



Agenda Report

Fullerton City Council

MEETING DATE: JULY 15, 2025

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: KINGSLEY OKEREKE, INTERIM DIRECTOR OF ADMINISTRATIVE SERVICES

PREPARED BY: STEVEN AVALOS, BUDGET AND PURCHASING MANAGER
CINNDY BARRIOS, SENIOR BUDGET ANALYST

SUBJECT: THIRD QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2024-25

SUMMARY

The Third Quarter Financial Report reviews the City financial position through the third quarter of Fiscal Year (FY) 2024-25, comparing revenues and expenditures from July 2024 through March 2025 against adopted budget levels. The Report requests budget authority for year-end compliance in preparation for the FY 2024-25 Annual Audit.

PROPOSED MOTION

1. Receive and file the Third Quarter Financial Report for Fiscal Year (FY) 2024-25.
2. Authorize City Manager, or designee, to make budget adjustments to ensure budgetary and accounting compliance in preparation for the FY 2024-25 audited financial statements.

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

The City Manager recommends approval.

BUDGET POLICY PRIORITY STATEMENT

This item matches the following Budget Policy Priority Statement:

- Fiscal and Organizational Stability.

FISCAL IMPACT

Staff will use the FY 2024-25 Q3 financial report information to ensure continued budgetary diligence and compliance with adopted budget levels through the end of the fiscal year.

General Fund revenues through the third quarter of FY 2024-25 total \$82.0 million and are at 64.2% of \$127.7 million adopted revenues. General Fund expenditures total \$100.1 million and are at 75.4% of \$132.9 million adopted expenditures. General Fund revenues and expenditures fall typically where they should through three quarters into the fiscal year.

Staff requests City Manager, or designee, authority to perform budget amendments to ensure year-end accounting and budget compliance in preparation for the audited financial statements for FY 2024-25. Staff will report any year-end budget amendments as part of the year end audit and financial report.

BACKGROUND AND DISCUSSION

Introduction

Staff provides quarterly financial reports on the current year budget to City Council as part of the City budget monitoring and financial reporting practices, providing a sound financial practice and fiscal transparency tool to report the ongoing fiscal condition, identify and address any budget issues as they arise and strengthen City financial planning efforts. Quarterly financial reports measure the overall fiscal condition relative to adopted budget levels.

The Third Quarter Financial Report (Q3 Report) is the last financial report before the FY 2024-25 Annual Audit and preparation of year-end financial statements. The Q3 Report indicates projected year-end performance for FY 2024-25, as the City completed 75% of the fiscal year and booked the most revenues and expenditures for the fiscal year. The FY 2024-25 Q3 Report identifies revenues received and expenditures incurred through the third quarter of the fiscal year, from July 1, 2024 through March 31, 2025, in comparison to adopted budget levels.

The Q3 Report primarily focuses on the General Fund, the chief operating fund supporting traditional municipal services, such as public safety, community and economic development, administration, parks and recreation, library and public works.

Q3 Review of General Fund (including Library and Parks and Recreation)

General Fund revenues through the third quarter of FY 2024-25 total \$82.0 million and are at 64.2% of adopted \$127.7 million revenues. General Fund expenditures total \$100.1 million and are at 75.4% of adopted \$132.9 million expenditures.

Revenues

General Fund revenues total \$82.0 million through three quarters of FY 2024-25 and are at 64.2% of adopted \$127.7 million revenues. The City received 64.2% of budgeted revenues to date, on par with the amount of revenue the City should receive through three quarters of the fiscal year. Property tax comprises the largest revenue in the General Fund. The City typically receives the last two large installments of secured property taxes (April 2025) and VLF In-Lieu (May 2025) during the last quarter of the year, accounting for approximately 35% to 40% of all property tax revenues. The City receives sales tax, the second largest revenue, three months in arrears. Sales tax revenues received normally account for approximately 70% through three quarters of the fiscal year.

Property Tax revenues, through the third quarter, total \$36.2 million and remain in line to meet, and likely to exceed, adopted \$58.0 million budget levels in FY 2024-25 due to increased VLF In-Lieu property tax, supplemental roll growth and residual property tax receipts received in FY 2024-25. Property tax remains the most stable revenue, indicating the diverse and strong assessed valuation of Fullerton properties.

Sales tax revenues total \$16.9 million or 55.3% of the total \$30.5 million budget. Staff expects sales tax revenue through the third quarter of FY 2024-25 to come in under budget due to declines in general consumer goods and the auto and transportation industries. The uncertain economic climate resulting in lower consumer spending and high interest rates, which affect auto financing and other major purchases, attribute to these declines. Uncertain global economic conditions and rising costs of goods and services affect how much people spend. Staff will closely monitor sales tax revenues throughout the rest of the fiscal year.

Transient Occupancy Tax, or TOT, revenues total \$1.8 million through the third quarter and are 57.9% of adopted budget levels as individuals and families continue to travel and book hotels within the City. TOT revenues remain in line with adopted \$3.1 million budget levels and relatively flat compared to last year.

The City anticipates higher ambulance billing revenue above the \$6 million budgeted in FY 2024-25 due to belonging to the Public Provider Ground Emergency Medical Transport (PP-GEMT) program administered by the State of California Department of Health Care Services. The Fire Department also participates in the Medi-Cal Voluntary Rate Rane Program (VRRP) which allows local government agencies to recover a portion of unreimbursed costs associated with providing Medi-Cal services, resulting in higher revenues.

All other major revenues performed in line with budgeted levels and staff does not request revenue budget adjustments at this time. Staff may submit revenue adjustments with the next financial report if any major revenues (property tax, sales tax, planning / development fees, etc.) perform over or under budgeted levels.

Expenditures

Expenditures have a more linear trajectory as the City processes payroll biweekly and invoices and bills on a weekly basis. General Fund expenditures through the third quarter of FY 2024-25 total \$100.1 million and are at 75.4% of adopted \$132.9 million expenditures. Overall, General Fund expenditures fall in line with adopted budget levels through Q3 of FY 2024-25.

Staff requests administrative budget authority to make budget adjustments as the City approaches the end of the fiscal year and ensure year-end budgetary and accounting compliance in preparation for the FY 2024-25 Annual Audit. Staff will present any budget adjustments with the audited financial statements or Q4 Financial Report.

Next Steps

Staff incorporated all financial information in this report in developing the new fiscal year outlook and mostly served as the basis for projecting the FY 2025-26 revenues and expenditures. The City continued to exercise fiscal diligence and monitor citywide expenditure budgets and revenue performance through the remainder of FY 2024-25. The last financial report for the fiscal year will present the annual audited financial statements, known as the Annual Comprehensive Financial Report (ACFR) for FY 2024-25. Staff anticipates submitting the FY 2024-25 ACFR to City Council in January 2026, upon conclusion of the external year-end audit.

Attachments:

Attachment 1 – Q3 FY 2024-25 Revenue Detail by Fund

Attachment 2 – Q3 FY 2024-25 Expenditure Summary by Fund and Department

cc: City Manager Eric J. Levitt