



# City of Del Mar Agenda Report

TO: Honorable Mayor and Councilmembers

FROM: Ashley Jones, City Manager  
Marco Camacho, Finance Manager/Treasurer

DATE: June 16, 2025

SUBJECT: Adoption of the Fiscal Years 2025-2026 and 2026-2027 Operating and Capital Budget and Related Budget Resolutions

## REQUESTED ACTION/RECOMMENDATION:

It is recommended that the City Council: 1) Accept final changes to the proposed budget document identified in Table A; 2) Receive the report on City employee vacancies, recruitment, and retention efforts, pursuant to Assembly Bill (AB) 2561 requirements; and 3) Adopt the Resolutions included as Attachments A and C-H as required in order to formally adopt the Fiscal Years 2025-2026 and 2026-2027 Operating and Capital Budget.

## EXECUTIVE SUMMARY:

During a public workshop held on May 27, 2025, the City Council received public input and reviewed, discussed, and provided direction to staff on the proposed Fiscal Years 2025-2026 and 2026-2027 operating expenditures; capital and special projects; Measure Q Fund; and City reserve balances (Proposed Budget). The budget proposal has been updated to reflect the feedback provided by the City Council at the budget workshop and other adjustments, which are further described in this report.

The revised City budget for Council adoption (Revised Budget) included as Exhibit A of Attachment A reflects an Operating and Capital Budget of \$48.4 million in Fiscal Year (FY) 2025-2026, and \$65.0 million in FY 2026-2027. The Revised Budget presented in this report results in a projected General Fund Contingency (GFC) for FY 2025-2026 of 21.33% (78 days of operations), and 19.85% (72 days of operations) in FY 2026-2027. The City's proposed two-year balanced budget conforms to the City's financial policies, maintains a healthy GFC in both years, and includes transfers towards reserve goals. The final proposed budget includes annual transfers of \$250,000 to both the Pension Reserve Fund and Housing Reserve Fund, and \$525,000 to the Capital Reserve Fund in FY 2026-2027.

## DISCUSSION/ANALYSIS:

Below is a more detailed discussion of the nominal changes made to the Proposed Budget presented at the City Council budget workshop based on feedback provided by the City Council and updated information.

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City Council Action:

**Revenue Adjustments**

Revenues in the Revised Budget remain unchanged from the Proposed Budget presented to the City Council on May 27, 2025. Total proposed General Fund revenues are \$23.4 million in FY 2025-2026 and \$24.6 million in FY 2026-2027. Consistent with Finance Committee feedback and Council discussion, revenue projections will be re-evaluated and subsequently revised during the Mid-Year or Budget Update based on the latest reports from the San Diego County Assessor’s Office and actual activity. These county reports were not yet available during the preparation of the Proposed Budget.

**Expenditure Adjustments**

The Revised Budget expenditures in the General Fund have increased by 0.32% in FY 2025-2026 and by 0.07% in FY 2026-2027 when compared to the Proposed Budget presented at the City Council Budget Workshop. These nominal increases are summarized by expenditure category in Table A and further discussed below.

**Table A: Summary of General Fund Expenditure Changes**

Expenditure Category	Proposed Budget FY 2025-2026	Revised Budget FY 2025-2026	Proposed Budget FY 2026-2027	Revised Budget FY 2026-2027
Employee Services	\$9,548,190	\$9,587,800	\$10,026,730	\$10,034,330
Maintenance & Operations	1,922,850	1,922,850	2,004,960	2,004,960
Contract Services	6,726,450	6,749,480	6,825,540	6,830,580
<b>Total Expenditure</b>	<b>\$18,197,490</b>	<b>\$18,260,130</b>	<b>\$18,857,230</b>	<b>\$18,869,870</b>

**Changes to Employee Salaries**

The Revised Budget reflects minor increases in Employee Services of 0.41% in FY 2025-2026 and 0.08% in FY 2026-2027 when compared to the Proposed Budget. This change is due to the staffing and operational improvements discussed in the following summaries. Also included is the AB 2561 report pertaining to position vacancies, and recruitment and retention activity.

**Staffing and Compensation Updates**

**Public Works Department**

The Public Works Department is responsible for maintaining the City’s essential infrastructure including City facilities and buildings. Due to a recent retirement of a Maintenance and Construction Superintendent, the position was reclassified into Facilities Supervisor in April 2025. After further evaluating the Department’s current workload and existing organizational structure, it is recommended to reclassify the Facilities Supervisor position to a Facilities Manager I/II to provide for a broader scope of job duties and responsibilities, better meet the needs of the department, and to increase operational efficiency. The Facilities Manager Level I position will be placed on Grade P274 (\$101,982.51 to \$123,960.38) and Level II on Grade P287 (\$116,065.60 - \$141,078.46) of the Management and Professional Compensation Plan. The job description for the Facilities Manager I/II position is approved by the City Manager. Reclassifying this position from a supervisor to a manager will come at an estimated cost of \$15,000 to the City.

### Administrative Services Department

The Finance division of the Administrative Services Department handles all of the City's accounting and finance activities. In addition to the two managerial positions of Finance Manager and Finance Officer, the division is comprised of two Accounting Technicians handling utility billing and payroll, and one Administrative Assistant handling accounts payable. It is recommended to reclassify the division's Administrative Assistant I/II to an Accounting Technician I/II to align the duties and responsibilities of the position with the work performed and to better meet the needs of the division. The Accounting Technician I/II is an existing position in the City's general employee's compensation schedule. There is little to no fiscal impact associated with this recommendation.

### Part-time Seasonal Employees

Currently, part-time seasonal employees in the Student Lifeguard, Seasonal Lifeguard I/II and Seasonal Worker I/II classifications receive one and a half times their normal hourly rate for all hours worked on summer holidays (Memorial Day, Independence Day, and Labor Day). To incentivize part-time staff to pick up more holiday shifts ensuring better coverage on holidays year-round, it is recommended to pay these classifications one and a half times their normal hourly rate on all designated City holidays. There is no fiscal impact associated with expanding the list of holidays qualifying for holiday pay for seasonal staff, due to the anticipated savings from scheduling less full-time staff for overtime on City holidays and covering these shifts with part-time staff.

### Del Mar City Employees Association (DMCEA) Memorandum of Agreement (MOA)

The proposed two-year budget that was presented to the City Council during the budget workshop did not include the total costs associated with a new labor agreement between the City and Del Mar City Employees Association (DMCEA), which was and continues to be under negotiation. Once agreement has been reached between the parties, staff will bring the proposed Memorandum of Agreement (MOA) and related budget adjustments to the Council for consideration.

### **AB 2561 - City Employee Vacancies, Recruitment and Retention**

Assembly Bill 2561 amending California Government Code Section 3502.3 (Meyers-Milias-Brown Act (MMBA)) went into effect on January 1, 2025, requiring that at least once per fiscal year prior to the adoption of a budget the City Council receive a report on the City's vacancy rates; recruitment and retention efforts; review and identify changes to recruitment activities that may lessen or remove obstacles in the hiring process; and permit recognized employee organizations to make a presentation.

The City has 66 authorized budgeted full-time positions, including 9 positions in the fire employee group represented by the Del Mar Firefighters Association (DMFA), 25 positions in the general employee group, the majority of which have opted for representation by the Del Mar City Employees Association (DMCEA), and 32 positions in the unrepresented management-professional employee group.

As required by law, staff conducted an analysis of citywide full-time vacancies that occurred going back to January 1, 2024. In calendar year 2024, the average annual vacancy rates were:

3.7% for fire; 3% for DMCEA; and the average annual vacancy rate for the management-professional employee group was 3.9%. In calendar year 2025 to date, there have been no vacancies in the general and fire employee groups, and the vacancy rate in the management-professional group is 3.1% with one position currently vacant.

The City employs the following strategies to ensure successful recruitment and staff retention: using targeted online job websites and social media to attract a wider candidate pool; when appropriate, reviewing salary structures to remain market-competitive; maintaining competitive benefits; developing internal talent with training/development; utilizing City internships; facilitating internal promotions for qualifying staff; and offering longevity pay. As part of the normal course of business and now in compliance with the new requirements of AB 2561, staff conducted a review of the policies and recruitment activities that may lead to obstacles in the hiring process and has not identified any necessary changes to current practices.

Changes to Contract Services

The change in Contract Services is associated with a network security need in the Information Systems Program. The minor budget change provides for professional services to improve the City’s security for remote access to better protect sensitive data and applications from unauthorized access. These services and the related cybersecurity solution will help defend the City’s remote access server from malicious threats while providing a secure network to support daily operations. Also included is additional support for specialized human resources advisory services and training.

Table B summarizes the aforementioned expenditures adjustments included in the Revised Budget and the impact on the General Fund Contingency in both FY 2025-2026 and FY 2026-2027.

**Table B: Impact on General Fund Contingency Based on Budget Changes**

Item	FY 2025-2026 Exp	FY 2025-2026 GFC Impact	FY 2026-2027 Exp	FY 2026-2027 GFC Impact
<b>Proposed Budget</b>	<b>\$18,197,490</b>	<b>21.76%</b>	<b>\$18,857,230</b>	<b>20.45%</b>
Salary adjustments	39,610	-0.29%	7,600	-0.46%
Cybersecurity solution	8,030	-0.05%	5,040	-0.06%
HR advisory services	15,000	-0.09%	-	-0.08%
<b>Revised Budget</b>	<b>\$18,260,130</b>	<b>21.33%</b>	<b>\$18,869,870</b>	<b>19.85%</b>

Changes to Equipment Replacement

The Proposed Budget included planned expenditures of \$108,000 in FY 2025-2026 which have increased slightly in the Revised Budget to \$112,240. This 3.9% increase is to account for the updated specifications on the new fire engine, which include a backup camera system and additional LED emergency lighting. There are no changes to planned expenditures in FY 2026-2027.

Reserves and Cash Flow

The previously described adjustments included in the Revised Budget have resulted in minor changes to the General Fund Contingency (GFC) rates when compared to the Proposed

Budget. As displayed in Table C, these updates have changed the ending General Fund Contingency rate to 21.33% in FY 2025-2026 and to 19.85% in FY 2026-2027. These rates are inclusive of the reserve contributions also summarized in Table C which are consistent with fiscal policy and practices. As expressed by the Finance Committee, and supported by the Council, the City will remain focused on increasing the GFC back to a target goal of 25% as capital needs diminish and opportunities are recognized during preparation of the Mid-Year Report and Budget Update in Spring of 2026.

Table C below provides the changes between the Proposed Budget and Revised Budget to the General Fund Contingency and reserves and projected ending balances for the next two fiscal years. As noted in the table, the General Fund continues in a strong financial position. The budget is balanced and provides for the continuity of high-level services to the public, and the advancement of critical capital improvement and special projects. Additionally, as of March 31, 2025, the City's total cash and investment portfolio book value was \$39.8 million. Included with the budget adoption is the updated Investment Policy for FY 2025-2026 which will continue to guide the City's prudent investment strategy.

**Table C: General Fund Contingency and Reserves**

Reserve	Proposed Budget FY 2025-2026	Revised Budget FY 2025-2026	Proposed Budget FY 2026-2027	Revised Budget FY 2026-2027
<b>General Fund Contingency</b>	<b>21.76%</b>	<b>21.33%</b>	<b>20.45%</b>	<b>19.85%</b>
General Fund Contingency	\$4,412,072	\$4,341,582	\$4,244,746	\$4,130,247
Pension Reserve	5,031,894	5,200,000	5,281,894	5,450,000
Self-Insurance	300,000	300,000	300,000	300,000
Leave Liability	100,000	100,000	100,000	100,000
Equipment Replacement	549,342	545,102	502,342	498,102
Housing Reserve	1,900,000	1,900,000	1,650,000	1,650,000
<b>Total General Fund</b>	<b>\$12,293,308</b>	<b>\$12,386,684</b>	<b>\$12,078,982</b>	<b>\$12,128,349</b>
Capital Reserve	2,250,000	2,250,000	2,775,000	2,775,000

Required Budget Resolutions

In conjunction with the approval of the proposed two-year budget, the City Council is required to approve the following resolutions, which are described in more detail as attachments to this report:

- 1) Adopting the Compensation Plan for the Management and Professional and Miscellaneous, Part-Time, Temporary and Hourly Employees for Fiscal Year 2025-2026 (Attachment C);
- 2) Setting the User Fee Schedule effective July 1, 2025 (Attachment D);
- 3) Fixed charge assessments for bonded indebtedness (Attachment E);
- 4) Establishing the Appropriations Limit (Attachment F);
- 5) Adopting the Statement of Investment Policy for Fiscal Year 2025-26 (Attachment G); and
- 6) Setting Parking Violation fees effective July 1, 2025 (Attachment H).

FISCAL IMPACT:

City Council approval of this item will adopt the City's Fiscal Years 2025-2026 and 2026-2027 Operating and Capital Budget and related resolutions. The new two-year budget is balanced, fiscally sound, and provides for high-level public services and capital and special projects. A summary of the budget is provided earlier in this report, and additional details can be found within Attachment A, Exhibit A and Attachment B.

ENVIRONMENTAL IMPACT:

The proposed City Council action does not constitute a "project" under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because it will not have a potential to result in a direct or indirect physical change in the environment and is, therefore, not subject to CEQA. No further action under CEQA is required.

NEXUS TO CITY COUNCIL GOALS AND PRIORITIES:

This is an annual requirement and operational item and is not included in the City Council's list of Goals & Priorities.

ATTACHMENTS:

- Attachment A - Resolution Adopting Fiscal Years 2025-2026 and 2026-2027 Operating and Capital Budget
- Attachment B - Fiscal Year 2025-26 and 2026-27 Updated Cash Flow Report
- Attachment C - Resolution Adopting the Compensation Plans for the Management and Professional, General, and Miscellaneous, Part Time, Temporary and Hourly Employees for Fiscal Year 2024-2025
- Attachment D - Resolution Setting User Fee Schedule effective July 1, 2025
- Attachment E - Resolution Establishing the Fixed Charge Assessments for Bonded Indebtedness for Fiscal Year 2025-2026
- Attachment F - Resolution Establishing the Appropriations Limit for Fiscal Year 2025-2026
- Attachment G - Resolution Approving the Statement of Investment Policy for Fiscal Year 2025-2026
- Attachment H - Resolution Setting Parking Violation Fees effective July 1, 2025