

Staff Report: Quarterly Budget Report of Major Funds as of September 30, 2026

TO: Honorable Mayor and Members of the City Council

ATTENTION: Thaddeus McCormack, City Manager

FROM: Jose Gomez, Director of Finance and Administrative Services

Introduction

The City is in the first year of a two-year budget, which was adopted in June 2026. The following provides a quarterly budget review as of September 30, 2026, for the City's two primary funds: 1) General Fund; and 2) Water Utility Enterprise Fund.

In addition to scheduled formal budget reviews, staff continually monitors revenues and expenditures throughout the year to ensure that the City remains on a stable fiscal path. Within the budget, particular attention is given to the two major funds noted above as they collectively support the majority of the City's day-to-day operations with the General Fund being the City's most discretionary funding source.

The following is a review as of September 30, 2026.

Statement of Facts

General Fund

The General Fund is the largest City fund, with operational expenditures trending as expected and aligned with the budget adopted by the Council in June. Overall, 19.3% of the year's total operational expenditure budget has been utilized through the end of the first quarter (or 25% of the fiscal year). See expenditure summary table on the following page. Given the normal time lag in receiving invoices and processing payments for costs incurred, the figure seems appropriate. Specifically, Employee Services and Contract Services represent the two largest expenditure categories and have expended 21.0% and 12.9% of their budgets, respectively.

Another area worth highlighting is the Other Operating Expenditure line item with 62.6% of the annual budget expended. Of the \$2,668,589 expended in the year, slightly more than \$2 million represents payments for the City's various insurance coverages. These annual amounts are paid in lump sum fashion early in the fiscal year, thereby skewing the percentage of the budget utilized.

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It is important to note that Capital Outlay expenditures typically follow irregular spending patterns, as projects sometimes span multiple fiscal years. The 27.4% spent year-to-date (YTD) in this category had a nominal effect on the YTD Expenditures percentage, bringing it to 19.3%. When excluding these capital costs and considering only operational expenditures, the YTD percentage decreases slightly to 19.2%.

Following is a summary of the General Fund expenditure activities throughout the organization:

ACCOUNT DESCRIPTION	BUDGET ESTIMATE*	YTD EXPENDITURES	% SPENT
EMPLOYEE SERVICES	\$ 33,137,471	\$ 6,954,695	21.0%
CONTRACT SERVICES	40,798,398	5,277,553	12.9%
FACILITIES EXPENSE	2,845,661	669,546	23.5%
OFFICE EXPENSE	337,262	175,790	52.1%
MEETING EXPENSE	224,740	26,734	11.9%
SPECIAL DEPT SUPPLIES	3,352,809	497,562	14.8%
OTHER OPERATING	4,260,500	2,668,859	62.6%
OPERATIONAL EXPEND.	\$ 84,956,840	\$ 16,270,469	19.2%
CAPITAL OUTLAY	1,333,379	365,482	27.4%
TOTAL EXPENDITURES	\$ 86,290,219	\$ 16,635,952	19.3%

*Includes YTD budget adjustments

General Fund revenues through the first quarter tracked as expected and remain consistent with historical seasonal trends. At 12.6% YTD, revenues are understandably below the 25% benchmark for the first quarter. This lag is typical and results from larger revenue sources flowing through state and county collection processes before being remitted to the city. In addition, certain major revenues – such as Southern California Edison (SCE) franchise fees and Proposition A funds sold – are received as annual payments later in the fiscal year.

In contrast, the City's business license tax is primarily collected at the beginning of the fiscal year. With licenses renewing at the fiscal year's onset, YTD revenues of \$576,534 represent 85.4% of the budgeted \$675,000. Additional, though smaller, business license tax revenue amounts are received throughout the remainder of the year from new businesses and new contractors in the City.

Sales tax revenue generated by Measure L is anticipated to total \$13,998,000 for the year, having received \$1,294,300 during the quarter. The YTD amount represents a relatively small advance that the state provides based on prior year amounts.

Given the usual time lag, the actual amount earned during the first quarter will not be known until December.

Following is a summary of the General Fund revenues:

ACCOUNT DESCRIPTION	BUDGET ESTIMATE*	YTD REVENUES	% RECEIVED
PROPERTY TAXES	\$ 7,673,000	\$ ---	0.0%
SALES TAX - BRADLEY BURNS	17,677,000	1,483,047	8.4%
SALES TAX- MEASURE L	13,998,000	1,294,300	9.2%
OTHER TAXES	135,000	13,342	9.9%
FRANCHISE FEES	1,700,000	---	0.0%
BUSINESS LICENSE TAX	675,000	576,534	85.4%
DOCUMENTARY TRANSF. TAX	300,000	52,854	17.6%
TRANSIENT OCCUPANCY TAX	100,000	---	0.0%
UTILITY USERS TAX	4,123,000	804,657	19.5%
LICENSES & PERMITS	2,276,000	761,825	33.5%
FINES / FORFEIT. / PENALTIES	733,100	216,652	29.6%
USE OF MONEY & PROPERTY	4,975,937	639,317	-3.2%
FROM OTHER AGENCIES	13,291,000	226,609	1.7%
CURRENT SERVICE CHARGE	13,371,963	3,345,618	25.7%
BUDGETED TRANSFERS	5,424,700	1,356,175	25.0%
TOTAL REVENUE	\$86,453,700	\$ 10,860,929	12.6%

*Includes YTD budget adjustments

Water Utility Enterprise Fund

At 16.5% YTD, overall Water Fund expenses are tracking below budget. Similar to the General Fund, there is a timing lag between the time costs are incurred and when payments are made. When excluding Capital Outlay expenses — and considering only operational expenditures — the YTD percentage decreases slightly to 15.6%. The following provides a summary of the various Water Utility Enterprise Fund expenditure activities *[Continued on Next Page]*:

ACCOUNT DESCRIPTION	BUDGET ESTIMATE*	YTD EXPENDITURES	% SPENT
EMPLOYEE SERVICES	\$ 3,800,188	\$ 767,566	20.2%
CONTRACT SERVICES	1,515,631	355,115	23.4%
FACILITIES EXPENSE	2,361,250	6,997	0.3%
OFFICE EXPENSE	6,250	868	13.9%
MEETING EXPENSE	17,000	1,477	8.7%
SPECIAL DEPT SUPPLIES	852,558	186,595	21.9%
OTHER OPERATING	8,181,834	1,295,355	15.8%
OPERATIONAL EXPENDITURES	\$ 16,734,711	\$ 2,613,974	15.6%
CAPITAL OUTLAY	4,588,452	899,841	19.6%
TOTAL EXPENDITURES	\$21,323,163	\$ 3,513,815	16.5%

*Includes YTD budget adjustments

At 23.3% YTD, water revenues are trending close to their anticipated mark. It is early in the year, and a portion of revenue received during the first quarter was attributable to activities from the prior fiscal year and posted as such. Water meter sales, the largest revenue source, are highly sensitive to weather patterns and may vary significantly depending on rainfall and conservation efforts during the year. The following table provides a snapshot:

ACCOUNT DESCRIPTION	BUDGET ESTIMATE	YTD REVENUES	% RECEIVED
WATER SALES	\$14,000,000	\$ 3,236,130	23.1%
INTERCONNECT WATER SALES	500,000	158,227	31.6%
FIRE PROTECTION SERVICES	216,240	32,606	15.1%
RECLAIMED WATER	535,000	207,682	38.8%
SERVICE INITIATION FEES	44,370	8,100	18.3%
SERVICE RESTORATION FEES	51,000	6,602	12.9%
LEASE OF WATER RIGHTS	629,000	119,000	18.9%
INVESTMENT EARNINGS	500,000	1,833	0.4%
RENTS AND CONCESSIONS	54,620	15,777	28.9%
OTHER REVENUE	75,000	80,154	106.9%
TOTAL REVENUE	\$ 16,605,230	\$ 3,866,111	23.3%

Fiscal Impact

None.

Summary

Overall, first-quarter revenue and expenditure activity are in line with historical seasonal trends and, more importantly, consistent with the adopted budget. Staff will continue to monitor all activities closely and recommend adjustments as necessary.

Recommendation

It is recommended that the City Council receive and file this report.