



Agenda Report

Fullerton City Council

MEETING DATE: MAY 13, 2025

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: KINGSLEY OKEREKE, INTERIM DIRECTOR OF ADMINISTRATIVE SERVICES

PREPARED BY: STEVEN AVALOS, BUDGET AND PURCHASING MANAGER

SUBJECT: FISCAL YEAR 2025-26 PROPOSED OPERATING BUDGET STUDY SESSION

SUMMARY

This item provides a Fiscal Year (FY) 2025-26 Proposed General Fund Budget overview and seeks direction in advance of budget adoption at the June 3, 2025 City Council meeting. The presentation reviews the General Fund Proposed Budget, All Funds Budget and City financial outlook in the Five-Year Financial Forecast.

PROPOSED MOTION

1. Provide direction on the Proposed FY 2025-26 General Fund Budget.
2. Provide direction on the Proposed FY 2025-26 All Funds and Capital Improvements Projects Plan.
3. Receive and file FY 2025-26 Budget Study Session Report and Presentation.

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Provide direction on proposed budget alternative options
- Provide direction on Fiscal Sustainability Ad Hoc Committee recommendations
- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

The City Manager submits the proposed budget which strives to meet the goals of the City Council of preserving critical services and funding infrastructure including street capital projects. The proposed budget represents approximately a \$3.95 million deficit.

I have additionally put an alternative for City Council to consider which would balance the budget. However, the alternative would create greater operational impacts due to the reductions in budget required and reduce events in the City. The budget alternative presented is not recommended but provides the City Council with an alternative.

BUDGET POLICY PRIORITY STATEMENT

This item matches the following Budget Policy Priority Statements:

- Fiscal and Organizational Stability
- Public Safety
- Infrastructure and City Assets.

FISCAL IMPACT

The FY 2025-26 Proposed General Fund Budget will total \$137.8 million in operating expenditures including \$4.5 million in transfers out to other funds. The Proposed Budget will balance with \$137.5 million in operating revenues, \$0.8 million transfers in and \$3.95 million available reserves. Staff projects the Proposed General Fund Budget will maintain the 17% contingency reserve goal per the City financial policy.

The FY 2025-26 All Funds Proposed Budget totals \$270.9 million across all funds supported by ongoing Citywide revenues, transfers in and available fund balances (including designated set aside funds for capital projects). The All Funds City Budget includes the proposed \$32.2 million Capital Improvement Program (CIP) Budget which reflects the FY 2025-26 capital projects plan.

BACKGROUND AND DISCUSSION

Introduction

This item presents the FY 2025-26 Proposed General Fund Budget and All Funds Budget for City Council review and direction in advance of budget adoption on June 3, 2025. This item also presents the Proposed Capital Improvements Program (CIP) Budget which highlights the City infrastructure and capital projects plan for the new fiscal year.

The FY 2025-26 Proposed Budget prioritizes the City Council budget priority statements - Public Safety, Infrastructure and Organizational Stability and continues to support City Council goals and commitment to provide quality service to residents, summarized in this report.

The FY 2025-26 Budget Study Session covers the following:

- Budget Overview and Timeline, including underlying City Council priorities and budget strategies

- Proposed FY 2025-26 All Funds Citywide Budget overview including a high-level overview of the major Enterprise Funds, Special Revenue Funds and Capital Improvement Program (CIP) budgets
- FY 2025-26 Proposed General Fund Budget, including fiscal challenges overview, revenue and expenditure highlights and proposed General Fund Base Budget additions and reductions
- Alternative budget options
- Five-Year General Fund Financial Forecast and City Financial Outlook
- Fiscal Sustainability Ad Hoc Committee recommendations review.

Overall, the FY 2025-26 Proposed General Fund Budget will balance with ongoing revenues, cost containment expenditure reductions and \$3.95 million available reserves. The City faces a myriad of fiscal challenges and issues, common to many California cities.

The Budget Study Session reviews year-over-year revenue and expenditure changes, recommended FY 2025-26 base budget additions and reductions, cost containment initiatives and projected General Fund position and financial outlook. Staff will also present budget alternative options for consideration in balancing the Proposed Budget.

FY 2025-26 General Fund Five-Year Financial Forecast

Staff will present the General Fund Five-Year Financial Forecast with the Proposed FY 2025-26 Budget and projected financial outlook over a multi-year period from FY 2026-27 through FY 2029-30.

The attached Financial Forecast projects the City will only meet the 17% reserves goal for *one more year* in FY 2025-26. The City projects to fall below the 17% goal and will meet only the 10% minimum reserve level (per financial policy) in FY 2026-27 due to City fiscal challenges. Thereafter, the General Fund would likely not meet the contingency reserve goal or minimum reserves amount.

Fiscal Sustainability Ad Hoc Committee

City Council formed a Fiscal Sustainability Ad Hoc Committee to review fiscal issues and make recommendations to improve the City financial position. The Committee met regularly between December 2024 and April 2025. Staff will review Ad Hoc Committee recommendations (Attachment 4) for several budget balancing options.

Next Steps

Staff will incorporate City Council direction on the FY 2024-25 Proposed General Fund Budget and Proposed CIP Budget in the budget submitted for adoption. Staff will present the final Proposed FY 2024-25 Operating Budget and the Capital Improvement Program (CIP) along with the All City Funds Budget for adoption at the June 4, 2024 City Council meeting. Staff will also submit the annual Appropriations Limit and updated Schedule of Fees and Charges for City Council adoption at this meeting.

Attachments:

- Attachment 1 – Presentation
- Attachment 2 – FY 2025-26 Proposed Budget Memo
- Attachment 3 – FY 2025-26 General Fund Five-Year Financial Forecast
- Attachment 4 – Fiscal Sustainability Ad Hoc Committee Voting Report

cc: City Manager Eric J. Levitt