FY 2026-27 Proposed Budget Review

City of Fullerton, CA

July 21, 2026

FY 2026-27 Proposed Budget Background

- Budget Study Session held at Special Meeting on 7/14/26
- Review of All Funds', CIP & General Fund Proposed Budgets
- General Fund – 3 Budget Scenarios presented to City Council to balance $3.8M operating deficit.

FY 2026-27 Proposed General Fund Budget

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

Projected Ending Available General Fund Balance (in Millions)

Budget Scenario	FY 2026-27	FY 2027-28	FY 2028-29
Scenario A – Baseline Services & Use of Reserves	$12.26 M	$9.35 M	$4.69 M
Scenario B – Balanced Budget (Year 1)	$16.07 M	$15.15 M	$11.99 M
Scenario C – Balanced Budget (3 Years)	$16.07 M	$16.07 M	$16.07 M

Projected General Fund Reserve Levels

Budget Scenario	FY 2026-27	FY 2027-28	FY 2028-29
Scenario A – Baseline Services & Use of Reserves	8.5%	6.3%	3.0%
Scenario B – Balanced Budget (Year 1)	11.1%	10.2%	7.8%
Scenario C – Balanced Budget (3 Years)	11.1%	10.8%	10.4%

Recommendations

1. Provide direction on the Proposed FY 2026-27 General Fund Budget, specifically on the proposed Budget Scenarios A, B, or C.
2. Continue Public Hearing for consideration to adopt the FY 2026-27 Annual Operating Budget and Master Schedule of Fees and Charges on August 18, 2026.