

Overview

The Fiscal Year 2025/26 was implemented based on a new budget development strategy that emphasizes transparency, accountability, and financial responsibility. This approach was designed to ensure the City’s resources are aligned with core operational needs, strategic goals, and community expectations.

Unlike previous years, where department budgets were based on historical figures with minor incremental changes, the FY25/26 budget was developed using a zero-based budgeting methodology. Departments were required to justify each line item from the ground up, which helped identify efficiencies, reduce outdated spending patterns, and clarify operational priorities. However, since the budget was developed using a new zero-based approach, it was anticipated that personnel allocations might require adjustment during the mid-year review. Exhibit G lists recommendations for increase of appropriation and accept unanticipated revenue for all applicable funds.

General Fund

The General Fund is the primary operating fund of the City, and the budget was presented as a legally balanced budget. In accordance with California Government Code Section 29009, and general municipal finance principles, cities are required to adopt a budget in which expenditure does not exceed available resources, including projected revenues and authorized fund balances. The legally balanced budget includes \$5,055,200 in one-time projects and purchases and a structurally balanced operating budget of \$11,206,200. This ensures that ongoing operations are fiscally sustainable and that no unauthorized deficits are incurred.

The City is primarily funded by taxes and major user fees funding basic public services such as Fire, Police, Public Works, Airport, Community Development, and Administration. The Council adopted a FY2025/26 General Fund Revenue budget of \$14,376,600 and an Expenditure budget of \$16,261,400 as outlined in Table 1.0. During the course of the fiscal year, \$65,000 of the approved budget adjustments were processed. As a result, the Current Expenditure Budget is \$16,326,400. It will increase to \$16,509,800 once the \$183,400 approved budget adjustments are processed. The Current Revenue Budget includes the \$1,600,500 transfer in from the General Fund Reserve for various approved projects that aligned with the one-time projects/purchases of the City’s Envision strategic plan which was established in June 2025. The one-time projects are also funded through the use of Fund Balance. The details are available in Exhibit F.

In the efforts to be fiscally responsible, departments were directed to report previously approved expenses through the mid-year review. Expenses beyond the approved budget that requires additional funding must be submitted through the proper Budget Augmentation process.

Table 1.0 represents the total overall budget of both Revenue and Expenditure, which include Operations, one-time projects, and/or transfers in/out. Based on the total received through these sources, the revenue was projected to exceed budget by \$607,500 and Expenditure was projected to be below the Total Amended Budget by \$761,300 as shown in Table 1.0.

Table 1.0

General Fund	Revenue	Expenditure
Adopted Budget	14,376,600	16,261,400
Adjustments	-	65,000
Current Budget	14,376,600	16,326,400
Pending Budget Adjustment	-	183,400
Total Amended Budget	14,376,600	16,509,800
Actual as of 12/31/2025	5,134,600	7,219,500
Projected 1/1/26 to 6/30/2026	9,849,500	8,529,000
Revenue Surplus	607,500	
Expenditure Available		761,300

Structural Budget vs. Operating Projection (Key Comparison)

The structural budget reflects the City’s adopted operating plan for ongoing services. When compared to the projected operating results, the City is still trending positively with a projected \$778,500 operating surplus. This means ongoing revenues are covering ongoing costs, and no fund balance is needed to support operations as shown in Table 1.1.

The shortfall shown in the Operating + Project column reflects one-time project spending, which is planned to be funded by fund balance and does not indicate a structural imbalance in the General Fund.

Table 1.1

Revenue	Structural Budget	Projections	
		Structural Operating	Operating + Projects
Projected Revenue	14,376,600	14,984,100	14,984,100
Less Transfer (GF Reserve)	1,600,500	1,600,500	
Less Transfer (IGT FB)	720,000	720,000	
Operating Revenue	12,056,100	12,663,600	14,984,100
Expenditure			
Projected Expenditure	16,326,400	15,748,500	15,748,500
Less One-Time Project	5,055,200	3,863,400	
Operating Expenditure	11,271,200	11,885,100	15,748,500
Operating Net	784,900	778,500	(764,400)

Mid-Year

The General Fund Reserve cash balance at December 31, 2025 was \$2,797,600. Based on the unaudited fiscal year 2024/25 total Operating and Maintenance and Personnel costs, the Cash Balance at the end of October 2025 is below the City’s minimum reserve policy target by approximately \$21,400. To comply with the General Fund Reserve policy, the General Fund Reserve will need to be replenished.

The General Fund ended the first six months with \$5,134,600 or 35.7% revenue received and resources used were \$7,219,500 or 44.2%. Most of the revenue will be received in the latter part of the fiscal year. Table 1.2 shows the trend over the past 5-years for both revenue and expenditure at the end of December or the first half of the fiscal year for the respective fiscal years.

Table 1.2

FY	General Fund	
	Revenue	Expenditure
2025/26	5,134,600	7,219,500
2024/25	8,347,900	5,907,800
2023/24	4,088,000	5,654,400
2022/23	3,290,400	4,297,000
2021/22	3,237,700	4,671,300

In addition, the ending cash balance for the General Fund at December 31, 2025 was \$10,069,858.

Revenue at FYE 06/30/2026

In FY25/26, the City’s top four revenues include Property Tax in Lieu of Vehicle License Fee (\$2.54M), Sales & Use Tax (\$1.17M), Measure J 1% Transaction Tax (\$2.1M), Ambulance Receipts (\$2.46M). These revenues comprise 54.88% of the total General Fund revenue, excluding transfers in. The City projects the total revenue received will exceed budget by \$712,700 or 104.96%. The projections are based on what was received, past trends, current rate changes for the ambulance receipts, and consulting with tax revenue experts.

Despite the challenges with inflation and tariff policies, the City continues to take a conservative approach when making financial decisions with minimal impact on the General Fund’s fund balance. Table 1.3 highlights the top four revenue generators by comparing budget to the projected fiscal year end June 30, 2026. The total revenues for the top four revenues are anticipated to be higher than budget by approximately \$627,400.

Table 1.3

Top 4 General Fund Revenue	Budget	Projected	Over/(Under)	% of Budget
Property Tax in Lieu of VLF	2,473,200	2,542,700	69,500	102.81%
CA Sales & Use Tax	1,148,800	1,168,600	19,800	101.72%
CA Measure J 1% Transaction Tax	2,031,000	2,104,000	73,000	103.59%
Ambulance Receipts	2,000,000	2,465,100	465,100	123.26%
Total	7,653,000	8,280,400	627,400	

Property Tax in Lieu of Vehicle License Fee is an annual fee paid as part of the vehicle registration in place of a traditional personal property tax on the vehicle. The revenue apportionment is received twice within a fiscal year; 50% in the first half and 50% in the latter part of the fiscal year. The revenue will be \$69,500 or 102.81% more than budget. Compared to last fiscal year at mid-year, the City received \$1,271,300, which is 6.5% more this fiscal year.

CA Sales & Use Tax is a 7.25% or higher levy on buying or using physical goods in the state. Sales tax applies to items bought within California, while Use tax is applied to purchase of taxable goods from outside California (online/mail) and used within the state. At fiscal year-end 2026, Sales and Use tax are anticipated to be higher than budget by \$19,800 or 101.72%. The projected positive outcomes were attributed by increased purchases within the Autos and Transportation, fuel and Service Stations, and Restaurants and Hotel industry groups.

CA Measure J 1% Transaction Tax is an additional 1% tax paid for goods within the City and remains within the City to support local services such as Police and Fire by improving 911 emergency response services. At fiscal year-end 2026, Measure J 1% is anticipated to be higher than budget by \$73,000 or 103.59%. The projected positive outcomes were also attributed by increased purchases within the Autos and Transportation, fuel and Service Stations, and Restaurants and Hotel industry groups.

Ambulance Receipt is revenue received by providing ambulance services. Last June, Council approved Resolution No. 4277 to update the ambulance service rate an addition to the mileage rate. Based on service projections, past trends, and year-to-date revenue received, at fiscal year-end 2026, Ambulance Receipt is anticipated to be higher than budget by \$465,100 or 123.26%.

Expenditure at FYE 06/30/2026

The General Fund expenditures are projected to end the fiscal year under the current budget by \$624,726. Although expenditures are projected to end the year under budget, this is primarily due to the delayed receipt of the Smeal fire engine. The Smeal was ordered early fiscal year 2026 and expected to be delivered in fiscal year 2027; therefore, the budget for the purchase will carry-over to fiscal year 2027. As a result, a budget appropriation of \$445,800 will be needed for personnel cost as shown in Table 1.4 below. See Exhibit C for the details of the department allocations.

Table 1.4

Expenditures	2026 Budget	2026 Yearend	Variance	% of Budget
Personnel Cost	7,527,700	7,973,500	(445,800)	105.92%
O & M Cost	4,714,700	4,575,900	138,800	97.06%
Capital Expenditure	4,084,000	3,151,900	932,100	77.18%
Grand Total	16,326,400	15,701,300	625,100	

At least \$402,500 or 90% of the personnel costs that exceeded budget are both the Fire and Police Departments. The variance of \$445,800 will be offset by the excess revenue received for Ambulance Services (\$465,100). The Fire department’s Overtime exceeded budget by \$104,900. Other personnel costs that exceeded budget include Salary (\$40,800) and fringe benefits (\$63,700). This is due to two vacant Firefighter positions.

The Police department’s Salaries and Overtime exceeded budget by \$193,100. There are two factors that contributed to the overage.

1. Police recently filled the new Dispatch Supervisor position and then reclassified the Police Technicians to Dispatchers; therefore, increasing salaries plus fringe by \$118,100.
2. In addition, approximately \$75,000 of salaries is overtime due to four (4) vacant Police Officer positions.
3. As part of the zero-based salary review, staff identified that a portion of Police overtime expenditures has historically been recorded within the salary account rather than the overtime account. While total personnel costs have been accurately captured, this practice results in approximately two-thirds of overtime being reflected in salaries and one-third in the overtime account.

Beginning in FY 2026–27, staff will record all overtime expenditures in the designated overtime account to improve transparency and consistency in financial reporting. This adjustment does not change total personnel expenditure.

Enterprise Funds

The Enterprise Funds support the operation, maintenance, and improvement of the city’s essential infrastructure and municipal services. These services support the daily needs of residents and businesses while protecting public health, safety, and environmental quality. The Enterprise Funds comprise of the Water, Gas, Sewer/Wastewater, and Sanitation Funds. Each fund is essential and restricted to the role of either water distribution, wastewater services, gas distribution, refuse collection or street sweeping. In addition, the enterprise funds are responsible for the infrastructure that ensures the reliable delivery of essential services throughout the community. At adoption, the Enterprise Funds have the largest Revenue budget at \$27,837,700 or 44.83% and Expenditure budget at \$29,927,200 or 44.06%, which includes Revenue Bond Reimbursements for the 2021 Water Revenue Bond and the 2024 Water and Sewer Revenue Bonds. Based on the pending budget adjustment, actuals from the first half of the fiscal year and projections from the last half of the fiscal year, as reflected in Table 2.0, the Enterprise funds expect to expend \$2,414,400 below budget. As for the revenue, of the \$2,392,300 revenue shortfall, approximately 85% is attributable to the exhaustion of the 2021 Bond revenue associated with the Derrick Reservoir Project. With the bond funding now fully utilized, the remaining project costs will be funded from available fund balance. In addition, approximately 14% is attributed to the Natural Gas sales.

Table 2.0

Enterprise Funds	Revenue	Expenditure
Adopted Budget	27,837,700	29,927,200
Adjustments	-	-
Current Budget	27,837,700	29,927,200
Pending Budget Adjustment	-	802,200
Total Amended Budget	27,837,700	30,729,400
Actual as of 12/31/2025	8,683,000	9,096,900
Projected 1/1/26 to 6/30/2026	16,762,400	19,218,100
Revenue Surplus/(Shortfall)	(2,392,300)	
Expenditure Available		2,414,400

Structural Budget vs. Operating Projection (Key Comparison)

The structural budget reflects the City’s adopted operating plan for ongoing services. When compared to the projected operating results, the Enterprise fund is still trending positively with a projected \$7,810,300 operating surplus. This means ongoing revenues are covering ongoing costs, and no fund balance is needed to support operations as shown in Table 2.1.

The shortfall shown in the Operating + Project column reflects one-time project spending, which is planned to be funded by fund balance and does not indicate a structural imbalance in the Enterprise Funds.

Table 2.1

	Budget	Projections	
		Structural Operating	Operating + Projects
Revenue	27,837,700	25,445,400	25,445,400
Operating Revenue	27,837,700	25,445,400	25,445,400
Expenditure	29,927,200	28,315,000	28,315,000
Less One-Time Project		10,679,900	
Operating Expenditure	29,927,200	17,635,100	28,315,000
Operating Net	(2,089,500)	7,810,300	(2,869,600)

Mid-Year

The Enterprise Funds ended the first six months with \$8,683,000 or 31.2% revenue received and resources used were \$9,096,900 or 30.4%. Most of the revenue is received in the latter part of the fiscal year. Table 2.2 shows the trend over the past 5-years for both revenue and expenditure at end of December or the first half of the fiscal year for the respective fiscal years.

Table 2.2

FY	Enterprise Funds	
	Revenue	Expenditure
2025/26	8,683,000	9,096,900
2024/25	7,028,600	7,548,700
2023/24	7,743,600	6,601,800
2022/23	6,426,500	5,319,400
2021/22	5,681,700	4,694,100

Revenue at FYE 06/30/2026

Water Enterprise Fund

The Water Enterprise Fund has the largest budget in Revenue (\$18,397,500) and Expenditure (\$19,153,400) within the enterprise fund. In FY25/26, the City’s top three revenues include Treated Water Sales (\$5.85M), Untreated Water Sales (\$1.15M), and CDWR Urban Community Drought Relief Grant (\$2.08M). Table 2.3 highlights the top five revenue generators by comparing budget to fiscal year end June 30, 2026. The total revenues are anticipated to be higher than budget by approximately \$22,500. The projections are based on what was billed, past trends, and consulted with a revenue expert.

Table 2.3

Top 3 Water Fund Revenue	Budget	Projected	Over/(Under)	% of Budget
CDWR Urban Comm. Drought Relief Program Grant	2,075,000	2,075,000	-	100%
Treated Water Sales	5,853,000	5,853,000	-	100%
Untreated Water Sales Contract	1,150,000	1,150,000	-	100%
Total	9,078,000	9,078,000	-	

CDWR Urban Community Drought Relief Program Grant is a grant received to help the community with efficient water usage which consists of the Advanced Metering Infrastructure project and Turf Replacement Rebate Program. Since the program started, the City has completed phase I of the Advanced Metering Infrastructure project by installing 1,185 meters. Phase II is set to begin July with the plans to install 1,923 more meters, this will put 100% of residential areas on the smart meters. Furthermore, the Turf Replacement Rebate Program helped homeowners with 40 turf conversions, 22 micro drip irrigation conversions, and 22 programmable irrigation controllers. Revenue received was projected at \$2,075,000 or 100%.

Treated Water Sales is the revenue for providing water to the City’s customers. The City currently has 3,800 active water accounts. The revenue projected to be received was \$5,853,000 or 100%.

Untreated Water Sales Contract is a service that the City provided untreated water service to. These include sale of excess water, used by construction companies for projects within the City limits and selling water to other agencies such as Pleasant Valley Water Conveyance Partners and Gladstone. The revenue projected to be received was \$1,150,000 or 100%.

Gas Enterprise Fund

The Gas Enterprise Fund has a Revenue budget of \$3,179,100 with an Expenditure budget of \$3,788,800. In FY25/26, the City’s top revenue includes Natural Gas Sales (\$2.79M). Table 2.4 highlights the top revenue generator by comparing budget to fiscal year end June 30, 2026. Though there were two increases, a 5% increase in November and another 5% in December, the total revenues anticipate a shortfall of \$324,100, where \$306,000 of Natural Gas sales contributed 94.4% to the shortfall. This was due to the warm January and February months. Rates are being analyzed in April to help bridge this gap. The projections are based on what was billed, past trends, and consulted with a revenue expert.

Table 2.4

Top Gas Fund Revenue	Budget	Projected	Over/(Under)	% of Budget
Natural Gas Sales	3,100,000	2,794,000	(306,000)	90%

Natural Gas Sales is revenue generated from providing customers with access to the use of gas. The City currently has 4,200 active gas accounts, with Spice World being the largest customer. The revenue projected to be received was projected at \$2,794,000 or 90%.

Sewer/Wastewater Enterprise Fund

The Sewer Enterprise Fund has a Revenue budget of \$3,576,000 and Expenditure budget of \$4,309,100. In FY25/26, the City’s top revenue includes Sewer Service (\$1.65M). Table 2.5 highlights the top revenue generator by comparing budget to fiscal year end June 30, 2026. The total revenues are anticipated a shortfall of \$19,000 due to the lower interest earned. Interest received is impacted by two factors, 1) Interest is allocated based on the cash balance of the fund and 2) The time when interest is earned. Though the Sewer Fund has a healthy cash balance, the City did not earn interest until September, which was a net of \$27,700; therefore, the revenue budget for interest earned was not met with most funds. Citywide, the interest increased significantly after September, it was projected to receive a total of \$811,400 by June 30, 2026. The projections are based on what was billed, past trends, and consulted with a revenue expert.

Table 2.5

Top Sewer Fund Revenue	Budget	Projected	Over/(Under)	% of Budget
Sewer Service	1,650,000	1,650,000	-	100%

Sanitation Enterprise Fund

The Sanitation Enterprise Fund has a revenue budget of \$2,685,100 and Expenditure budget of \$2,675,900. In FY25/26, the City’s two top resources include Refuse Collection Service (\$2.5M); however, it is a pass-through to the City’s refuse collection agency, and Street Sweeping Charges with a revenue budget of \$110,000 and the anticipation to receive 100% of the revenue. Table 2.6 highlights the two top revenue generators by comparing budget to fiscal year end June 30, 2026. The total revenues are anticipated to exceed budget by \$9,900. The projections are based on what was billed and past trends.

Table 2.6

Top Sanitation Fund Revenue	Budget	Projected	Over/(Under)	% of Budget
Refuse Collection Service	2,500,000	2,500,000	-	100%
Street Sweeping Charge	110,000	110,000	-	100%

Refuse Collection Service is the revenue to provide refuse collection services for customers. The revenue is collected as a pass-through to the franchisee, Mid Valley Disposal.

Street Sweeping Charges is the revenue for keeping the City street clean. The City has two street sweepers that cleans the streets and travel at least 100 miles annually.

Expenditure at FYE 06/30/2026

The net Enterprise Funds are projected to end the fiscal year under the current budget by \$1,612,200 as shown in Table 2.7. The budget available is due to increased costs in chemicals and reductions in water purchases. Although most Enterprise Funds remain financially stable, the Sanitation Fund continues to be a concern. Based on the unaudited FY 2024/25 results, the fund began FY25/26 with a negative balance of (\$55,657). Current projections indicate the deficit could increase to approximately (\$124,400) by the end of this fiscal year. This is illustrated in Exhibit B.

Table 2.7

Expenditures	2026 Budget	2026 Yearend	Variance	% of Budget
501 - Water Enterprise Fund	19,153,400	17,810,700	1,342,700	92.99%
Personnel Cost	1,703,800	1,728,400	(24,600)	101.44%
O & M Cost	11,419,300	10,875,200	544,100	95.24%
Capital Expenditure	6,030,300	5,207,100	823,200	86.35%
502 - Gas Enterprise Fund	3,788,800	3,734,300	54,500	98.56%
Personnel Cost	846,700	852,000	(5,300)	100.63%
O & M Cost	2,595,300	2,522,800	72,500	97.21%
Capital Expenditure	346,800	359,500	(12,700)	103.66%
503 - Sewer Enterprise Fund	4,309,100	4,006,300	302,800	92.97%
Personnel Cost	931,300	774,400	156,900	83.15%
O & M Cost	1,249,000	1,096,100	152,900	87.76%
Capital Expenditure	2,128,800	2,135,800	(7,000)	100.33%
504 - Sanitation Enterprise Fund	2,675,900	2,763,700	(87,800)	103.28%
Personnel Cost	93,400	105,700	(12,300)	113.17%
O & M Cost	2,582,500	2,658,000	(75,500)	102.92%
Capital Expenditure	0	0	0	0.00%
Grand Total	29,927,200	28,315,000	1,612,200	

Special Funds

The Special Funds consist of Street, Measure C, Grants, IGT, Caltrans, Impact Fees and other Special funds. These funds are restricted funds that support the respective programs. Revenue is funded by State, Local agency or Federal on a disbursement basis. Reports and proof of expenditure must be filed and provided to the resource agencies for reimbursement. At adoption, the total revenue budget was \$17,871,200 and the total expenditure budget was \$20,286,200 as outlined in Table 3.0. There were no previous budget adjustments, which kept the Current Budgets the same. However, recent approved budget adjustments will need to be applied; therefore, increasing the Expenditure budget by \$5,300. The total Amended budgets will remain at \$17,871,200 for Revenue and the Expenditure budget will increase to \$20,291,500. The details of the amendments will be listed in Exhibit G. The FY25/26 Special Funds revenue budget has a net shortfall of \$2,665,300. Also, take into consideration that these funds are on a reimbursement basis. Due to this, projects are staggered, and revenue is received months or years out.

Table 3.0

Special Funds	Revenue	Expenditure
Adopted Budget	17,871,200	20,286,200
Adjustments	-	-
Current Budget	17,871,200	20,286,200
Pending Budget Adjustment		5,300
Total Amended Budget	17,871,200	20,291,500
Actual as of 12/31/2025	1,783,700	7,475,100
Projected 1/1/26 to 6/30/2026	13,422,200	12,024,800
Revenue Surplus/(Shortfall)	(2,665,300)	
Expenditure Available		791,600

Structural Budget vs. Operating Projection (Key Comparison)

The structural budget reflects the City’s adopted operating plan for ongoing services. When compared to the projected operating results, the City is still trending positively with a projected \$9,293,100 operating surplus. This means ongoing revenues are covering ongoing costs, and no fund balance is needed to support operations as shown in Table 3.1. Within the Special Funds, IGT and Redevelopment Obligation Retirement Fund (RDA) funds have operational and personnel costs, which makes up \$5,912,800 compared to \$13,578,100 that consists of the one-time projects.

The shortfall shown in the Operating + Project column includes the one-time project spending, which is planned to be funded by reimbursements and does not indicate a structural imbalance in these Special Funds.

Table 3.1

	Budget	Projections	
		Structural Operating	Operating + Projects
Revenue	17,871,200	15,205,900	15,205,900
Operating Revenue	17,871,200	15,205,900	15,205,900
Expenditure	20,286,200	19,499,900	19,499,900
Less One-Time Project		13,587,100	
Operating Expenditure	20,286,200	5,912,800	19,499,900
Operating Net	(2,415,000)	9,293,100	(4,294,000)

Mid-Year

The Special Funds ended the first six months with \$1,783,700 or 10.0% revenue received and resources used were \$7,475,100 or 36.8%. Most of the revenue will be received in the latter part of the fiscal year. Table 3.2 shows the trend over the past 5-years for both revenue and expenditure at the end of December or the first half of the fiscal year for the respective fiscal years.

Revenue at FYE 06/30/2026

The largest revenue funds of the Special Funds are Intergovernmental Transfer, Caltrans Grant, and AHSC grant. These budgets make up \$13,350,900 or 74.71% of the special fund revenue.

Intergovernmental Transfer Fund (IGT) is grouped with the General Fund in the City’s financial statements; however, it is reported in a separate fund and funded through providing services with Medical-Plan and participation in the GEMT Medicare Reimbursement. The revenue was projected to end the fiscal year with \$3,379,600 or 88% less than expected.

The variance reflected in the IGT revenue is primarily due to the timing and estimation process associated with IGT and PP-GEMT revenues. Final projected amounts are not available until November, which occurs after the City’s budget has already been adopted. As a result, the adopted budget amounts are based on the best available estimates at the time of budget development.

Staff will continue to monitor these revenues and will evaluate opportunities to refine the budgeting approach for these programs during the FY26–27 budget development process to better align projected amounts with the timing of available program information.

Caltrans Grants Fund is primarily used to support transportation planning and infrastructure projects such as bike lanes, walking trails, road improvements, alley paving, etc. The revenue was projected to end the fiscal year with \$4,858,000 or 107.36% more than expected.

Affordable Housing and Sustainable Communities (AHSC) grant is a shared grant. It is shared between the City, Fresno County Rural Transit Agency (FCRTA), and Pacific West Communities, Inc. Unlike other grants, there are a set of requirements that must be met before the recipient can proceed with a disbursement request. Due to this, the scope of work must be fulfilled before receiving the disbursement. In addition, the shared portion of the grant are pass-through the City and recorded in a separate fund for reporting purposes. The variance is primarily the result of a timing difference in the recognition of FCRTA disbursement revenue. During the FY25/26 budget development process, it was anticipated that the disbursement would occur in FY 25/26; however, the payment was received in FY24/25. As a result, the FY25/26 budget reflects approximately \$2.2 million in revenue that was realized in the prior fiscal year, creating the appearance of a shortfall.

Expenditure at FYE 06/30/2026

There are thirty-two Special Funds; therefore, the special funds will be reported based on the Fund Groups. The fund groups include Capital Projects, IGT, Special Revenue and Trust Funds. The largest fund group is the Special Revenue group, which makes up \$14,558,900 or 71.77% of the expenditure budget. As illustrated in Table 3.3, the net Expenditure budget was projected to operate under budget by \$786,700 or at 96.12%. This includes the \$720,000 transfer out from the IGT Fund to the General Fund for the purchase of the Smeal Fire Engine.

Table 3.2

Special Funds		
FY	Revenue	Expenditure
2025/26	1,783,700	7,475,100
2024/25	2,462,000	4,617,200
2023/24	2,034,500	4,865,600
2022/23	1,887,100	5,378,700
2021/22	3,542,200	6,453,600

Does not include Debt Service Funds

Table 3.3

Expenditures by Fund Group	2026 Budget	2026 Yearend	Variance	% of Budget
Capital Projects Funds	15,200	61,900	(46,700)	4
O & M Cost	200	100	100	50.00%
Capital Expenditure	15,000	61,800	(46,800)	412.00%
General Fund - IGT	5,711,100	5,620,700	90,400	98.42%
Personnel Cost	2,352,000	2,212,200	139,800	94.06%
O & M Cost	2,170,600	2,220,000	(49,400)	102.28%
Capital Expenditure	468,500	468,500	0	100.00%
Transfers in/Out	720,000	720,000	0	100.00%
Special Revenue Fund	14,558,900	13,816,900	742,000	94.90%
Personnel Cost	659,700	654,000	5,700	99.14%
O & M Cost	1,346,700	1,404,600	(57,900)	104.30%
Capital Expenditure	12,552,500	11,758,300	794,200	93.67%
Trust Fund	1,000	0	1,000	0.00%
O & M Cost	1,000	0	1,000	0.00%
Grand Total	20,286,200	19,499,500	786,700	0.00%

Debt Service

In FY25/26, the City had six bonds and three leases with a combined original borrowing amount of \$41,154,515. In September 2025, the 2018 Tax Allocation Refunding Bond was paid off. As of December 31, 2025, the City’s total remaining debt service obligation, including principal and interest, was \$51,186,920. The list of outstanding debt obligations is outlined in Table 4.0.

Table 4.0

Debt Service @ 12/31/2025				
Name of Bond/Lease	Bond/Lease Amount	Outstanding	Maturity Date	Status
2021 Fire Ladder Truck	1,455,000	304,000	9/1/2026	Active
2021 Police Vehicle Lease	265,793	43,257	4/15/2026	Active
2021A Revenue Bonds	10,610,000	13,928,970	4/1/2048	Active
2021B Revenue Bonds	8,200,000	12,401,681	4/1/2051	Active
2024 Police Vehicle Lease	136,790	94,029	1/31/2027	Active
2024 Revenue Bond - Solar Water	8,400,000	15,865,450	4/1/2050	Active
2024 Revenue Bond - Solar Sewer	3,025,000	5,644,475	4/1/2050	Active
2018 Tax Allocation Refunding Bonds	5,657,000	-	9/15/2025	Paid-Off
2000 Tax Allocation Bonds	3,404,932	2,905,058	9/15/2030	Active
Total	41,154,515	51,186,920		

Accomplishments

In June of 2025, the City Manager and Department Heads compiled a list of one-time projects/purchases and presented it to City Council. The list of projects aligned with the City’s Envision strategic plan. To highlight the accomplishments and challenges, the status of each project will be outlined Table 5.1 as Completed Projects and Table 5.2 as Pending Projects. The eighty-six projects totaled \$30,946,200. The Completed Projects were accomplished with a cost saving of \$3,003,500. At the end of December 2025, staff completed 23 or 26.7% of the projects, while 42 or 48.8% of projects are still In Progress as shown in Table 5.0. A summary of the projects can be found in Exhibit D, while the detailed list of the projects can be found in Exhibit E.

Table 5.0

Status	Count	% Status
Completed	23	26.7%
On-Hold	5	5.8%
Not Started	17	19.8%
In Progress	41	47.7%
Total Projects	86	

Table 5.1

Total Project Saving for Completed One Time Projects			
Fund	FY25/26 Approved		
	Project Budget	Actual Cost	Over/(Under)
100 - General Fund Reserve*	1,600,500	1,600,500	-
101 - General Fund	1,164,000	1,197,200	(33,200)
111 - SB1-RD Rehab Maint Acct Fund	1,000,000	583,800	416,200
117 - Intergovernment Fund**	720,000	720,000	-
125 - Measure C-Street Maint	740,000	614,300	125,700
305 - Caltrans Grants Fund	660,000	714,700	(54,700)
310 - AHSC Grant	4,500,000	1,974,000	2,526,000
501 - Water Enterprise Fund	69,000	65,300	3,700
502 - Gas Enterprise Fund	50,000	33,100	16,900
503 - Sewer Enterprise Fund	40,000	37,100	2,900
504 - Sanitation Enterprise Fund	-	-	-
820 - RORF-Redev Oblig Retirement Fund (RDA)	-	-	-
Total	10,543,500	7,540,000	3,003,500
		Total Project saving	3,003,500

Notes: *Funds were approved for various purchases. Transfer completed. See [Detail](#) report for status of purchase.
 ** Funds were approved and reserved for the purchase of the Smeal Fire Engine in FY 2028. Transfer complete, purchase of engine is still pending.

The pending projects have an available budget of \$19,704,900 as shown in Table 5.2. By December 31, 2025, staff only expended \$697,800 or 3.42%.

Table 5.2

Total PENDING One-Time Project				
Funds	On-Hold	Not Started	In Progress	Expenditure Spent to-date
101 - General Fund	1,200,000	25,000	2,666,200	278,000
107 - Gas Tax Fund			800	
109 - TDA - Article 3 Fund			50,000	7,500
110 - LTF - Article 8 Fund		128,000	26,000	-
117 - IGT-Intergovernmental Transfer			948,500	-
125 - Measure C-Street Maint		525,000		
126 - Measure C-ADA Compliance		25,000	24,000	16,500
127 - Measure C-Flexible Fund		338,000	509,000	2,700
141 - Public Building-Facilities Impact Fees				
305 - Caltrans Grants Fund		1,114,000	2,185,000	53,700
306 - Special Revenue Grants Fund	88,000			
501 - Water Enterprise Fund	205,000	15,000	7,922,400	312,900
502 - Gas Enterprise Fund		90,000	231,100	26,300
503 - Sewer Enterprise Fund		80,000	1,999,700	200
504 - Sanitation Enterprise Fund	-	-	1,200	-
820 - RORF-Redev Oblig Retirement Fund (RDA)	-	-	5,800	-
Total Budget for Projects	1,493,000	2,340,000	16,569,700	697,800
			Total Budget	20,402,700
			Total Expenditure To-Date	697,800
			Total Budget Available	19,704,900

Conclusion

The FY2025/26 Mid-Year Budget Report provides an overview of the City’s financial position as of December 31, 2025, along with projections for the remainder of the fiscal year.

Citywide:

- Total revenue received: \$15,610,700 (25.1% of the annual budget)
- Total expenditure used: \$23,798,700 (35.0% of the annual budget)

While both revenue and expenditure activity are trending below budget at mid-year, this is consistent with historical seasonal patterns.

The Citywide budget reflects an \$8,590,800 negative balance, 23.8% of which are related to the Special Funds. These are primarily revolving funds where the source of funds are grant, state, and local agency funded programs. Under these funding structures, the City must typically incur expenses first and then request reimbursement. As a result, expenditures may appear ahead of revenues at certain points in the fiscal year until reimbursements are received.

Despite these planned expenditures, the City’s overall financial position remains stable. Thirty-five of the City’s forty funds (87.5%) maintain healthy fund balances, with only a small number of funds requiring closer monitoring. See Table 6.0.

Table 6.0

FY25/26 Projected Negative Fund Balance				
Funds	Unaudited	Projected	Projected	Projected
	Fund Balance @ 6/30/2025	Revenue	Expenditure	Fund Balance @ 6/30/2026
109 - TDA - Article 3 Fund	(16,277)	20,000	50,000	(46,277)
305 - Caltrans Grants Fund	(317,601)	4,858,000	4,892,200	(351,801)
310 - AHSC Grant	(341,470)	2,789,900	2,621,300	(172,870)
504 - Sanitation Enterprise Fund	(55,657)	2,695,000	2,763,700	(124,357)
820 - RORF-Redev Oblig Retirement Fund (RDA)*	(1,017,496)	653,800	894,300	(1,257,996)
Grand Total	(1,748,501)	11,016,700	11,221,500	(1,953,301)
			Net Change (+/-)	(204,800)

*Will continue to operate as a deficit fund until the 2000 TAB bond is paid-off.

City staff will continue to exercise fiscal responsibility by carefully monitoring revenues, controlling expenditures, and ensuring that the City’s financial resources are managed effectively to support the community’s long-term needs.