



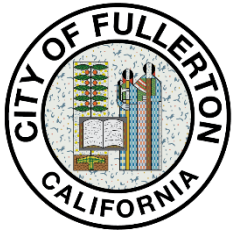
Adoption of Annual Operating & Capital Budget and Appropriations Limit for FY 2025-26

City of Fullerton, CA
June 3, 2025



FY 2025-26 Annual Operating & Capital Budget

- ❖ All City Funds Budget
- ❖ FY 2025-26 General Fund Budget
- ❖ Capital Improvement Plan (CIP) / Infrastructure
- ❖ Recommendations



Budget Process Overview

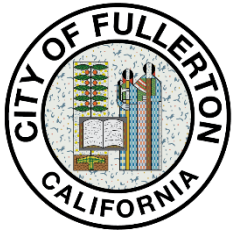
- Collaborative Budget Process with all Departments
- City Council Priorities: *Public Safety, Infrastructure and Fiscal & Organizational Stability*
- Community Engagement
- Cost Containment Strategies

FY 25-26 Key Budget Events	Dates
Budget Development Process	Nov. 2024 ~ Feb. 2025
Budget Study Session Special Meeting	May 13, 2025
Budget Community Meeting #1	May 21, 2025
Budget Community Meeting #2	May 27, 2025
<i>Public Hearing to Adopt FY 2025-26 Operating & Capital Budget, & Annual Appropriations Limit</i>	<i>June 3, 2025</i>



Budget Community Meetings' Findings

- 2 Budget Community Meetings held – *12-15 participants total for the 2 meetings*
 - *Budget Overview & Q&As with City Staff*
 - *Surveys completed – Improving Streets, Public Safety & improving 911 times & Revenue-Generating opportunities were top ('Very Important' and 'Important') rated.*
- Community Comments and Recommendations
 - Hillcrest Park Plan – Concern to Allocate funds to complete Hillcrest Park Project
 - Fullerton Main Library - Return to being open 7 days a week.
 - 4th of July Alternative – Consider Drone Show (Reduced Noise and Potential Lower Cost).



FY 2025-26 Proposed Budget Highlights

- **Proposed All Funds Budget ~ \$270.5 million**
 - General Funds, Enterprise Funds, Special Revenues Funds, Internal Services Funds, Capital Improvement Program (CIP) Fund & Successor Agency
- **Proposed General Fund Budget ~ \$137.8 million**
 - Public Safety ~ Enhanced Service levels w/ new In-House Ambulance Program, Ambulance Cost Recovery in State (VRRP) Program and Homeless Encampment Safety Services
 - Investment in the Labor Workforce
 - Continued Key Community Events ~ Fourth of July, First Night & Hunt Library
 - 17% Contingency Reserves projected in FY 2025-26 for 1 additional year.
- **Proposed Capital Projects/CIP Budget ~ \$32.2 million**
- **Proposed All Other Funds Budget ~ \$100.5 million**



All Funds Proposed Budget



Proposed All Funds Budget ~ \$270.5 Million

Citywide All Funds Budget - \$270.5 Million

- General Fund, Enterprise Funds, Special Revenues Funds, Successor Agency & Capital Improvement Program (CIP).
- Supported by ongoing revenues, available fund balances and interfund transfers (*funds set aside for capital*).

All Funds by Fund Type	FY 25-26 Proposed
General Fund	\$137,781,505
Special Revenue Funds	36,150,459
Water Fund (<i>Operating Only</i>)	43,303,509
Other Enterprise Funds (<i>Operating Only</i>)	12,059,701
CIP Program	32,163,535
Successor Agency	9,047,795
All Funds Expenditures Total	\$270,506,504



General Fund Operating Budget



Changes from Budget Study Session

- ❖ Reduces General Fund Support of IT Projects
 - Defers Citywide PC Refresh of 300 PCs for another year (\$195,800 Savings)
 - Defers setting aside funds for PD Cloud Migration Project (\$176,706 Savings)
 - Fire Network Upgrade Project to be deferred for another year (\$412,000).
 - ❖ Reconsidered and Re-instated Fire Network Upgrade Project for \$412,000
 - Critical Need as Network and Hardware are no longer supported and at end of life.
- ❖ *General Fund deficit reduced from \$3.95 million to \$3.55 million.*

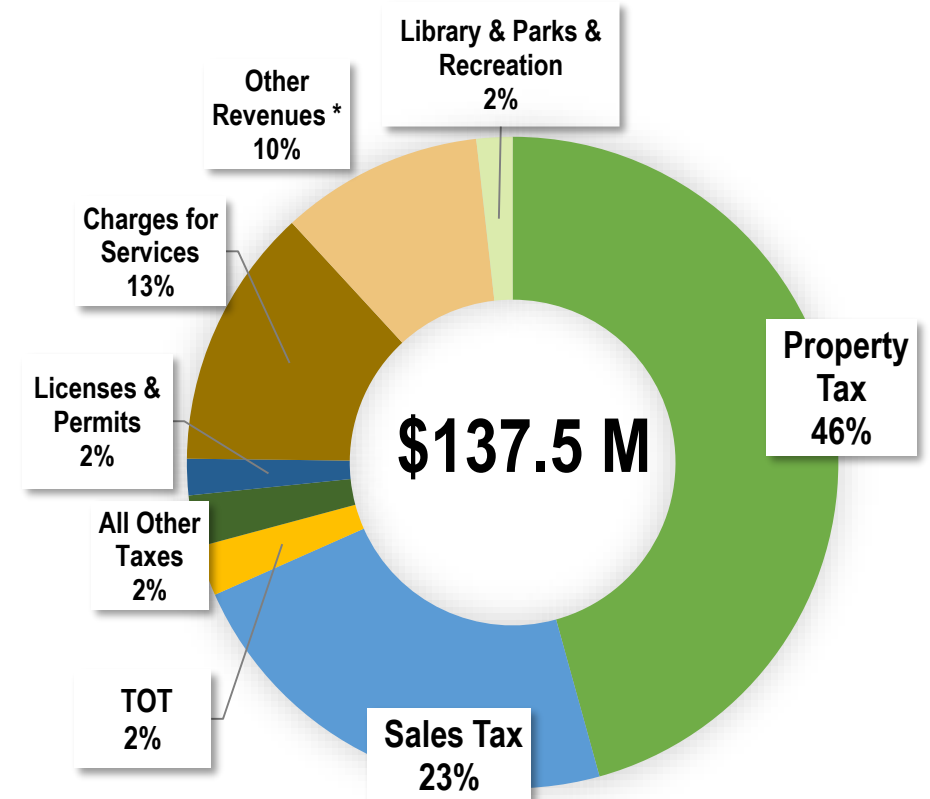


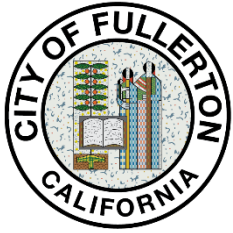
FY 2025-26 General Fund Revenues of \$137.5 Million

FY 25-26 General Fund Revenues by Type

Major Revenue Category	Proposed Budget FY 25-26
Property Tax	\$62,674,510
Sales Tax	31,308,118
Transient Occupancy Tax (TOT)	3,450,000
All Other Taxes	3,510,566
Licenses & Permits	2,470,950
Charges for Services	17,784,725
Other Revenues *	13,894,807
Human & Leisure Services (Library & Parks & Recreation)	2,448,775
Total General Fund Revenue	\$137,542,452

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





FY 2025-26 General Fund Revenues

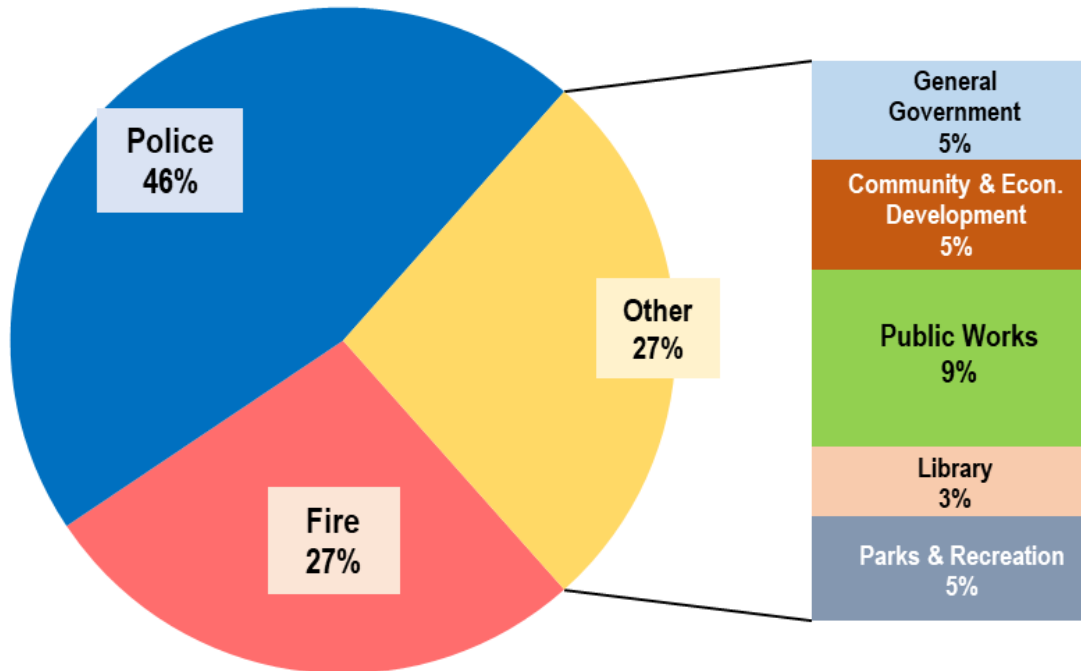
General Fund Revenues \$137.5 Million – \$9.8 million (or 7.7%) increase

- **Property Tax** – \$62.7 million; \$4.6 million increase
 - Diverse & stable property tax base
 - Strong assessed valuations & increase in RDA residual property tax receipts
- **Sales Tax** – \$31.1 million
 - *Relatively Flat growth*
 - Diverse economic sales tax base; but no major increase to keep up w/ expenditures.
- **TOT** – \$3.4 million
 - TOT rate at 10% compared to 10%-15% in surrounding Cities.
- **Charges for Services** – \$17.8 million; \$2.4 million increase
 - Ambulance Billing Revenue – \$3.5 million (\$1.8 million net cost increase); Participation in new State VRRP Program to recover unfunded ambulance transport costs.
- **Other Taxes and Revenues** – \$22.1 million

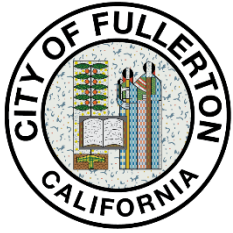


FY 2025-26 General Fund Expenditures of \$137.8 Million

General Fund Budget By Department



Expenditures by Major Program Area	Proposed Budget FY 25-26
Police	63,994,648
Fire	37,848,818
Public Works	11,813,378
Human & Leisure Services (<i>Library and Parks & Rec</i>)	11,616,255
Community & Economic Development	7,392,770
General Government (<i>Administration, Admin Svcs, HR</i>)	5,115,636
Total General Fund Expenditures	\$137,781,505



FY 2025-26 General Fund Expenditures

❖ General Fund Expenditures ~ \$137.8 Million

- *Investment in Labor Workforce* – Approved Labor Agreements with all Labor Groups
 - Salaries & Benefits – \$6.2 million increase
 - CalPERS Pension UAL – \$1.9 million increase
 - *Improved employee retention and service delivery.*
- *Cost Containment Initiatives*
 - *With exception of approved agreements & contracts, no operating budget increases* to department budgets.
 - Department 3% Vacancy Hold Factor & various operating savings across all Departments
 - Reduced Department contributions' to Liability and Workers Comp internal services funds.
- *Budget Recommendations* – *Continued Service Levels to Community*
 - Enhancements to Public Safety ~ New In-House Ambulance Program, improved Ambulance Cost Recovery in State (VRRP) Program and renewal of Operation Clean Streets
 - Continued Investment in Streets Infrastructure and overall Capital Infrastructure



FY 2025-26 General Fund Expenditures

❖ General Fund Transfers Out (Non-Operating) \$4.1 Million

- Infrastructure Fund ~ \$2.6 *million* to Infrastructure Fund/Projects
 - \$2 *million* for Streets
 - \$0.6 *million* for City Facilities and ADA improvements
- ***Streets Improvements ~ Additional \$0.5 million General Fund contribution***
- IT Infrastructure ~ \$0.9 million for critical IT replacement and upgrade projects



FY 2025-26 General Fund Financial Position

	Adopted Budget FY 24-25	Projected Budget FY 24-25	Proposed Budget FY 25-26
Beginning Fund Balance	\$31,196,742	\$31,196,742	\$30,816,295
Revenues	127,716,541	129,261,407	137,542,452
Transfers In:	1,320,164	1,320,164	778,087
Transfers In from Traffic Safety Fund	200,000	200,000	300,000
Transfers In from IT Fund - Server Loan	378,087	378,087	378,087
Transfers In from CIP Fund - 1-Time Lease Revenue	-	-	100,000
Transfers In from ARPA Revenue Replacement	742,077	742,077	-
Total Revenues and Transfers In	129,036,705	130,581,571	138,320,539
Expenditures	(132,859,319)	(130,769,018)	(137,781,505)
Transfers Out:	(5,603,000)	(5,193,000)	(4,092,545)
Transfers Out to Infrastructure Fund	(2,926,062)	(2,926,062)	(2,599,777)
Transfers Out to Residential Streets (CIP)	(1,000,000)	(1,000,000)	(500,000)
Transfers Out to IT Fund - IT Projects	(1,676,938)	(1,266,938)	(992,768)
Total Expenditures and Transfers Out	(138,462,319)	(135,962,018)	(141,874,050)
Net Operating Surplus/(Deficit)	(9,425,614)	(5,380,447)	(3,553,511)
MOE Reserve	5,000,000	5,000,000	-
Ending Fund Balance	\$26,771,128	\$30,816,295	\$27,262,784
17% Reserves Target	\$22,562,525	\$22,230,733	\$23,422,856
Over/(Under) 17% Reserves Target	\$4,208,603	\$8,585,562	\$3,839,928



Fiscal Challenges

➤ ***Expenditures are Outpacing Revenue***

- Budget impacts from maintaining competitive salaries in region with approved labor agreements
- Even with Pension reform, Unfunded Actuarial Liability (UAL) remains high due to external factors (i.e., legislation, lowering the discount rate, investment returns, etc.)
- Uncertain business environment and growing cost of doing business

➤ ***Employee Retention & Service Level Demand***

➤ ***Revenues not growing in line with Expenditures***

- ❖ ***Need to grow, and explore / identify new revenues sources***
- ❖ ***Create strategies to reduce reliance on reserves being used to support operational revenues***

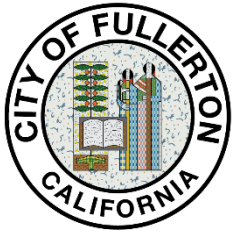
➤ ***Aging City Infrastructure***

- Road Repairs & Street Rehabilitation, Facility Repairs & IT Infrastructure
- Potential Measure M2 shortfall due to insufficient General Fund MOE funding.



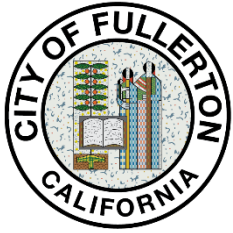
CIP / Infrastructure Projects





FY 2025-26 Proposed CIP Budget

CIP Project Category	FY 25-26 Proposed
Street Rehabilitation	\$8,150,000
Utility – Water System	16,100,000
Utility - Sewer and Storm Drain Systems	1,450,000
Traffic Systems	4,763,535
City Facilities (Buildings, Accessibility, etc.)	1,150,000
Parks	250,000
Misc. Projects (Sidewalk, PMP, etc.)	300,000
Total Proposed CIP Budget	\$32,163,535



CIP / Infrastructure Projects

Street Rehabilitation Planned Projects:

- Arterial Projects: Raymond Ave & State College Blvd
- Residential: Sunny Hills-Twilight Area, Candlewood Area, Cannon-Shepard Area, Pacific-Wanda-Louise-Walnut Area.
- Slurry Seal/Pavement Treatment: Various Streets.

Water Infrastructure Planned Projects:

- Water Main Replacement
- PFAS, SCADA upgrades, Generators, Advanced Metering

Sewer & Storm Drain Planned Projects:

- Miscellaneous Storm Drain Repair and Rehabilitation
- Sewer Main 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:

- Various City facilities repairs and renovations
- ADA improvements
- Bastanchury Greenbelt and Hillcrest Park Valley View Area (Design)



GANN Limit and Fee & Charges Schedule

- ❖ Annual Appropriations or GANN Limit ~ **\$292.2 Million**
 - City is in compliance & **\$191 million** under limit pursuant to CA State law.
 - Resolution to approve GANN Limit for FY 2025-26.
- ❖ FY 2025-26 Master Fee & Charges Schedule to be taken on upcoming 6/17/25 Council meeting.



Recommendation

It is recommended that the City Council consider and adopt the following resolutions:

- Resolution 2025-XXX - A Resolution of the City Council of the City of Fullerton, California, Approving and Adopting the City of Fullerton's Annual Operating & Capital Budget for Fiscal Year 2025-26 and Appropriating the Funds Necessary to Meet the Expenditures Set Forth Therein
- Resolution 2025-XXX - A Resolution of the City Council of the City of Fullerton, California, Adopting the Annual Appropriations Limit for Fiscal Year 2025-26 Pursuant to Article XIII B of the California State Constitution