



Agenda Item: 14.C
Date of Meeting: July 13, 2026
Department: Finance

STAFF REPORT

To: City Council
From: Ethan Aukee
Subject: **Ratification of Prior-Year South Warren Street Project Reimbursement Cost Allocation**
Prepared On: June 18, 2026

Background/History:

During FY 2025-26, City staff incurred a small amount of direct staff time related to the South Warren Street Project. The time was associated with project coordination/construction meeting activity and directly benefited the project. The related wages were originally recorded through the employee's standard payroll allocation across multiple City funds.

In connection with Caltrans reimbursement billing, staff identified \$366.24 of eligible direct wage costs related to the project. The amount was calculated using actual staff hours and the employee's actual hourly wage rate. No fringe benefits, indirect costs, administrative overhead, or other burdened labor costs were claimed.

To support the reimbursement billing and align the eligible cost with the South Warren Street Project Fund, staff recorded a FY 2025-26 journal entry reclassifying the direct wage cost to Fund 055. The reclassification did not increase total Citywide expenditures; it moved previously incurred payroll costs to the fund associated with the reimbursable project activity.

Fund 055 did not include a specific FY 2025-26 wage appropriation for this item. Due to the timing of the reimbursement billing deadline and the need to preserve eligible project funding, staff processed the reclassification in FY 2025-26 and is bringing this item forward for Council ratification and acknowledgment of the related prior-year budgetary variance.

Analysis/Discussion:

This item is intended to document and ratify the administrative action taken to support timely

reimbursement billing. The reclassification was limited to actual direct wage cost and was not used to recover fringe benefits, indirect costs, or administrative overhead.

From an accounting standpoint, recording the reclassification in FY 2025-26 provides a clearer match between the reimbursable project cost and the related Caltrans billing. It also maintains consistency with prior treatment of similar reimbursement-related wage allocations.

The budgetary issue is limited in scope. The entry does not represent additional payroll, a new staffing cost, or an increase in total City expenditures. Rather, it reallocates a small portion of existing payroll cost to the fund associated with the reimbursable project. Because that fund did not include a specific wage appropriation for this item, Council ratification is being requested to acknowledge the prior-year variance and complete the budgetary record.

Supporting documentation has been retained with the journal entries, including the wage calculation, time support, Caltrans billing support, and explanation of the accounting treatment.

Impacts to Council Goals and Strategic Planning Priorities:

This item supports responsible financial management by documenting the City's reimbursement process, preserving eligible project funding, and maintaining a clear audit trail for the South Warren Street Project. The action also supports continued delivery of planned infrastructure improvements by ensuring eligible project costs are properly associated with available reimbursement funding.

Budget Impacts:

The reclassification resulted in \$366.24 of direct wage expense being recorded in the South Warren Street Project Fund in FY 2025-26. The entry did not increase total Citywide expenditures, as the wages were previously incurred through the City's normal payroll allocation process.

Fund 055 did not include a specific FY 2025-26 wage appropriation for this item. Approval of this action ratifies the administrative reclassification and acknowledges the related prior-year budgetary variance. The related Caltrans reimbursement billing was recorded in the same amount, resulting in no net negative impact to the project fund from this item.

Legal Review:

The City Attorney has reviewed this item and finds that the recommended action complies with the law.

Recommended Action:

Ratify the administrative reclassification of eligible FY 2025-26 direct staff wage costs to the South Warren Street Project Fund for Caltrans reimbursement billing purposes and acknowledge the related prior-year budgetary variance.

Approved By: Ethan Aukee 6/18/2026
Approved By: Robin Picken 6/19/2026
Approved By: Dean Pucci 6/19/2026
Approved By: Pam Foster 6/26/2026