Budget Study Session
FY 2026-27 Proposed Budget

City of Fullerton, CA

July 14, 2026

Budget Study Session Agenda

- FY 2026-27 Proposed Capital Improvements Program Budget
- FY 2026-27 Proposed Budget Overview
  - All Funds Operating Budget
  - General Fund Operating Budget
  - General Fund Proposed Budget Scenarios
- Budget Community Meeting Results

Budget Study Session Agenda Continued

- Ad Hoc Fiscal Sustainability Committee Recommendations
- Grant Thornton – Five Year Financial Forecast Analysis

Capital Improvements Budget

FY 2026-27 Proposed CIP Budget

	CIP Project Category	FY 2026-27 Proposed Budget
	Street Rehabilitation (Incl. 1-Time Grants)	$11,309,000
	Street Improvements (Grant Funded)	$5,098,000
	Utility - Water System	$6,950,000
	Utility - Sewer System	$2,500,000
	Utility - Storm Drain System	$600,000
	Traffic Systems	$1,101,342
	City Facilities (Buildings, Accessibility, etc.)	$875,000
	City Parks	$50,000
	Misc. Projects (Sidewalks, PMP, etc.)	$400,000
	Total Proposed CIP Budget	**$28,883,342**

CIP / Infrastructure Projects

Street Rehabilitation Planned Projects:

- Arterial Projects:
  - State College Blvd, Harbor Blvd, Rosecrans Ave
  - Euclid St and Yorba Linda Blvd (Design only)
- Residential:
  - Cannon-Shepard Area, Courtney-Ash Area. Rancho-Verona-Yucca Area, Yale-Santa Fe-Princeton Area
- Slurry Seal/Pavement Treatment:
  - Various Streets.

Water Infrastructure Planned Projects:

- Water Main Replacement
- PFAS Management, SCADA upgrades, Upgrade designs for Generators, Reservoirs, Wells

Sewer & Storm Drain Planned Projects:

- Miscellaneous Storm Drain Repair and Rehabilitation
- Sewer Main Repairs and Replacements

CIP / Infrastructure Projects

Traffic Systems Planned Projects:

- Traffic systems upgrades and repairs
- Traffic signal synchronization
- Street Light conversion

Miscellaneous Infrastructure Projects:

- Curb, Gutter and Sidewalk Reconstruction
- Pavement Management Plan (PMP) Update

City Facilities Projects:

- Repairs and renovations at various City facilities
- ADA improvements

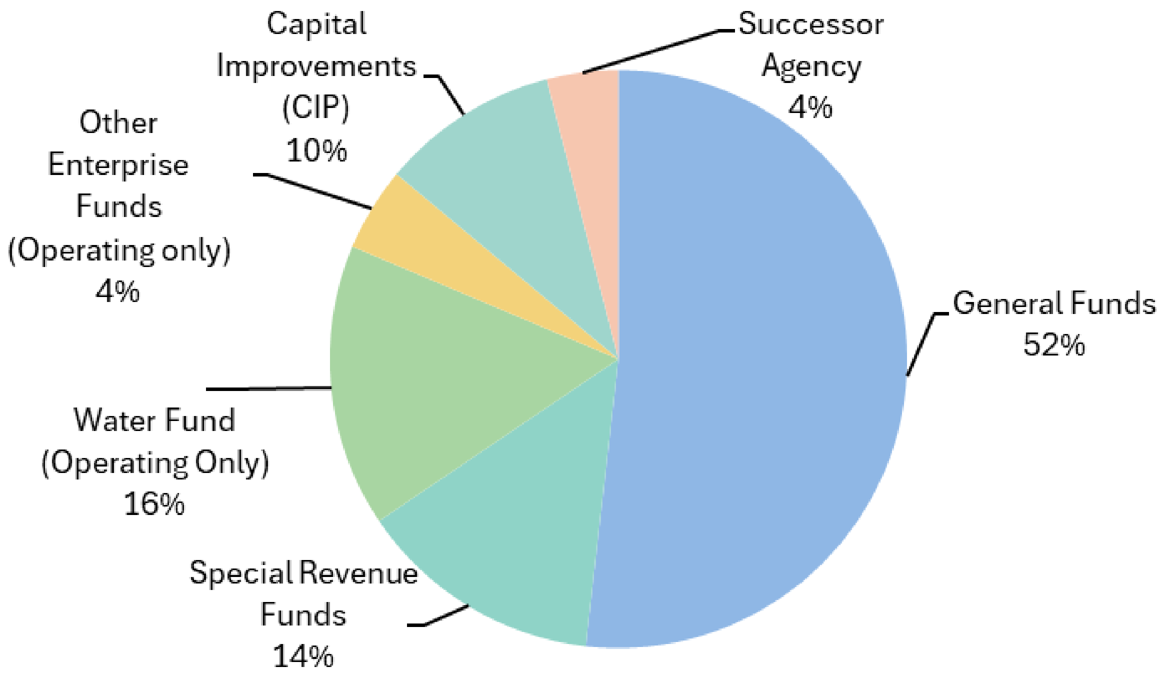
FY 2026-27 Proposed Budget

Budget Primer on Municipal Finance

- **General Funds**: The City's primary operating fund responsible for providing municipal services residents rely upon, including police, fire, parks, libraries, planning, code enforcement, public works, recreation programs and general government administration.
- **Enterprise Funds** - Operate similarly to a business and are self-operating, supported primarily through user fees rather than taxes.
  - Water, Sewer, & Airport enterprise funds
- **Special Revenue Funds** – Are legally restricted revenues for specific programs or activities, such as transportation funding, grants, & other dedicated sources.
  - Measure M2, Gas Tax and SB1 funds, & CDBG block grant program
- **Internal Service Funds** - Provide centralized support services to City departments, including fleet replacement, equipment maintenance, information technology and facility maintenance, with costs allocated to the departments receiving those service.

Proposed All Funds' Budget

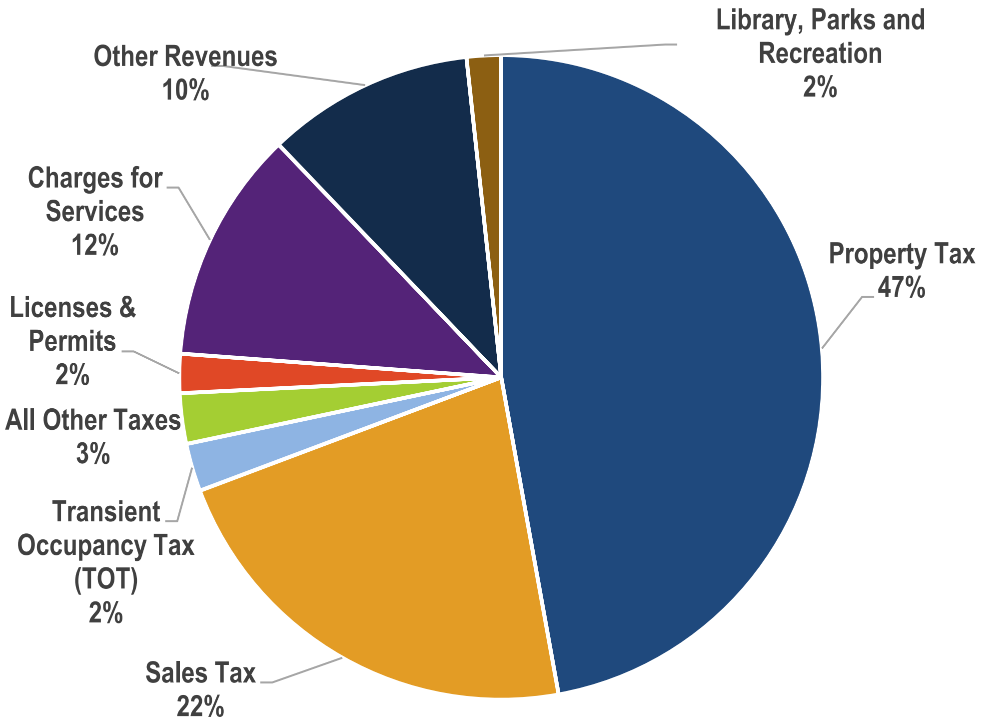
Fund Type	FY 26-27 Expenditures
General Funds	$150,462,773
Special Revenue Funds	$39,878,224
Water Fund (Operating Only)	$45,973,797
Other Enterprise Funds (Operating only)	$13,623,759
Capital Improvements (CIP)	$28,883,342
Successor Agency	$11,603,925
All Funds Totals	**$290,425,820**



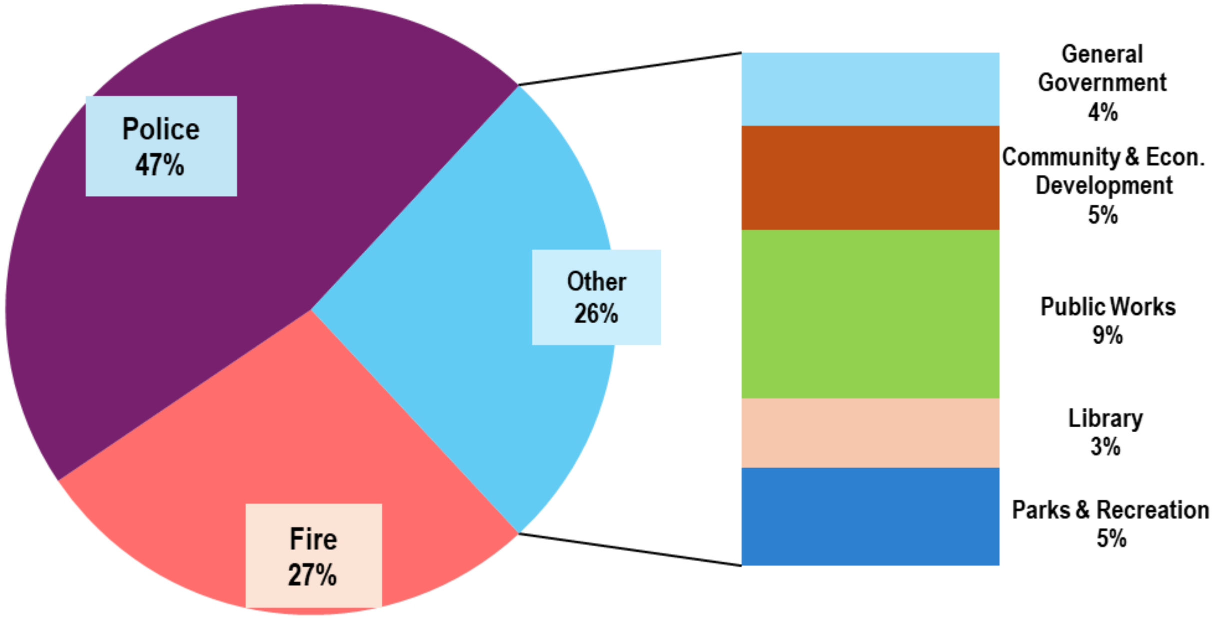
FY 2026-27 General Fund Revenues

General Fund Revenue by Category	Proposed Budget FY 26-27	% Increase / Decrease from Prior Year
Property Tax	$66,680,723	6%
Sales Tax	31,308,118	0%
Transient Occupancy Tax (TOT)	3,400,000	-1%
All Other Taxes	3,578,796	2%
Licenses & Permits	2,772,115	12%
Charges for Services	16,505,687	-7%
Other Revenues *	14,749,124	6%
Human & Leisure Services *(Library, Parks & Recreation)*	2,439,810	0%
General Fund Revenue	**$141,434,373**	**3%**

** Includes Fines & Penalties, Use of Money & Property, Intergovernmental & Other Miscellaneous Revenue.*



FY 2026-27 General Fund Expenditures



Expenditures by Major Program Area	Proposed Budget FY 26-27
Fire	40,185,696
Police	70,987,843
Community & Economic Development	7,540,574
Public Works	11,570,625
General Government *(Administration, Admin Svcs, HR)*	7,483,985
Human & Leisure Services *(Library and Parks & Rec)*	12,694,048
Total General Fund Expenditures	**$150,462,771**

Current General Fund Proposed FY 26-27 Budget

	Original Base Budget FY 26-27	Current Proposed Budget FY 26-27
Total General Fund Balances per FY 24-25 ACFR	**$26,288,246**	**$26,288,246**
Allocated Fund Balances that are restricted/set aside for other purposes	(10,214,077)	(10,214,077)
Available General Fund Beginning Fund Balance	**$16,074,169**	**$16,074,169**
Revenues	**141,434,373**	**143,885,227**
Base Operating Revenues	141,434,373	141,434,373
Revenue Adjustments - 1-Time Restricted Funds for Operations	**-**	**461,557**
Revenue Adjustments - 1-Time Revenues	**-**	**1,247,297**
Revenue Adjustments - Ongoing or New Revenue	**-**	**742,000**
Expenditures	**(150,462,773)**	**(145,052,455)**
Expenditure Operating Budget	(150,462,773)	(151,911,954)
Budget Reductions - Personnel-Unfunding of Vacancies ~ 9 FTE		**2,781,968**
Budget Reductions - Operations & Maintenance		**1,820,560**
ISF Reductions - To allocations to Workers Comp & Liability ISFs	**-**	**2,256,971**
Projected Operating Surplus (Deficit) - No Transfers	**($9,028,400)**	**($1,167,228)**
Transfers In	**678,087**	**2,373,087**
Transfers In from Traffic Safety Fund	300,000	300,000
Transfers In from IT Fund - Server Repl. Loan	378,087	378,087
Transfers In - 1-Time from Various Funds	**-**	**1,695,000**
Revenues & Transfers In Total	**$142,112,460**	**$146,258,314**
Transfers Out	**(5,417,131)**	**(5,017,131)**
Transfers Out to Infrastructure Fund	(3,978,225)	(3,978,225)
Transfers Out to CIP Fund - Residential Streets	(500,000)	(500,000)
Transfers Out to IT Fund - IT Projects	(938,906)	(538,906)
Expenditures & Transfers Out Total	**($155,879,904)**	**($150,069,586)**
Net Operating Surplus/(Deficit) w/ Transfers	**($13,767,444)**	**($3,811,272)**
Ending Available Fund Balance	**$2,306,725**	**$12,262,897**
Projected Contingency Reserve	**$2,306,725**	**$12,262,897**
Projected Contingency Reserve %	**2%**	**8.5%**

General Fund Current Fiscal Landscape

- A **structural deficit** occurs when the recurring cost of providing municipal services grows faster than the recurring revenues available to support those services.
- Like the State of California and many cities within the State, Fullerton is facing an operating deficit in their General Fund.
  - Rising expenditure costs (i.e. competitive salaries and UAL pension costs), revenue growth challenges & growing cost of doing business.
- **Baseline Structural** deficit of $3.8 million.
- **Scenario Budget Options** for Council consideration to reduce operating deficit / assist in balancing the operating budget.

Budget Scenarios A, B & C

Scenario A **Baseline Service & Use of Reserves**	Budget Reduction: ($4,602,528) Unfunding of 9 FTEs Use of Reserves: ($3,811,272)
Scenario B **Balanced Budget for FY 26-27 *(Year 1 only)* & Service Reductions and Deferrals**	Budget Reduction: ($6,165,500) Unfunding of 24 FTEs Increased Use of 1-Time Funds in Year 1 Use of Reserves: $0
Scenario C **Balanced Budget FY 26-27 – FY 28-29 *(3 Years)* & Structural Deficit Reductions**	Budget Reduction: ($6,997,193) Unfunding of 32 FTEs Use of 1-Time Funds over 3 years Use of Reserves: $0

Budget Scenarios’ Forecasts

Budget Scenario A - Baseline Services & Use of Reserves

	FY 26-27 Proposed Budget	FY 27-28 Forecast	FY 28-29 Forecast
Available General Fund Beginning Fund Balance	$16,074,169	$12,262,897	$9,350,247
Revenues	143,885,227	150,006,152	154,241,834
Expenditures	(145,052,455)	(148,579,890)	(154,442,128)
Projected Operating Surplus (Deficit) - No Transfers	($1,167,228)	$1,426,263	($200,294)
Transfers In	2,373,087	678,087	678,087
Revenues & Transfers In Total	$146,258,314	$150,684,239	$154,919,921
Transfers Out	(5,017,131)	(5,017,000)	(5,137,510)
Expenditures & Transfers Out Total	($150,069,586)	($153,596,890)	($159,579,638)
Net Operating Surplus/(Deficit) w/ Transfers	($3,811,272)	($2,912,650)	($4,659,717)
Ending Available Fund Balance	$12,262,897	$9,350,247	$4,690,530
Projected Contingency Reserve	$12,262,897	$9,350,247	$4,690,530
Projected Contingency Reserve %	8.5%	6.3%	3.0%

Budget Scenario B - Balanced Budget for FY 2026-27 *(Year 1 Only)* & Service Reductions and Deferrals

	FY 26-27 Proposed Budget	FY 27-28 Forecast	FY 28-29 Forecast
Available General Fund Beginning Fund Balance	$16,074,169	$16,074,169	$15,148,608
Revenues	143,885,227	150,006,152	154,241,834
Expenditures	(145,052,455)	(148,579,890)	(154,442,128)
Projected Operating Surplus (Deficit) - No Transfers	($1,167,228)	$1,426,263	($200,294)
Transfers In	2,373,087	678,087	678,087
Revenues & Transfers In Total	$146,258,314	$150,684,239	$154,919,921
Transfers Out	(5,017,131)	(5,017,000)	(5,137,510)
Expenditures & Transfers Out Total	($150,069,586)	($153,596,890)	($159,579,638)
Net Operating Surplus/(Deficit) w/ Transfers	($3,811,272)	($2,912,650)	($4,659,717)
Ending Available Fund Balance	$12,262,897	$13,161,518	$10,488,890
Additional Budget Balancing Options			
Budget Reductions - Unfunding of Add'l 15 FTE Vacant Positions	1,472,366	1,487,089	1,501,960
Budget Reductions - Operations & Maintenance	-	-	-
1-Time ISF Reserves - Payback to General Fund	1,500,000	500,000	-
1-Time Deferred Maintenance & Infrastructure	838,906	-	-
Projected Net Operating Surplus/(Deficit) w/ Add'l Reductions	($0)	($925,561)	($3,157,757)
Ending Available Fund Balance w/ Additional Reductions	$16,074,169	$15,148,608	$11,990,850
Projected Contingency Reserve	$16,074,169	$15,148,608	$11,990,850
Projected Contingency Reserve %	11.1%	10.2%	7.8%

Budget Scenario C - Balanced Budget for FY 26-27 thru FY 28-29 *(3 Years)* & Structural Deficit Reductions

	FY 26-27 Proposed Budget	FY 27-28 Forecast	FY 28-29 Forecast
Available General Fund Beginning Fund Balance	$16,074,169	$16,074,169	$16,074,169
Revenues	143,885,227	150,006,152	154,241,834
Expenditures	(145,052,455)	(148,579,890)	(154,442,128)
Projected Operating Surplus (Deficit) - No Transfers	($1,167,228)	$1,426,263	($200,294)
Transfers In	2,373,087	678,087	678,087
Revenues & Transfers In Total	$146,258,314	$150,684,239	$154,919,921
Transfers Out	(5,017,131)	(5,017,000)	(4,887,510)
Expenditures & Transfers Out Total	($150,069,586)	($153,596,890)	($159,329,638)
Net Operating Surplus/(Deficit) w/ Transfers	($3,811,272)	($2,912,650)	($4,409,717)
Ending Available Fund Balance	$12,262,897	$13,161,518	$11,664,452
Additional Budget Balancing Options			
Budget Reductions - Unfunding of Add'l of 23 FTE Vacant Positions	2,341,673	2,859,129	3,024,066
Budget Reductions - Operations & Maintenance	52,992	53,522	54,057
1-Time ISF Reserves - Payback to General Fund	1,000,000	-	1,000,000
1-Time Deferred Maintenance & Infrastructure	416,607	-	331,594
Projected Net Operating Surplus/(Deficit) w/ Add'l Reductions	($0)	$0	$0
Ending Available Fund Balance w/ Additional Reductions	$16,074,169	$16,074,169	$16,074,169
Projected Contingency Reserve	$16,074,169	$16,074,169	$16,074,169
Projected Contingency Reserve %	11.1%	10.8%	10.4%

Administration Departments

City Manager, City Clerk, Administrative Services, Human Resources

FY 2026-27 Proposed Personnel and Operating Reductions	Scenario A		Scenario B		Scenario C	
	FTE Count	General Fund Amount	FTE Count	General Fund Amount	FTE Count	General Fund Amount
City Manager's / City Clerk's Office		($75,000)		($75,000)		($75,000)
Operations and Maintenance		**($75,000)**		**($75,000)**		**($75,000)**
Discontinue on-site security services at City Hall		($75,000)		($75,000)		($75,000)
Administrative Services		($119,801)		($119,801)		($119,801)
Personnel	**1**	**($119,801)**	**1**	**($119,801)**	**1**	**($119,801)**
Deputy Director of Administrative Services *(GF Portion Only)*	1	($119,801)	1	($119,801)	1	($119,801)
Human Resources		($227,614)		($227,614)		($227,614)
Personnel	**1**	**($227,614)**	**1**	**($227,614)**	**1**	**($227,614)**
Director of Human Resources	1	($135,229)	1	($135,229)	1	($135,229)
Fill as Deputy Director of Human Resources	-1	$102,749	-1	$102,749	-1	$102,749
Administrative Assistant - Confidential	1	($44,125)	1	($44,125)	1	($44,125)
Miscellaneous - Salary adjustments & ISF reductions		($151,008)		($151,008)		($151,008)
Administration Department Totals	**2**	**($422,415)**	**2**	**($422,415)**	**2**	**($422,415)**

GF: General Fund

Service & Operating Impacts of Scenario Options

- Hold of Vacant Positions: Increases workload for existing Administration staff through reassigned duties, reduces the department’s capacity to support other departments, and limits the department's ability to proactively address organizational needs.
- To offset reduction of on-site security personnel, existing Utility Services front counter staff will assist daily visitors and patrons coming to City Hall. In addition, PD would be called upon to respond to disruptive behavior or de-escalate incidents that occur in City Hall.

Community & Economic Development

FY 2026-27 Proposed Personnel and Operating Reductions	Scenario A		Scenario B		Scenario C	
	FTE Count	General Fund Amount	FTE Count	General Fund Amount	FTE Count	General Fund Amount
Community and Economic Development		($148,339)		($432,875)		($771,409)
Personnel	**0**	**($8,839)**	**1**	**($293,375)**	**4**	**($631,909)**
Code Enforcement Manager *(underfill as a Code Enforcement Officer)*	0	$0	0	*($68,156)*	1	($175,528)
Associate Planner	0	$0	1	($152,929)	1	($152,929)
Economic Development Project Manager *(Underfill as Economic Development Specialist)*	0	$0	0	*($63,451)*	1	($185,700)
Senior Permit Technician	0	$0	0	$0	1	($108,913)
Miscellaneous - Salary adjustments		($8,839)		($8,839)		($8,839)
Operations and Maintenance		**($139,500)**		**($139,500)**		**($139,500)**
Reduce Building Professional & Contractual budget by 31%		($139,500)		($139,500)		($139,500)

Service & Operating Impacts of Scenario Options

Scenario A: Maintain Baseline Services

- A reduction to Building professional services would reduce the support used to manage this vacancy and more than 8,700 annual permit transactions. Without miscellaneous salary adjustments we will continue to face recruitment challenges and reliance on professional services / consultants.

Scenario B: Moderate Service Reductions

- Underfilling the Code Enforcement Manager would reduce capacity for supervision, policy and process improvements, complex cases, coordination, and Council and community response, while Planning capacity for entitlements, plan check, State mandates, code updates, and long-range work would also be strained. An entry-level Economic Development Specialist would provide needed support, but if the division remains limited to a Manager and Specialist, expectations for deliverables would need to be adjusted.

Scenario C: Expanded Service Reductions

- All vacant positions are frozen or eliminated and existing professional services would not be sufficient to offset the staffing gaps. This level of reduction would constrain the same functions needed to generate revenue, streamline permitting, advance development, and support businesses. It would also slow or reverse recent service and process improvements, resulting in longer timelines, reduced capacity, and fewer resources for proactive initiatives.

Fire Department

FY 2026-27 Proposed Personnel and Operating Reductions	Scenario A FTE Count	Scenario A General Fund Amount	Scenario B FTE Count	Scenario B General Fund Amount	Scenario C FTE Count	Scenario C General Fund Amount
Fire		($666,343)		($666,343)		($666,343)
Personnel	**1**	**($527,343)**	**1**	**($527,343)**	**1**	**($527,343)**
Deputy Chief / Fire Marshal	1	($527,343)	1	($527,343)	1	($527,343)
Operations and Maintenance		**($139,000)**		**($139,000)**		**($139,000)**
Reduce Professional & Contractual budget for backup Plan Check		($92,000)		($92,000)		($92,000)
Eliminate Paramedic Subscription Mail & Pass on Credit Card merchant fees		($26,000)		($26,000)		($26,000)
Furniture replacement for EMS division		($21,000)		($21,000)		($21,000)

Service & Operating Impacts of Scenario Options

Personnel Reductions:

- Unfunding the Deputy Chief of Administration / Fire Marshal would remove leadership over Fire Prevention and Fire Administration. This will lead to reduced administrative, financial, and regulatory oversight, slower processing times for complex development projects. In addition, this will lead to reduced capacity to focus on strategic planning, leadership initiatives, & other critical departmental priorities due to the redistribution of duties, and a significant workload increase for the Fire Chief and the Deputy Chief of Operations.
- Other duties under the Deputy Chief of Administration / Fire Marshal include: Fire inspections, conducting fire investigations, overseeing fire safety programs, leading wildfire mitigation efforts, grants and contracts management, ambulance operations, emergency reimbursement coordination, and serving as the Department's Public Information Officer.

Maintenance & Operations Reductions:

- Eliminating budget for backup Plan Check services reduces coverage for large or specialty projects, putting the 10 business day turnaround goal at risk & services will be impacted. Without annual renewal mailer, we may see a decrease in the number subscription renewals and revenue. Merchant fee reductions have minimal operational impact.
- Furniture used by ambulance crews operating at three fire stations, is constantly utilized, and are subject to accelerated wear and tear.

Library Department

FY 2026-27 Proposed Personnel and Operating Reductions	Scenario A		Scenario B		Scenario C	
	FTE Count	General Fund Amount	FTE Count	General Fund Amount	FTE Count	General Fund Amount
Library		**($361,060)**		**($361,060)**		**($508,849)**
Personnel	**0**	**$0**	**0**	**$0**	**1**	**($94,797)**
Library Technology Assistant	0	$0	0	$0	1	($94,797)
Operations and Maintenance		**($361,060)**		**($361,060)**		**($414,052)**
Reduce Hunt Library Security		($122,060)		($122,060)		($175,052)
Eliminate Library Book Collection budget for Adult and Teen sections - Foundation & Friends to Sponsor		($209,000)		($209,000)		($209,000)
Electronic Resources (for language learning, job assistance, and homework help)- Foundation & Friends to Sponsor		($30,000)		($30,000)		($30,000)

Service & Operating Impacts of Scenario Options

Scenario A and B

- Security cameras and City staff will be the primary crime deterrents at Hunt Library.
- Support groups will be asked to fund the entire Library book budget and portions of the electronic resources budget, for an undetermined amount of time.

Scenario C

- Same as above plus unfunds one vacant Library Technology Assistant (LTA) that is responsible for technology support for staff and public.
- This would be particularly impactful on evenings and Saturdays when City tech support is not available.
- This position provides on site troubleshooting, maintenance, and real time fixes to our Audio/Visual systems, Integrated Library System, Automated Materials Handler, public computers and printers, staff computers and printers, and more.

Parks & Recreation

FY 2026-27 Proposed Personnel and Operating Reductions	Scenario A		Scenario B		Scenario C	
	FTE Count	General Fund Amount	FTE Count	General Fund Amount	FTE Count	General Fund Amount
Parks and Recreation		($907,000)		($1,218,045)		($1,433,589)
Personnel	**0**	**($241,000)**	**4**	**($552,045)**	**6**	**($767,589)**
Parks Project Manager *(General Fund portion Only)*	0	$0	1	($9,660)	1	($9,660)
Parks Project Specialist *(General Fund portion Only)*	0	$0	1	($9,660)	1	($9,660)
Public Information Specialist	0	$0	1	($149,102)	1	($149,102)
Parks and Recreation Coordinator	0	$0	0	$0	1	($113,544)
Parks and Recreation Coordinator	0	$0	0	$0	1	($102,000)
Administrative Analyst I	0	$0	1	($142,623)	1	($142,623)
Re-allocation of General Fund Salaries to Water Fund and Brea Dam Fund		($150,000)		($150,000)		($150,000)
Reduce Hunt Library Staffing and Programming		($40,000)		($40,000)		($40,000)
Special Events Salary Redistribution		($51,000)		($51,000)		($51,000)
Operations and Maintenance		**($666,000)**		**($666,000)**		**($666,000)**
Reduce 4th of July to Fireworks Only		($175,000)		($175,000)		($175,000)
First Night Event		($325,000)		($325,000)		($325,000)
Produce the Fullerton Brochure Electronic Version/Online only		($86,000)		($86,000)		($86,000)
Reduce on-site Security Services at Fullerton Community Center		($80,000)		($80,000)		($80,000)

Service & Operating Impacts of Scenario Options

Scenario A – Maintain Baseline Services

- Preserves current Parks and Recreation staffing with no position reductions.
- Reduces the scope of City special events, including a fireworks-only Fourth of July celebration and proposed First Night reduction.
- Implements operational efficiencies, including an online-only recreation brochure and reduced security at the Fullerton Community Center.

Scenario B – Moderate Service Reductions

- Includes all Scenario A reductions and unfunds four vacant positions, reducing administrative, communications, and project management support long-term.
- Reduces the department's capacity to support recreation programs, capital projects, and community engagement while maintaining core services.

Scenario C – Expanded Service Reductions

- Includes all Scenario A and B reductions and unfunds additional 2 vacant positions (total of 6 vacant positions) across parks, recreation, and administrative functions.
- Results in broader reductions to recreation programming, project delivery, and operational support, with a greater impact on overall service levels.

Police Department

FY 2026-27 Proposed Personnel and Operating Reductions	Scenario A FTE Count	Scenario A General Fund Amount	Scenario B FTE Count	Scenario B General Fund Amount	Scenario C FTE Count	Scenario C General Fund Amount
Police		($1,588,506)		($2,188,948)		($2,188,948)
Personnel	**5**	**($1,588,506)**	**8**	**($2,188,948)**	**8**	**($2,188,948)**
Part-Time Support Services	0	($322,460)	0	($322,460)	0	($322,460)
Police Corporal	1	($294,331)	1	($294,331)	1	($294,331)
Police Lieutenant	1	($396,277)	1	($396,277)	1	($396,277)
Police Officers	2	($468,748)	4	($932,854)	4	($932,854)
Police Records Clerk	1	($106,690)	1	($106,690)	1	($106,690)
Police Services Representative	0	$0	1	($136,336)	1	($136,336)

Service & Operating Impacts of Scenario Options

- Further reduction in sworn personnel (131 to 127 in Scenario A or 131 to 125 in Scenarios B & C) may require the collapse of the Community Services Bureau so personnel can be reassigned to staff patrol. This causes the least impact on the organization and the citywide service level.
- Reduction of officers assigned to Investigations and Traffic Bureaus, resulting in a delay in investigations and a reduction in traffic safety.
  - This reduction may result in further vacancies as officers choose to lateral to other departments with more opportunity, which will cause a cascading effect of collapsing units to staff patrol.
- Reassignment of Operation Clean Streets funds to augment patrol staffing and reduce ability to fund other proactive policing endeavors.
- Unfunding Police Lieutenant will result in less administrative supervision capacity and reduce ability to accomplish special projects at the Management Level.

Public Works

FY 2026-27 Proposed Personnel and Operating Reductions	Scenario A FTE Count	Scenario A General Fund Amount	Scenario B FTE Count	Scenario B General Fund Amount	Scenario C FTE Count	Scenario C General Fund Amount
Public Works (General Fund portion only)		($508,865)		($875,814)		($1,005,640)
Personnel	**1**	**($68,865)**	**8**	**($435,814)**	**10**	**($565,640)**
Civil Engineer	1	($68,865)	1	($68,865)	1	($68,865)
Construction Inspector	0	$0	0	$0	1	($77,894)
Engineering Aide III	0	$0	1	($31,901)	1	($31,901)
Ground Maintenance Lead Worker	0	$0	1	($84,948)	1	($84,948)
Maintenance Worker	0	$0	1	($8,944)	1	($8,944)
Senior Maintenance Worker	0	$0	4	($153,536)	4	($153,536)
Street Leads Worker	0	$0	0	$0	1	($51,932)
Reduced ISF allocations for Building Maintenance Unfunded Vacancies	0	$0	0	($87,620)	0	($87,620)
Operations and Maintenance		**($440,000)**		**($440,000)**		**($440,000)**
Reduce Graffiti Abatement Contract (GPC) to 1 Truck Unit from 2 Units		($150,000)		($150,000)		($150,000)
General Fund Allocation to Facility Capital Repair ISF allocation - 1-Time		($250,000)		($250,000)		($250,000)
Traffic Engineering Support Staff + Private Development for Non-Reimbursable Plan Check		($30,000)		($30,000)		($30,000)
Office / Cubicle Furniture		($10,000)		($10,000)		($10,000)

Service & Operating Impacts of Scenario Options

Scenario A – Maintain Baseline Services

- Reduction in Engineering personnel and professional consultant support means delays and/or impacts the ability to plan, fund, and deliver CIP projects, delays in private development processing, traffic engineering studies / reviews, increased workload and lower technical efficiency.
- Graffiti Abatement Services reduction from 2 units to 1 unit will result in slower response times for graffiti removal.
- Utilizing Facility Capital Repair Fund Balance (1-time reduction) will defer Facility Capital maintenance for 1 year and is not sustainable for the long-term.

Scenario B – Moderate Service Reductions (All Service & Operating Impacts from Scenario A)

- Additional increased workload and lower technical efficiency with CIP, Traffic Engineering, and Private Development projects.
- Slower response time for <u>Streets and Storm Drain Maintenance</u> – pothole, patches, overlay, sidewalk, street signages, litter and debris cleanup, traffic control on special events, storm drain inspection, repair and maintenance, and emergency responses.
- Slower response time for <u>Landscape Maintenance</u> – parks, trails, medians, debris clean up, tree maintenance, emergency responses and homeless encampment cleanup.
- Utilizing Building Maintenance Fund Balance is 1-time, will defer building maintenance capital repairs and not sustainable for the long-term.

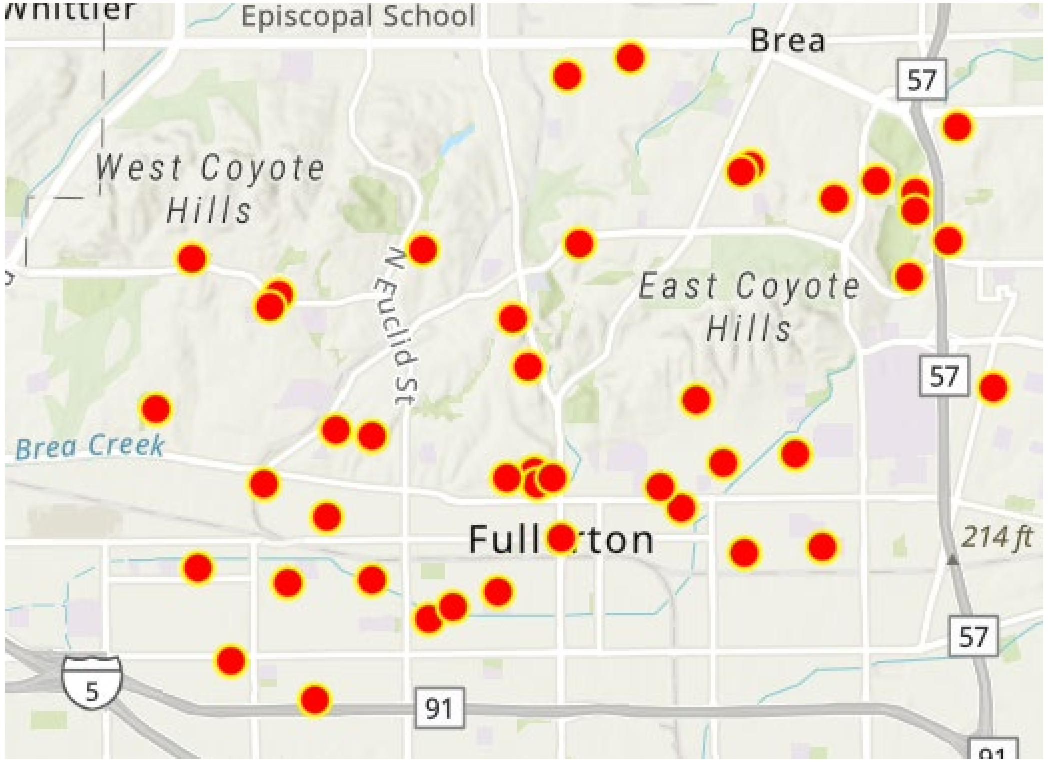
Scenario C – Expanded Service Reductions (All Service & Operating Impacts from Scenario A & B)

- Construction Inspector - Delay implementing and delivery of Capital Improvement projects.
- Slower response time for Streets and Storm Drain Maintenance as stated above.

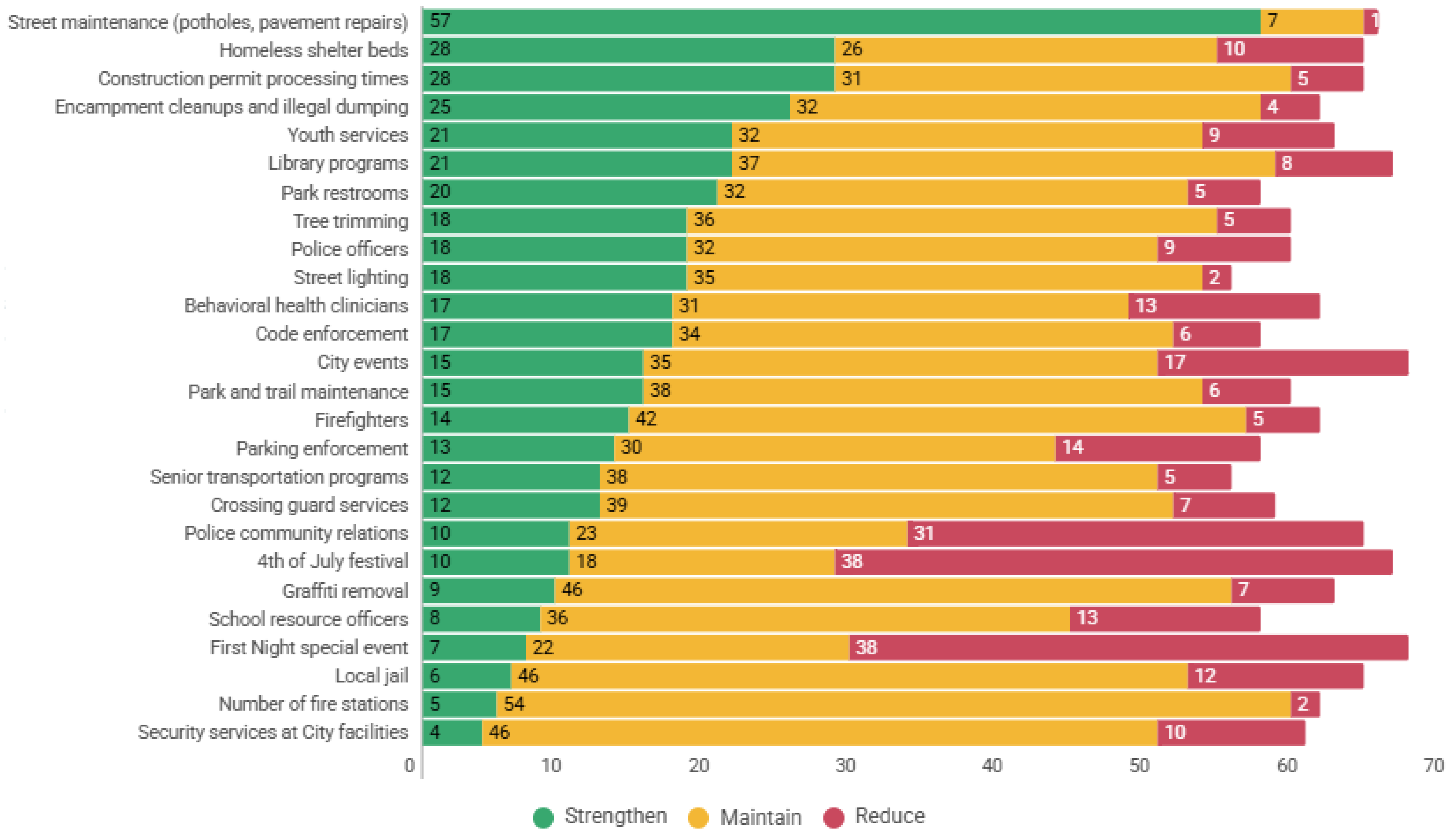
Budget Community Meetings

Community Budget Outreach Summary

- The City of Fullerton hosted two Community Budget Workshops on Tuesday, July 7, 2026, and Thursday, July 9, 2026, to educate residents on the City's financial outlook and provide opportunities for public participation in the budget planning process.
- Each workshop included a presentation that provided an overview of the City's financial condition, education around municipal finances and budget scenarios for consideration.
- Following the presentation, attendees participated in an interactive exercise designed to gather community input on three key questions.

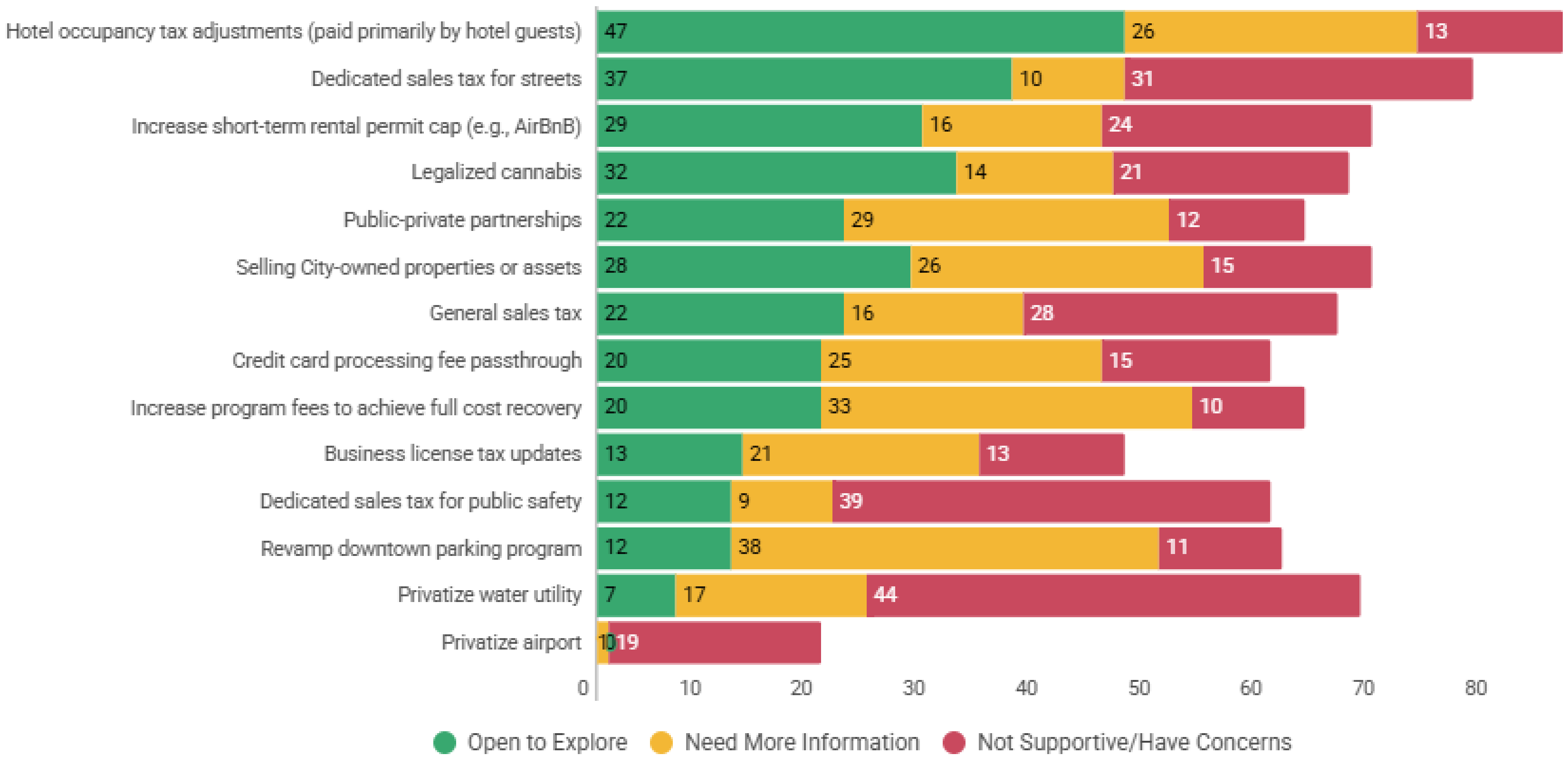


City Services



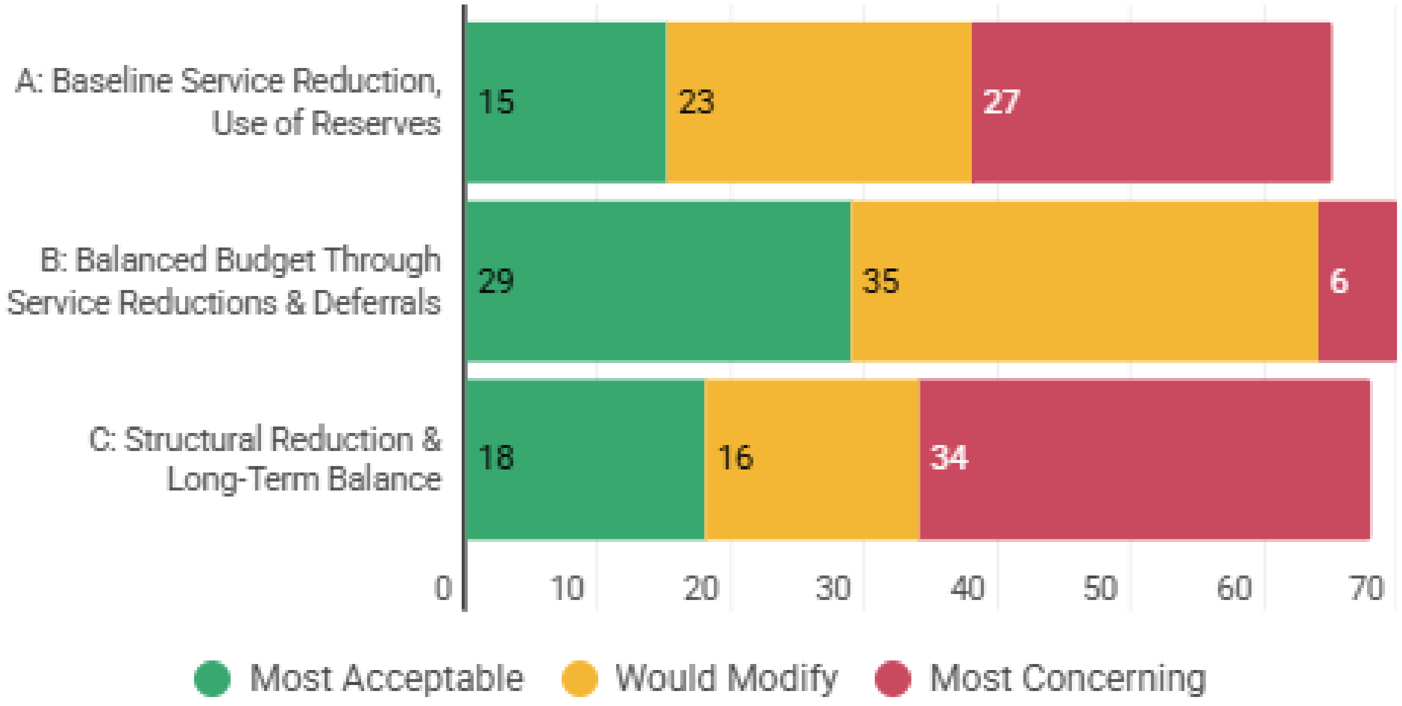
At the meeting and in the online survey, participants reviewed City service areas and selected whether each service should be strengthened (green), maintained (yellow) or reduced (red).

Revenue Options



Participants also reviewed potential revenue options and indicated whether they were open to exploring each option (green), needed more information (yellow) or were not supportive or had concerns (red).

Budget Scenarios



Participants reviewed potential budget scenarios and indicated which approach they found most acceptable (green), would modify (yellow) or most concerning (red).

Public Comments

- **Prioritize core services:** Many comments emphasized protecting funding for public safety, road maintenance and essential infrastructure. Several residents specifically opposed reducing police and fire staffing.
- **Fiscal responsibility and accountability:** Respondents called for greater transparency and accountability in City spending, urging the City to balance the budget, reduce unnecessary expenses and ensure funds are used as intended.
- **Long-term planning:** Several comments encouraged the City to take a more proactive approach to financial planning and infrastructure investment, particularly by developing a long-term street improvement strategy rather than relying on reactive repairs.
- **Explore alternative funding sources:** Some participants recommended pursuing grants, public-private partnerships, outsourcing certain non-essential services and evaluating City assets before increasing costs to residents.
- **Government efficiency and leadership:** A few comments called for streamlining operations through technology, reducing overlapping positions, improving City Council accountability and fostering more collaborative leadership.
- **Need for additional information:** A recurring theme was that residents wanted more detail about the budget scenarios, including the specific service impacts, staffing changes and definitions of key terms before making informed decisions.
- **Other individual comments:** Additional suggestions included improving code enforcement (such as illegal fireworks), hiring expertise in areas such as grants or financial management, educating residents about Fullerton's tax structure, and asking questions about available reserves.
- **Positive feedback:** Several participants praised the meeting design, describing it as "creative and out of the box" and "well done, clear, simple, and concise."

Fiscal Sustainability Ad Hoc Committee

Ad Hoc Committee Recommendations

Ad Hoc Fiscal Sustainability Committee was reconvened in FY 25-26 to evaluate and make recommendations on potential Sales Tax ballot-measure options.

Ad Hoc Recommendations:

- 2 Committee Members supported 0.5% (or Half-Cent) **Dedicated** Add-On Sales Tax for Infrastructure and 5% expenditure reductions/downsizing of operating budget.
- 2 Committee Members supported 1% (or 1 Cent) **General** Add-On Sales Tax and 5% expenditure reductions/downsizing of operating budget.
- Sale of City's Water Utility System: 3 Committee Members expressed support to explore sale of City's Water Utility System.

Grant Thornton Report – Five Year Financial Forecast Analysis

Grant Thornton

City of Fullerton

Five Year Financial Forecast Analysis

July 14, 2026

Thank You

Grant Thornton would like to thank the Mayor, the City Council, And the City of Fullerton department leaders for their generous time and support during our engagement.

Grant Thornton Project Team

Executive Summary

The City's forecast reflects meaningful progress in stabilizing the General Fund; however, reserve capacity remains constrained, and long-term sustainability will depend on the City's ability to fund infrastructure and other commitments without continued erosion of reserves.

- The General Fund's operating position before transfers appears stronger than the forecasted reserve outlook suggests; the more significant pressure is the impact of transfers and other funding commitments on available reserves.
- Transfers for infrastructure, residential streets/CIP, and other capital-related needs materially reduce available General Fund capacity over the forecast period. Current infrastructure funding levels do not meet the City's identified needs and would require additional funding sources to maintain or improve infrastructure conditions.
- Under the forecast options presented, reserves remain below the City's long-term goal of 17% goal, and certain options fall below the 10% minimum reserve threshold in future years.
- The forecast depends on successful implementation of planned expenditure reductions, vacancy savings, and projected revenue increases. If these assumptions are not realized, reserve pressure could increase.
- The forecast reflects ongoing tension between maintaining reserve levels and funding infrastructure and other long-term commitments.

The forecast addresses the near-term financial outlook; long-term sustainability depends on the City's ability to maintain services, fund infrastructure needs, and restore reserve capacity over time.

Assessment Of Key Forecast Assumptions

Management provided support for several major forecast assumptions; however, the forecast leaves limited capacity for revenue shortfalls, expenditure growth, or other variances.

- Labor agreement increases, step increases, specialty pays, and contractual compensation provisions were represented as incorporated into the FY 2026-27 budget and long-range forecast.
- PERS normal cost and UAL contributions appear to be incorporated based on current actuarial information and management's forecasting methodology.
- Proposed personnel reductions are focused primarily on vacant positions, which reduces immediate implementation risk but does not eliminate the need to monitor service-level impacts.
- Police overtime remains a forecast risk because historical overtime costs have averaged approximately $2.45 million annually, compared with approximately $1.8 million included in the current budget.
- Projected solid waste franchise revenue is supported by the City's RFP analysis, but realization depends on contract implementation and future customer billings.
- Fire apparatus debt service appears to be reflected using preliminary financing estimates and should be updated once final terms are known.
- The forecast assumptions are generally reasonable, but the City's ability to preserve reserves depends on successful execution across multiple assumptions.

Variances from key forecast assumptions could have a meaningful impact on projected reserve levels and long-term financial sustainability.

Grant Thornton

General Fund Reserve Forecast

The City's fiscal policy establishes a minimum General Fund contingency reserve equal to 10% of annual expenditures and a long-term reserve goal of 17%. The table below shows the projected amount over/(under) the City's 10% minimum reserve requirement under each forecast options. Option 1 remains below the minimum reserve requirement throughout the forecast period. Option 2 falls below the minimum reserve requirements beginning FY 2028-2029, and Option 3 falls below the minimum reserve requirements in FY 2029-2030. Under all options presented, reserve levels remain below the City's long-term 17% reserve goal throughout the forecast period.

Fiscal Year	2026/2027	2027/2028	2028/2029	2029/2030
Budget Option 1	$(2,105,203)	$(5,252,891)	$(10,376,032)	$(15,549,414)
Budget Option 2	$1,593,846	$11,306	$(3,786,035)	$(8,709,417)
Budget Option 3	$2,051,175	$1,838,447	$1,252,732	$(3,670,650)

The forecast indicated that the projected gap from the City's 10% minimum reserve requirement increases over time under several scenarios. The results shown reflect the combined effect of operating performance, projected revenues and expenditures, and ongoing funding commitments incorporated into the forecast, including transfer supporting infrastructure and other capital-related needs.

Recommendations

1. Provide direction on the FY 2026-27 Proposed General Fund Budget, specifically direction on Scenario Options.
2. Provide direction on FY 2026-27 Proposed Capital Improvements Program Budget & Projects Plan.
3. Provide direction on Ad Hoc Committee recommendations and / or additional revenue options.