



DEPARTMENT OF FINANCE
February 23, 2026

TO: Honorable Mayor and City Council

FROM: Karin Schnaider 
Director of Finance

SUBJECT: Receive and File the Fiscal Year June 30, 2025, Annual Financial Reports

At the February 9, 2026, meeting of the Finance/Audit Committee, the Committee reviewed and discussed the Annual Comprehensive Financial Report (ACFR) for Fiscal Year ending June 30, 2025. Inquiries made at the meeting and their responses are listed below:

- What are the efforts to raise revenues without raising fees and taxes, particularly through Economic Development Strategic planning?
 - The Economic Development & Technology Committee (ED Tech) is currently pursuing this topic for recommendations to the City Council.
- Please explain the change in Assigned and Unassigned Fund Balance in the General Fund.
 - The change was made to ensure compliance with Governmental Accounting Standards Board (GASB) Statement 54, which does not allow a deficit; therefore, the assigned fund balance was reduced (reclassified) to unassigned to eliminate a deficit. This is a year-end accounting transaction only. Without this adjustment the unassigned fund balance would have reflected a \$10.1 million deficit.
- Please explain the \$14 million land purchase stated on page 11.
 - The 2024 land purchase refers to the purchase of the Kaiser property for \$12 million, and the 2211 E. Walnut Street property for \$4.3 million. The capital outlay for land in FY 2025 was \$0.07 million versus \$15.1 million in FY 2024, resulting in a \$14 million decrease year over year. A portion of the Kaiser property purchase was capitalized in 2023.
- On page 15, Pasadena Water and Power (PWP) completed approximately \$22.4 million in capital projects. Is this sufficient investment in capital for the utilities?
 - PWP has several large capital projects in the capital improvement plans, many of which are still in the study, scoping, or design phases. There are plans for large capital investment over the next five-years. The City's five-year Capital Improvement Budget is discussed annually with the Finance Committee and the City Council.
- On page 90 (note 14: accumulated fund deficits), the deficit in the Health fund was attributed to denied claims by FEMA for COVID-19 reimbursement claims. Is there a concern that FEMA could deny Eaton Fire claims?

- The COVID-19 emergency was unique in that it was uncertain what costs were eligible for reimbursement. During the emergency, the City accepted the risk that some activities might not be reimbursed. FEMA has clear guidelines for reimbursement for fire and windstorm disasters. While not guaranteed, staff has a defined structure under which to make reimbursement claims for this emergency.
- There appears to be a change in compensated absences reported in the General Fund (page 120). What changed? Did we not account for compensated absences before?
 - For FY 2025, the City made a prior period adjustment to the General Fund as a result of GASB Statement 101. (See note 23.a). Previously compensated absences were recognized in the Citywide Governmental Funds, not at the fund level under modified accrual. This new calculation created a prior period adjustment of approximately \$27 million. This was an accounting reporting change only, no new benefits were accounted for with this adjustment.
- In past audits, the Workers' Compensation fund balance was negative. Has this been addressed?
 - The Workers' Compensation net position is approximately (\$40 million), primarily due to assessed claims liabilities. The fund has a cash available balance of approximately \$17 million. Through the budget process each year, the funded status for claims and settlements is reviewed and adjusted to meet both short-term and long-term liabilities.
- Please explain the Other Post Employment Benefit (OPEB) subsidy.
 - The City contracts with CalPERS to provide health insurance to City employees. Under the contract, retirees are eligible to purchase health insurance through CalPERS. CalPERS passes a fee onto the City for retirees who purchase insurance, which is considered an OPEB subsidy as it is an additional charge related specifically to retirees. The City is required to update OPEB subsidy's every two years to meet reporting requirements. Staff will return this summer to share the report with the Finance Committee.
- Has the City evaluated the costs for leasing versus purchasing office space.
 - Yes, the ED Tech Committee has completed a study. Some aspects have been shared in closed session and cannot be discussed further here.