

ATTACHMENT 2

Budget Performance Summary Fiscal Year 2025-26 Q1 Through Period Ending September 30, 2025

At the close of Q1, citywide revenues total \$37.7 million (12% of budget), representing a 42.3% decrease compared to the same period last year. Citywide expenditures total \$42.9 million (10% of budget), down 25.1% from the prior year. These results primarily reflect the timing of receipts and project expenditures typical of early-year activity. The following provides a high-level summary of key financial metrics and major fund performance.

General Fund Revenues

Total General Fund revenues received through September 30, 2025 are \$2.7 million (3% of budget).

- **Property Tax Revenues** – \$208 thousand (1%). Collections remain on schedule, with the majority of property tax revenue anticipated in the second and fourth quarters.
- **Sales Tax Revenues** – \$1.6 million (8%). Receipts reflect a 4.8 percent increase from the same period last year. While modest growth is projected for FY26, forecasts anticipate slower trends than prior years due to broader economic conditions and consumer spending patterns.
- **Other Taxes** – \$369 thousand (3%). Includes business license and utility-user taxes, consistent with seasonal expectations.
- **Licenses and Permits** – \$237 thousand (10%). In FY25, cannabis permits contributed a significant share of this category; however, with a strict dispensary cap and no cannabis-related revenue to date, collections are lower this year.
- **Charges for Services** – \$203 thousand (2%). This category includes General Government overhead and fees from Fire, Police, Public Works, Parks, and Recreation:
 - Fire – \$166 thousand (82%)
 - Police – \$19 thousand (9%)
 - Parks – \$3 thousand (2%)
 - Recreation – \$15 thousand (7%)
- **Investment Earnings** – negative \$614 thousand. The negative balance reflects the timing of the FY25 year-end Local Agency Investment Fund (LAIF) receivable reversal and will normalize once first-quarter interest earnings are posted.

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General Fund Expenditures

Total General Fund expenditures were \$12.1 million (15% of budget). Personnel costs and operational expenses are slightly below projections due to prudent spending and vacancy savings early in the fiscal year.

Major Funds Summary

- **Measure Q (Fund 105)** – Sales tax revenues \$1.2 million (10%) and expenditures \$997 thousand (17%). Activity reflects one-time capital outlay costs and timing of transfers.
- **Measure M (Fund 320)** – Sales tax revenues \$873 thousand (9%) and expenditures \$1.9 million (17%). Spending reflects the timing of sales tax receipts, with expenditures expected to align as revenues are received.
- **Development Services (Fund 340)** – Revenues \$2.3 million (29%) and expenditures \$1.0 million (8%). Although revenues are down from last year, they remain 4% above projection. Expenditures are 17% below expected levels.
- **Gas Tax / Street Improvement (Fund 420)** – Revenues \$477 thousand (9%) and expenditures \$675 thousand (17%). Expenditures are lower than anticipated due to project prioritization and pending Measure Q transfers.
- **Gas Tax / Street Improvement SB1 (Fund 425)** – Revenues \$645 thousand (26%) and expenditures \$853 thousand (12%). Staff continues to monitor SB1 allocations while maintaining compliance with state guidelines.
- **Measure K (Fund 440)** – Revenues \$359 thousand (4%) and expenditures \$564 thousand (5%). Both are trending low, consistent with timing of state disbursements and larger capital project schedules.
- **Fire Facilities Fees (Fund 530)** – Revenues \$217 thousand (17%) and expenditures \$47 thousand (1%). Trends reflect timing of development activity and capital-facility project schedules.
- **Government Facilities Fees (Fund 540)** – Revenues \$1.4 million (27%) and expenditures \$348 thousand (7%). Spending to date represents early-year equipment purchases; additional project activity is expected later in FY26.
- **Golf Course (Fund 620)** – Revenues \$512 thousand (20%) and expenditures \$334 thousand (15%). The fund continues to require General Fund support while staff pursues revenue-generation strategies to improve self-sufficiency.
- **Sewer O&M (Fund 640)** – Revenues \$2.2 million (8%) and expenditures negative \$585 thousand (-1%). The negative expenditure balance reflects timing

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and accounting adjustments at the start of the fiscal year; these will normalize as current-year expenses post in subsequent quarters.

- **Solid Waste (Fund 660)** – Revenues \$6.5 million (27%) and expenditures \$2.6 million (18%). Revenues are 5% higher than last year, strengthening reserves and supporting long-term sustainability.
- **Water O&M (Fund 680)** – Revenues \$8.0 million (28%) and expenditures \$2.5 million (10%). Includes settlement proceeds from 3M related to nationwide PFAS litigation.
- **Engineering (Fund 810)** – Revenues \$853 thousand (17%) and expenditures \$401 thousand (11%). Revenues are 61% below the same period last year, primarily due to timing of development-fee collections. Expenditures are also trending lower, reflecting delays in project activity.

Challenges & Considerations

- **Revenue Lag:** Collections are only 12% of budget and down 42% from last year's Q1, mainly due to timing of major disbursements.
- **Expenditure Timing:** Spending is below pace (13%), reflecting delayed project activity, but there is a risk of expenditures being concentrated later in the year.
- **Cash Flow & Reserves:** Monitoring needed to ensure near-term obligations are met without overreliance on reserves.
- **Forecast Risk:** Mid-year adjustments may be necessary if revenues do not rebound as projected.

Analysis & Outlook

At the close of Q1, both revenues and expenditures are pacing below projections, reflecting the timing of major disbursements and project schedules. Revenues are notably lower compared to the same period last year, and staff will continue to closely monitor collections, align encumbrances with project delivery, and evaluate reserve usage to support long-term sustainability. Overall, the City's financial outlook remains stable, supported by prudent expenditure management and strong underlying revenue capacity. Staff will continue to track economic conditions and bring forward adjustments as necessary.