for the majority of the City's budget.

1. FY25 Year-End Audited Financial Status

The following discussion summarizes the City's FY25 financial performance, for the twelve-month period from July 1, 2024, to June 30, 2025, in the City's General Fund. The financial data presented is derived from the City's audited financial statements included in the Annual Comprehensive Financial Report (ACFR) presented in a separate staff report on tonight's City Council Agenda. This approach ensures consistency with finalized, independently reviewed figures while providing Council with accurate and reliable information.

- **FY25 Year-End Revenues**

For FY25, General Fund Revenues and Other Financing Sources totaled \$167.4 million.

This represents an increase of \$2.6 million, or 2.0%, compared to the previous year. The specific categories of General Fund revenues are detailed in Table 1 of this report. It is important to note that these General Fund categories differ from those presented in the Government-wide analysis (Pages 13 and 19 in the City’s Annual Comprehensive Financial Report) because the Government-wide totals encompass all City government funds, while the General Fund is focused solely on the primary operating fund.

Table 1: FY25 Year-End Revenues (Audited)

General Fund	FY21	FY22	FY23	FY24	FY25
Property Tax	\$ 31,420,863	\$ 32,048,709	\$ 34,919,531	\$ 36,110,458	\$ 39,994,368
Sales Tax	19,025,432	36,258,528	36,528,081	35,007,293	34,477,815
Transient Occupancy Tax	9,675,868	31,951,176	34,739,728	34,136,456	31,942,398
Other Taxes	5,886,764	6,466,536	6,922,763	3,927,225	5,354,871
Licenses & Permits	7,720,766	9,021,288	10,112,308	12,119,652	10,264,758
Intergovernmental	1,143,745	9,035,675	670,781	825,444	338,517
Charges for Services	2,381,930	2,431,295	2,741,218	3,263,550	3,773,950
Use of Money & Property	7,010,689	7,680,946	18,309,844	25,026,003	26,051,215
Fines and Forfeitures	5,225,166	6,288,812	7,722,674	7,659,846	7,771,536
Miscellaneous	176,355	3,890,405	7,084,083	6,303,982	7,033,348
Other Financing Sources	-	-	1,984,504	367,660	370,588
Total	\$ 89,667,578	\$ 145,073,370	\$ 161,735,515	\$ 164,747,569	\$ 167,373,364
% Change from Prior Year	-18%	62%	11%	2%	2%

Additional explanation for significant revenue categories is provided below.

Property, Sales, and Transit Occupancy Taxes: The General Fund's three largest revenue categories were Property Tax, Sales Tax, and Transient Occupancy Tax (TOT). Property Tax continues to show strong and steady growth due to a combination of factors, which include rising property values, recent sales transactions, and the addition of new buildings to the City’s property tax roll. Sales Tax and TOT decreased by \$0.5 million and \$2.2 million, respectively. The decline in Sales Tax is attributed to a combination of factors, including widespread price increases that have impacted consumer spending habits and the economic disruption caused by the 2025 Eaton and Palisades wildfires, which affected supply chains and consumer behavior. The decline in TOT was largely attributable to economic disruption caused by the 2025 Eaton and Palisades wildfires, which reduced tourism and impacted the hospitality industry.

Other Taxes: Other Taxes saw an increase of \$1.4 million, which reflects the resumption of collections following the conclusion of the prior year's business license tax waiver

program. This category encompasses the Business Licenses Taxes, Franchise Fee Taxes, Public, Educational, and Government (PEG) Revenue.

Licenses & Permits: Revenue from Licenses and Permits decreased \$1.9 million, primarily due to fewer projects being completed this year. This decline is reflected in lower Building Permit activity and reduced Plan Check Fees, driven by decreased developer demand and the completion phase of several multi-year projects.

Use of Money & Property: Revenue from Use of Money and Property increased by \$1.0 million, driven by a \$300,000 rise in interest earnings resulting from higher interest rates. The remaining growth primarily reflects unrealized gains from changes in the fair value of the City’s investments. These gains are reported in accordance with fair value accounting standards and do not represent additional cash received.

- **FY25 Year-End Expenditures**

For FY25, total General Fund expenditures were \$163.6 million, an increase of \$16.5 million from the prior year.

Table 2: FY25 Year-End Expenditures (Audited)

General Fund	FY21	FY22	FY23	FY24	FY25
General Government	\$ 23,132,808	\$ 26,357,168	\$ 21,749,285	\$ 25,643,205	\$ 30,038,525
Community Safety	25,415,556	27,634,943	30,165,663	33,804,072	36,930,241
Public Services	42,965,059	45,017,780	61,694,374	68,811,682	76,521,564
Capital Outlay	1,345,435	3,358,720	5,088,533	3,788,588	2,898,531
Debt Service	12,472	57,567	370,984	643,643	458,166
Other Financing Uses	5,781,014	10,936,370	11,516,821	14,391,001	16,737,071
Total	\$ 98,652,344	\$ 113,362,548	\$ 130,585,660	\$ 147,082,191	\$ 163,584,098
% Change from Prior Year	-14%	15%	15%	13%	11%

Additional explanations for significant expenditure categories are provided below.

General Government: The General Government category is comprised of the following departments: Legislative & Executive; Administrative Services; Finance & Technology Services; and Communications. General Government expenditures resulted in an increase of \$4.4 million from the prior year. This is mainly due to increases in specialized legal services of \$1.3 million. Insurance premium and claims also increased by \$0.5 million due to higher insurance rates and increase in claims this year. Metro traded funds also increased by \$0.6 million.

Community Safety: The Community Safety category is comprised of the Community Safety Department. Community Safety expenditures increased by \$3.1 million primarily due to expansion of the City's unarmed security ambassador program. Contracted costs for this program, and for the City's law enforcement contract with the Los Angeles Sheriff's Department, are projected to grow at a rate of 5% through 2027 based on projections in liability and personnel costs.

Public Services: The Public Services category is comprised of the following departments: Human Services & Rent Stabilization; Community Development; Public Works; Economic Development; Development Support; and Community Services. Public Services expenditures account for the largest share of the General Fund. The increase of \$7.8 million is primarily attributed to increases in the Recreation Services Divisions of \$1.8 million, for personnel and operating costs at the West Hollywood Park Aquatics and Recreation Center, the Human Services Division of \$1.2 million, the Building & Safety Division of \$0.9 million, and the Long-Range Planning Division of \$0.9 million.

Other Financing Uses: The Other Financing Uses category consists of debt service expenditures and transfers to other funds. Expenditures in this category increased by \$2.3 million compared to the prior fiscal year. This includes a \$1.0 million increase in the transfer to the Debt Service Fund to pay debt service on bonds and \$1.3 million increase in the transfer to the Debt Funded Capital Projects Fund to support capital projects that are not eligible to be funded with available proceeds from Tax-Exempt Lease-Revenue Bonds. Capital Improvement Projects not funded with bond proceeds include: 8305 Santa Monica Boulevard (Care Team), Holloway Motel (Interim Housing), the Log Cabin (West Hollywood Recovery Center), and the City Playhouse.

- **FY25 Year-End Fund Balance**

The following table shows the ending General Fund balance for the last six fiscal years.

Table 3: Fund Balance Summary (Audited)

General Fund	FY21	FY22	FY23	FY24	FY25
Nonspendable	\$2,147,584	\$2,077,370	\$2,683,879	\$571,351	\$589,978
Committed	\$24,148,689	\$24,645,511	\$27,220,225	\$83,498,267	\$85,426,913
Assigned	\$93,630,186	\$123,911,968	\$150,383,205	\$112,398,797	\$113,664,056
Unassigned	\$3,022,018	\$4,024,450	\$5,521,845	\$5,900,691	\$6,477,425
Ending Fund Balance	\$122,948,477	\$154,659,299	\$185,809,154	\$202,369,106	\$206,158,372
Change from Prior Year	(\$8,984,766)	\$31,710,822	\$31,149,855	\$16,559,952	\$3,789,266
% Change from Prior Year	-7%	26%	20%	9%	2%

For the year ending June 30, 2025, the ending fund balance was \$206.2 million, which was an increase of \$3.8 million or 2%, from FY24. The amount must be considered within historical context and with consideration for the constraints on the various components of the fund balance.

During the 10-year period prior to the pandemic, the average annual increase in fund balance was 6%. As the world emerged from the pandemic, the City experienced exceptional growth in the fund balance, a 26% increase in FY22 and 20% increase in FY23. The rapid growth was partly driven by a rebound in tourism after the lifting of travel restrictions, but significant growth stemmed from new revenue sources, while expenditures were slower to catch up.

- FY22 accounts for the first full year of revenues from Measure E Sales Tax (\$15M) and the beginning of steady increases in billboard revenues (\$8M). And FY23 accounts for the first full year of revenue from Bus Shelter Advertising (\$6M). By FY25 revenues reached \$167 million.
- At the same time, expenditures for new budgets lagged, actual expenditures were less than budgeted as the implementation of new facilities, programs, and initiatives ramped up for the Aquatics & Recreation Center operations & programming (\$3M), facilities maintenance (\$8M), enhanced Ambassador program (\$4M), Care Team (\$3M), and Pride (\$7M). By FY25 actual expenditures reached \$164 million.

The 2% increase in the FY 2025 fund balance reflects a more moderate growth than anticipated, as revenue and expenditure trends normalize and the cost of goods and services continues to rise.

There are five separate components of the \$206 million fund balance, each of which identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent, also referred to as fund balance designations:

- Non-Spendable Fund Balance (\$0.6 million) is the portion of the fund balance that cannot be spent due to its non-spendable form, or because it is legally or contractually required to be maintained intact. This includes items that are not expected to be converted to cash, for example, prepaid items which are payments the City has already made for services that will be used in a future period.
- Committed Fund Balance (\$85.4 million) is the portion of the fund balance that is subject to self-imposed constraints on spending due to the formal action of the highest level of decision-making authority (the City Council). This includes emergency reserves, which ensure that there are enough funds for future emergencies, and continuing appropriations which are formerly authorized committed expenditures that will carry forward into the next fiscal year.
- Assigned Fund Balance (\$113.7 million) is the portion of the fund balance that is constrained by the City's intent to utilize for a specific purpose. By resolution, the City Council has designated the Director of Finance & Technology Services as the official to determine the amounts classified as Assigned Fund Balance. This includes amounts designated for self-insurance, capital projects, future expenditures, debt service and unfunded pension costs.
- Unassigned Fund Balance (\$6.5 million) is the residual balance, the remaining classifications for the general fund that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

2. FY26 Mid-Year Budget Update

The Mid-Year Budget Update presents an overview of the General Fund fiscal status, revenues, and expenditures for the first half of FY26 comparing actual figures to budgeted amounts and explaining any notable deviations or trends in the numbers.

Table 4 summarizes: 1) the FY26 Adopted Budget, as approved City Council on June 23,

2025; 2) the FY26 Revised Budget, the Adopted Budget plus encumbrance carryforwards of \$26.2 million and supplemental appropriations approved to date of \$5.4 million; and 3) FY26 Actuals revenues received and expenditures incurred during the first half of the fiscal year (July – December 2025).

The following discussion provides an overview of the FY26 mid-year budget position, starting with revenues, then moving to expenditures, and the fund balance.

- **FY26 Mid-Year Operating Revenues**

General Fund revenues reached approximately \$64.8 million, 39% of the Revised budget, in the first half of the fiscal year.

Table 4: FY26 Mid-Year Revenues

General Fund Revenues	FY26 Adopted Budget	FY26 Actual As of 12/31/25	% of Revised Budget	FY26 Revised Budget	Mid-Year Projected Year-End	Variance Over/(Under) Budget
Sales Tax	\$37,003,000	\$11,067,618	30%	\$37,003,000	\$35,853,000	(\$1,150,000)
Transient Occupancy Tax	33,230,000	16,231,665	49%	33,230,000	33,230,000	-
Property Tax	29,570,000	11,235,761	38%	29,570,000	29,570,000	-
Other Taxes	15,270,000	1,081,408	7%	15,270,000	14,880,000	(\$390,000)
Development Agreements		3,370,746	27%	12,556,440	11,556,440	(\$1,000,000)
Parking Fines	7,250,000	3,982,284	55%	7,250,000	7,250,000	-
Parking Meters	7,000,000	2,877,354	41%	7,000,000	7,000,000	-
City Permits	7,320,310	3,944,658	54%	7,320,310	7,320,310	-
All Other Revenues	18,020,560	11,019,316	61%	18,020,560	18,020,560	-
Total Revenues	\$167,220,310	\$64,810,811	39%	\$167,220,310	\$164,680,310	(\$2,540,000)

Revenues in most categories are expected to meet original FY26 budget estimates. Additional explanation for the following revenue categories is provided below due to the timing of receipts and proposed adjustments.

Sales Tax - As of December 31, 2025, the City received \$11.1 million in Sales Tax. In accordance with government accounting standards and the remittance schedule from the California Department of Tax and Fee Administration (CDTFA), sales tax revenues are received about two months in arrears. There are only four months of receipts reflected in this report. While Sales Tax remains the City’s top revenue source, based on the sales tax projections provided by HdL, it is recommended that the budget for sales tax revenues is reduced by \$1.15 million to \$35.9 million. Sales tax revenues have been down

Countywide compared to last year, with impacts including lower economic activity in dining, leisure/entertainment, hotels/motels, and service stations.

Property Tax – As of December 31, 2025, the City received \$11.2 million in Property Tax. Receipts in the second half of the year are historically a larger percentage of the total revenue for the year. The City projects property tax revenues will meet the original FY26 budget estimate.

Other Taxes - As of December 31, 2025, the City received \$1.1 million in Other Taxes, 7% of the \$15.3 million budget. This category includes receipts from motor vehicle in lieu (MVIL) taxes, business taxes, and franchise taxes, the majority of which are received in the second half of the fiscal year. MVIL taxes account for more than half of the Other Taxes revenues. MVIL tax receipts are received in January and May. This report does not reflect any MVIL receipts, an adjustment from prior reports which included the January payment of \$4.1 million. MVIL revenues are expected to meet the original FY26 budget estimate of \$8.3 million. Receipts for business taxes are higher in the second half of the fiscal year, reflecting when business license renewal fees are paid. Additionally, a \$390,000 reduction in Business License Tax revenues is proposed to reflect City Council approval, on August 4, 2025, of a one-year extension of a temporary business license tax rebate for eligible cannabis businesses at the.

Development Agreements - As of December 31, 2025, the City received \$3.4 million in Development Agreements receipts. This category includes payments related to development projects, which may be one-time in nature, and billboards. Receipts in the second half of the year are historically a larger percentage of the total revenue for the year, reflecting Billboard advertising revenue share payments received in June. While billboard revenues have grown substantially in recent years, it is recommended that the budget is reduced by \$1.0 million to \$11.6 million, to reflect decreases in revenue share payments realized in FY25 after the FY26 budget was developed.

- **FY26 Mid-Year Expenditures**

General Fund expenditures are in line with the FY26 Revised Budget at \$83.8 million, or 42%, in the first half of the fiscal year. The projected year-end budget values shown in Table 5 reflect supplemental expenditures approved by City Council since the beginning

of the fiscal year, encumbrances and one-time budget balances carried forward from the prior year.

Table 5: FY26 Mid-Year Expenditures

General Fund Expenditures	FY26 Adopted Budget	FY26 Actual As of 12/31/25	% of Revised Budget	FY26 Revised Budget	Mid-Year Projected Year-End	Variance Over/(Under) Budget
Wages & Benefits	\$61,449,302	\$28,682,210	47%	\$61,449,302	\$61,449,302	-
Other Operating Costs	12,509,873	7,797,755	60%	12,947,471	12,947,471	-
Social Services Contracts	7,069,925	3,871,365	38%	10,137,279	10,137,279	-
Public Safety Contracts	36,922,574	14,144,031	36%	38,856,302	38,856,302	-
Other Contract Services	35,134,378	15,328,042	33%	45,952,262	45,952,262	-
Capital Projects	2,200,000	2,071,525	12%	17,549,282	17,549,282	-
Other Financing Uses	11,905,320	11,905,320	100%	11,905,320	11,905,320	-
Total Expenditures	\$167,191,372	\$ 83,800,248	42%	\$198,797,217	\$198,797,217	-

Expenditures are expected to meet FY26 budget estimates. Additional explanation for the following expenditure categories is provided below due to the timing expenditures.

Other Operating Costs were \$7.8 million, 60% of the budget, primarily due to the payment of annual insurance premiums during the first half of the year.

Social Services Contracts were \$3.9 million, 38% of the budget. Although City Council approved an additional \$1.0 million to support enhanced social services, the contract year began in October and expenditures in the second half of the year will be projected to be higher.

Public Safety Contracts and Other Contract Service were 36% and 33% of the budget respectively. The Public Safety Contract category includes expenditures for the Los Angeles County Sheriff, Security Ambassadors, and related services. The other Contract Services category includes services provided by contracted vendors to the City, other than social service and public safety contracts, including professional services, recreation and special events programming, human services and homelessness prevention, legal services, and maintenance of City facilities and streets. Expenditures for both categories are higher in the second half of the year, primarily due to services related to annual West Hollywood Pride festival, which is held in May/June annually.

Capital Projects were \$2.1 million, 12% of the budget, as capital projects are budgeted at

the beginning of a project but may take several fiscal years to complete.

Other Financing Uses were \$11.9 million, 100% of the budget, as the transfer out to pay bond debt service is made annually in July.

- **FY26 Mid-Year Summary of Revenues & Expenditures**

For the first six months of FY26 (July through December 2025), revenues were \$19.0 million less than expenditures. It is common for General Fund cash flows in the first half of each fiscal year to be negative due to the timing of significant revenue sources such as Sales Tax (received about two months in arrears), Property Taxes (typically received in December, January, April, and May) and Motor Vehicle In-Lieu Fees (typically received in January and May). Consequently, expenditure activity in the first half of the fiscal year often surpasses revenues, which is an anticipated occurrence. Nevertheless, it is usual for revenues to exceed expenditures by the end of the fiscal year on June 30.

- **FY26 Mid-Year Proposed Changes**

As part of the midyear budget update, staff recommend that the City Council approve General Fund revenue adjustments totaling (\$2,540,000) and no increase for expenditure adjustments.

Revenue Adjustments:

- \$1,150,000 decrease to Sales Tax Revenue to reflect lower than expected revenues received in FY25 and an updated forecast from our sales tax consultant for FY26.
- \$1,000,000 decrease to Billboard revenues, to reflect lower than expected revenues from sharing agreements received in FY25, information that was not known at the time the FY26 revenue assumption was developed.
- \$390,000 reduction in Business License Tax revenues to reflect City Council approval, on August 4, 2025, of a one-year extension of a temporary business license tax rebate for eligible cannabis businesses at the, and direction to adjust revenues during the FY26 Mid-Year Budget.

Expenditure Adjustments:

- The following departmental operating requests are proposed to be funded through salary savings and a reallocation of identified budget savings from various operating accounts:
 - \$137K to support position changes
 - \$75K to support executive coaching
 - \$75K to support benchmarking of the City's permitting process
 - \$45K to support a Seismic Phase II Study of City Hall
 - \$184K to support Transportation & Mobility initiatives including technical assistance for Vision Zero implementation, community outreach, and contract services for the transportation demand program.
 - \$34K to support upgrades to the West Hollywood Library
- The following departmental capital requests are proposed to be funded by reallocating budget previously identified for other purposes:
 - 100 General Fund – Reallocate \$122K in Capital Improvement Project (CIP) 55-05 City Buildings Maintenance & Repair previously earmarked for painting City facilities to fund emergency and preventative electrical repairs at City Hall.
 - 301 Capital Projects Fund - Reallocate \$377,000 from CIP 52-02 Holloway Motel, which is complete and realized savings of \$1.15 million. The reallocation to CIP 40-03 8301 Santa Monica Boulevard will support \$130K for remediation work, \$177K for design services, and \$70K to bring City fiber to the City-owned properties at 8305 & 8315 Santa Monica Boulevard and the future City Playhouse.
 - 213 Parking Improvement Fund - Reallocate \$100K from CIP 82-01 Parking Structure Capital Improvements Project to establish a new CIP to support capital maintenance for City parking lots.

- **FY26 Mid-Year Fund Balance**

The following table shows the beginning and projected ending General Fund balance for the current fiscal year.

Table 6: FY26 Mid-Year Fund Balance Summary

Beginning Fund Balance		206,158,372.00
FY26 Adopted Budget: Revenues	167,220,310.00	
FY26 Adopted Budget: Expenditures	(167,191,372.00)	
FY26 Adopted Budget: Surplus	<u>28,938</u>	
Supplemental Appropriations (Attachment A)	(5,392,880.00)	
Mid-Year Proposed Changes (Attachment A)	<u>(2,540,000.00)</u>	
	<u>(7,932,880)</u>	
FY 26 Revised Budget Surplus/(Deficit)		<u>(7,903,942)</u>
Estimated Ending Fund Balance		<u>198,254,430.00</u>
FUND BALANCE BREAKDOWN		
<i>Nonspendable</i>		<u>589,978</u>
<i>Committed</i>		
Emergency Contingency	61,908,341	
Encumbrances Carried Forward	26,212,965	
Approved use of GF Reserves for Property Acquisition	11,689,164	
<i>Total Committed Fund Balance</i>		<u>99,810,470</u>
<i>Assigned Fund Balance</i>		
Designated for Self Insurance	10,000,000.00	
Designated for Capital Projects	61,189,926.00	
Designated for Future Expenditures (leave liability)	9,025,056.00	
Designated for Debt Service Reserve	6,495,000.00	
Designated for Unfunded Pension Costs	11,144,000.00	
<i>Total Assign Fund Balance</i>		<u>97,853,982.00</u>
Estimated Ending Fund Balance		<u>198,254,430.00</u>

City Council adopted the FY26 Budget on June 23, 2025, with an estimated General Fund operating budget surplus of \$28,938. City Council has the authority to approve additional appropriations throughout the fiscal year. Since the start of the fiscal year, the City Council has approved supplemental one-time expenditures totaling \$5.4 million from the General Fund for operating expenditures from unallocated reserves. Encumbrances carried forward from the prior year total \$26.2 million. The General Fund Revised Budget deficit of \$31.6 million. Additional approved uses of General Fund unallocated reserves include \$11.7 million for two property acquisitions.

3. FY26 Progress on Departmental Work Plan Priorities

Attachment B provides an overview of the major departmental work plan priorities for Fiscal Year 2025-26, which were developed as part of the FY 2024-26 Two-Year Budget process, and progress on the work plan priorities. The document provides department level descriptions and goals, strategies, and measurements. The document also provides work plan priorities for each department, including on-going programs or projects that serve the West Hollywood community, as well as one-time and new programs or projects that require work plan adjustments. It is impossible to capture all the functions of all the City departments in one comprehensible document. This document is intended to provide a very high-level overview of progress on major work plan priorities for each department.

4. Proposed Position Changes

As part of the budget process, a review of the organization's structure and position requests are ongoing. Updates to the organizational structure and recommended changes to budgeted positions are presented to the City Council for incorporation into the budget. The proposed position changes include the addition of one new full-time equivalent (FTE) position and the conversion of one vacant full-time equivalent (FTE) position

The Public Works Department is the largest Department within the City, with the recent addition of the Transportation & Mobility Division. The department also includes the Facilities & Field Services, Parking, and Engineering Divisions and oversees the City's capital improvement projects. The addition of an Assistant Director Public Works will provide parity with the Community Development Department, another large department with complex work which has an Assistant Director position. The new position in Public Works will support an enhanced focus on divisions responsible for capital projects and development activities and will support cross-department collaboration aimed at enhancing the level of service provided to the development community.

The conversion of a vacant Senior Maintenance Technician position to a Lead Maintenance Technician position in the Facilities & Field Services Division's streets team will enhance day-to-day oversight, coordination of field crews, consistency in work

standards, workload management, supervision, succession planning, and overall service delivery.

5. Looking Ahead

The City continues to monitor changing economic conditions while responding to community needs. Staff anticipate the City will meet current budget expectations for FY26. The City continues to focus on maintaining a structurally balanced budget emphasizing:

- Diverse revenue streams to support services for the community.
- Programs and services that promote community safety and well-being.
- Service to the community that enhances neighborhood and economic vitality.
- Quality permitting services for residential and commercial projects.
- Responsible and sustainable development of City infrastructure.

The City remains focused on the delivery of core services and strategic priorities and will continue further efforts to generate new revenues for the City. Staff will continue to support planning, design, and implementation of both ongoing operational programs and long-term capital improvements. The City will continue to maintain a long-term outlook of its financial health and ensure the provision of high-quality services as new programs and projects are considered for the work plan.

The development of the FY 2026-28 Two-Year Operating Budget and Five-Year Capital Plan is underway. Meetings of the Finance & Budget Subcommittee be held in March and April. The next scheduled budget report to the City Council will be an update on the organizational structure and any recommended changes to budgeted positions in May 2026, if necessary. The FY 2026-28 Two-Year Operating Budget and Five-Year Capital Plan will be submitted to the City Council in May/June for review and adoption. The complete Two-Year Operating Budget and Five-Year Capital Plan can be reviewed online at weho.org/budget.

CONFORMANCE WITH VISION 2020 AND THE GOALS OF THE WEST HOLLYWOOD GENERAL PLAN:

This item is consistent with the Primary Strategic Goal(s) (PSG) and/or Ongoing

Strategic Program(s) (OSP) of:

- PSG-3: Fiscal Sustainability.

In addition, this item is compliant with the following goal(s) of the West Hollywood General Plan:

- G-2: Maintain transparency and integrity in West Hollywood's decision-making process.

EVALUATION PROCESSES:

The City is committed to continue monitoring the changing economic conditions and impacts to the local economy and reporting regularly to the Council. The City's FY 2024-2026 biennial budget and five-year capital plan, which meet rigorous external standards, received budgeting excellence awards from both the California Society for Municipal Finance Officers and the Government Finance Officers Association.

ENVIRONMENTAL SUSTAINABILITY AND HEALTH:

Efforts have been made to provide financial reports and information electronically to increase environmental sustainability.

COMMUNITY ENGAGEMENT:

Members of the West Hollywood community are encouraged to send questions to budget@weho.org.

OFFICE OF PRIMARY RESPONSIBILITY:

FINANCE & TECHNOLOGY SERVICES DEPARTMENT

FISCAL IMPACT:

This item provides an update on the City's current budget and authorizes the Director of Finance & Technology Services to make budget adjustments identified in Attachment A, the "Proposed Mid-Year Adjustments to the Fiscal Year 2025-26 Budget". The proposed changes include a \$2.5 million reduction in revenues and expenditure changes that are next zero in FY26 for one-time requests. The \$138,000 cost associated with the position changes for the remainder of this fiscal year will be offset with salary savings from current vacancies. The cost for the full year in FY27 will be incorporated into the upcoming Two-Year Operating Budget process with consideration for potential offsets.

ATTACHMENTS:

- A. Proposed Mid-Year Adjustments to the Fiscal Year 2025-26 Budget
- B. Progress on FY 2025-26 Departmental Work Plan Priorities
- C. Updated Fiscal Year 2025-26 Salary Schedule

Attachment A

Proposed Mid-Year Adjustments to the Fiscal Year 2025-26 Budget February 17, 2026

GENERAL FUND	Changes to Fund Balance
<u>Adopted Budget</u>	
Projected Revenues	\$167,220,310
Transfers Out	(11,905,320)
Operating Expenditures	(153,086,052)
Capital Improvements	(2,200,000)
Operating Surplus/(Deficit) Subtotal	<u>\$28,938</u>
<u>Supplemental Appropriations (Previously Approved)</u>	
Revenues	\$0
Supplemental Expenditures	(5,392,880)
Approved Use of Reserves	(11,689,164)
Surplus/(Deficit) Subtotal	<u>(\$17,082,044)</u>
<u>Mid-Year Budget Change Requests</u>	
<i>Revenue Adjustments</i>	
Sales Tax	(1,150,000)
Development Agreements	(1,000,000)
Other Taxes	(390,000)
Surplus/(Deficit) Subtotal	<u>(\$2,540,000)</u>
Surplus/(Deficit) Subtotal	<u>(\$19,593,106)</u>
Total Projected Surplus/(Deficit)	<u>(\$19,593,106)</u>

Attachment A

FY26 Supplemental Budget Appropriations Previously Approved

GENERAL FUND		
Approved Supplemental Expenditures		
08/04/2025	Operations: Marketing & Outreach Support for Cannabis Businesses	\$ 200,000
08/18/2025	Operations: Outdoor Ice Skating Rink	\$ 200,000
08/18/2025	Operations: Support for Community Members Impacted by Immigration Actions	\$ 375,000
09/15/2025	Operations: Social Services Contracts*	\$ 1,000,000
10/06/2025	Operations: Agreement with Out Athlete Fund for Pride House LA-West Hollywood	\$ 1,000,000
11/03/2025	Capital: Traffic Signal Improvements at Fountain Avenue and La Brea Avenue	\$ 861,850
11/03/2025	City Council: Plaque in Remembrance of those Dissapeared by ICE	\$ 1,030
11/03/2025	City Council: Larchmont Charter School's World Fair Event	\$ 5,000
11/03/2025	City Council: CA LGBTQ Chamber of Commerce Certification Summit	\$ 10,000
11/03/2025	City Council: 6-month Pilot Program to Increase Enhanced Services Program	\$ 35,000
11/17/2025	Operations: Prop A Trade City of Lakewood*	\$ 1,400,000
11/17/2025	City Council: Institute for Public Strategies' #Boom!2026: An Evening in Oz Event	\$ 5,000
01/20/2026	Operations: Business Rention - Restaurant Grant Program	\$ 250,000
01/20/2026	Operations: Economic Analysis of a Residential Construction Minimum Wage	\$ 45,000
02/02/2026	City Council: Art Showcase in May 2026, During Older Adults Month	\$ 5,000
	Subtotal	\$ 5,392,880
Approved Allocations to Other Funds from General Fund Reserves		
08/04/2025	Capital: 301 Fund Appropriation for Purchase of 7710 Santa Monica Blvd	\$ 2,150,000
08/04/2025	Capital: 301 Fund Appropriation Purchase of 8327-8329 Santa Monica Blvd	\$ 9,539,164
	Subtotal	\$ 11,689,164
Total General Fund Supplementals to Date after Drawdowns		\$ 17,082,044
OTHER FUNDS		
08/04/2025	301 Capital: Purchase of 7710 Santa Monica Boulevard	\$ 2,150,000
08/04/2025	301 Capital: Purchase of 8327-8329 Santa Monica Boulevard	\$ 9,539,164
08/18/2025	203 Capital: Purchase of Three Trolleys Vehicles	\$ 436,000
12/15/2025	211 Capital: Battery Back-up System Improvements	\$ 122,000
Total Other Fund Supplemental Expenditures to Date		\$ 12,247,164