

ATTACHMENT 3

Budget Performance Summary Fiscal Year 2025-26 Q2 Through Period Ending December 31, 2025

At the close of Q2, citywide revenues total \$111 million (35% of budget), down 15% from the same period last year. Citywide expenditures total \$131 million (32% of budget), up 3.4% year-over-year. These variances largely reflect early-year timing of receipts and capital project spending. The following section provides a high-level overview of key financial metrics and key fund performance.

General Fund Revenues

Total General Fund revenues received through December 31, 2025 are \$16.2 million (20% of budget). Figures reflect items posted as of the report's generation date; additional revenues may have been received or processed but not yet recorded.

- **Property Tax Revenues** – \$223 thousand (1%). Collections remain on schedule, with the majority of property tax revenue anticipated in the third and fourth quarters.
- **Sales Tax Revenues** – \$6.2 million (31%). Up 11% from last year, with modest but slowing growth expected given current economic conditions.
- **Other Taxes** – \$2.76 million (22%). Includes business license and utility-user taxes, consistent with seasonal expectations.
- **Licenses and Permits** – \$629 thousand (25%), down 16% from this time last year due largely to the absence of cannabis-related permit revenue following limited openings.
- **Charges for Services** – \$5.03 million (51%). This category includes General Government overhead and fees from Fire, Police, Public Works, Parks, and Recreation:
 - Fire – \$1.1 million (115%)
 - Police – \$449 thousand (22%)
 - Parks – \$4 thousand (3%)
 - Recreation – \$24 thousand (44%)
- **Investment Earnings** – negative \$416 thousand. The negative balance reflects the reversal of the accrued interest that was received in FY26 but was earned in FY25. This is typical early in the year and will be offset as additional interest payments are recorded through the remainder of FY26.

General Fund Expenditures

Total General Fund expenditures were \$35.8 million (41% of budget). Personnel costs and operational expenses are slightly below projections due to prudent spending and vacancy savings early in the fiscal year.

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Key Funds Summary

- **Measure Q (Fund 105)** – Sales tax revenues \$5.15 million (43%) and expenditures \$1.25 million (21%). Most of the activity reflects one-time capital outlay costs for public safety and pavement improvement.
- **Measure M (Fund 320)** – Sales tax revenues \$3.5 million (35%) and expenditures \$5.3 million (47%). Variance reflects timing; no issues anticipated once full-year receipts are posted, though the fund remains at capacity.
- **Development Services (Fund 340)** – Revenues \$4.03 million (51%) and expenditures \$3.27 million (23%). Revenues are on target; expenditures are below expected levels, providing capacity within the fund at mid-year.
- **Gas Tax / Street Improvement (Fund 420)** – Revenues \$1.2 million (23%) and expenditures \$1.9 million (45%). Variance is driven by timing differences between State fuel tax distributions and ongoing street maintenance work.
- **Gas Tax / Street Improvement SB1 (Fund 425)** – Revenues \$916 thousand (37%) and expenditures \$2.3 million (35%), reflecting typical timing of SB1 allocations. Staff continues to monitor receipts and maintain compliance with State guidelines.
- **Measure K (Fund 440)** – Revenues \$1.75 million (22%) and expenditures \$2.86 million (26%). Both are trending low, consistent with timing of State disbursements and larger capital project schedules.
- **Fire Facilities Fees (Fund 530)** – Revenues \$441 thousand (35%) and expenditures \$84 thousand (2%), reflecting development-driven fee activity and the timing of capital facility projects.
- **Government Facilities Fees (Fund 540)** – Revenues \$3.36 million (66%) and expenditures \$1.39 million (28%). Revenues reflect strong development activity, and spending to date represents planning work for the new Police Headquarters.
- **Golf Course (Fund 620)** – Revenues \$893 thousand (36%) and expenditures \$840 thousand (37%); operating results are pacing evenly at mid-year, with capital project spending expected later in the fiscal year.
- **Sewer O&M (Fund 640)** – Revenues \$13 million (46%) and expenditures \$16.4 million (35%). This short-term imbalance was anticipated in the rate study, which projects temporary deficits over the next several years.
- **Solid Waste (Fund 660)** – Revenues \$13.3 million (54%) and expenditures \$9.28 million (36%). Revenues increased 4.5% year-over-year, supporting long-term sustainability.

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- **Water O&M (Fund 680)** – Revenues \$15.7 million (55%) and expenditures \$2.5 million (10%), including PFAS settlement proceeds. The planned bond issuance does not introduce new debt and is not yet reflected in the budget; the only FY26 budgetary impact is expected to be a decrease in interest expense following issuance.
- **Engineering (Fund 810)** – Revenues \$1.18 million (23%) and expenditures \$1.35 million (36%). Revenues are 32% 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 Pace:** Revenues are at 35% of amended budget (\$111.0M) and are down from prior year at the same point (\$130.8M), reflecting timing of major State and interfund disbursements.
- **Expenditure Pace:** Expenditures are at 32% of amended budget (\$131.1M) and are slightly above prior year (\$126.5M), consistent with ongoing operating activity and project spending.
- **Cash Flow & Reserves:** No immediate concerns indicated, but continued monitoring is warranted given the scale of appropriations and timing of receipts.
- **Forecast Risk:** Mid-year adjustments are proposed to account for current pacing; continued monitoring will be needed if major revenues do not accelerate in the second half or if capital spending advances more quickly than anticipated.

Analysis & Outlook

At Q2, revenues and expenditures are pacing slightly below projections due to timing and project sequencing. Mid-year adjustments are proposed to realign appropriations with updated conditions and project needs. These actions strengthen the City's position for the second half of the fiscal year and support long-term sustainability through continued monitoring of revenues, reserves, and capital delivery.