



Agenda Report

Fullerton City Council

MEETING DATE: DECEMBER 2, 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: FIRST QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2025-26

SUMMARY

The First Quarter Financial Report (Q1 Report) outlines the City financial position through the first quarter of Fiscal Year (FY) 2025-26. The Q1 Report compares General Fund revenues received and expenditures incurred between July 1, 2025 and September 30, 2025 against the FY 2025-26 Adopted Budget.

PROPOSED MOTION

Receive and file.

ALTERNATIVE OPTIONS

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

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

None.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement:

- Fiscal and Organizational Stability.

FISCAL IMPACT

This report generates no fiscal impact. Staff uses the information in these reports to ensure continued budgetary diligence and compliance with adopted budget levels through the end of the fiscal year.

BACKGROUND AND DISCUSSION

Staff provides quarterly financial reports to City Council as part of City budget monitoring and financial reporting practices. This provides a sound financial practice and fiscal transparency tool to report ongoing fiscal conditions, identify and address budget issues as they arise and strengthen financial planning efforts. Quarterly reports measure overall fiscal health relative to adopted budget levels and keep City Council informed and updated on financial conditions.

The FY 2025-26 Q1 Report identifies revenues received and expenditures incurred in the General Fund through the first quarter of the Fiscal Year, July 1, 2025 through September 30, 2025, in comparison to adopted budget levels.

The Q1 Report presents only the General Fund, the chief operating fund supporting traditional municipal services, such as public safety, community and economic development, parks and recreation, library services and public works. Staff will present an update on all City funds in the Q2 Financial Report.

FY 2025-26 Q1 General Fund (including Library and Parks and Recreation) Review

General Fund revenues through the first quarter of FY 2025-26 total \$13.1 million, comprising 9.5% of adopted \$137.5 million revenues. General Fund expenditures total \$33.1 million, comprising 24.0% of adopted \$138.0 million expenditures.

Revenues

Revenues appear low at 9.5% of adopted levels which is typical as revenues comprise a small percentage of total revenues through the first quarter of the year. The City receives approximately 90% of Property Tax, the largest General Fund revenue source, in December (Q2) and April (Q4) when the County remits secured property tax rolls to the City. The City receives Sales Tax, the second largest General Fund revenue, three months in arrears and records only one sales tax installment in the first quarter of the fiscal year.

Property Tax and Sales Tax revenues fall in line with budgeted projections through the first quarter. Other tax revenues, such as Transient Occupancy Tax (TOT) and franchise fees, remain flat or slightly up when compared to Q1 in FY 2024-25. However, the timing of recording receipts or receiving revenue could account for this.

Staff records other General Fund revenues, such as fees and charges or lease income, as received but these constitute a small fraction of the overall General Fund revenue base. General Fund revenues compared to the same period last fiscal year are slightly higher in the first quarter of FY 2025-26 compared to the first quarter of FY 2024-25, mainly attributed to increased ambulance billing revenue and reimbursable revenue from public safety mutual aid.

Other General Fund revenues fall in line with budgeted projections through the first quarter, however, it is still very early in the year to track revenues. Staff will have a better assessment of revenues at the Q2 Financial Report through the midpoint of the fiscal year.

Expenditures

Expenditures have a more linear trend as the City processes payroll biweekly and invoices weekly. General Fund expenditures through the first quarter of FY 2025-26 are at 24.0% of budgeted levels, in line with adopted expenditures through Q1 of FY 2025-26. Q1 expenditures include Year 3 of approved employee labor agreements, increased CalPERS retirement costs and implemented cost containment strategies including a vacancy savings target. Staff factored all these into the FY 2025-26 Adopted Budget.

Other operating expenses track in line with budget levels through the first quarter of FY 2025-26. Like revenues, staff will have a better assessment of expenditures at mid-year.

Staff provided the Q1 General Fund Revenue and Expenditure schedules in Attachments 1 and 2 for review and reference. Staff would present any significant changes and updates to revenues and expenditures in the Q2 Financial Report along with any required budget amendments.

Next Steps

The City will have a better indicator of overall revenue and expenditure performance for FY 2025-26 in the next quarter financial report, the Q2 Financial Report or better known as the Mid-Year Budget Report. The Q2 Financial Report update on all City funds and present the City fiscal position through the fiscal year midpoint (December 31, 2025). Staff anticipates presenting the Q2 Report / Mid-Year Budget Report in February or early March 2026.

Attachments:

- Attachment 1 – FY 2025-26 Q1 General Fund Revenue Detail
- Attachment 2 – FY 2025-26 Q1 General Fund Expenditure Summary

cc: Interim City Manager Eddie Manfro