Agenda Report

Fullerton City Council

MEETING DATE:	**AUGUST 18, 2026**
TO:	**CITY COUNCIL / SUCCESSOR AGENCY**
SUBMITTED BY:	**STEVEN AVALOS, INTERIM DIRECTOR OF ADMINISTRATIVE SERVICES**
PREPARED BY:	**CINNDY BARRIOS, SENIOR BUDGET ANALYST** **EDGAR ROSALES, SENIOR ADMINISTRATIVE ANALYST** **NOAH HYUN, ADMINISTRATIVE ANALYST**
SUBJECT:	**CITY OF FULLERTON ANNUAL OPERATING AND CAPITAL BUDGET AND MASTER SCHEDULE OF FEES AND CHARGES FOR FISCAL YEAR 2026-27**

SUMMARY

City Council consideration to formally adopt the City's Annual Operating and Capital Budget for Fiscal Year (FY) 2026-27 including the General Fund, the Capital Improvement Program and All Other City Funds; and adopt the annual Master Schedule of Fees and Charges for FY 2026-27.

PROPOSED MOTION

Adopt the following resolutions:

RESOLUTION NO. 2026-XXX – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, ADOPTING THE CITY OF FULLERTON ANNUAL OPERATING AND CAPITAL BUDGET FOR FISCAL YEAR 2026-27 AND APPROPRIATING THE FUNDS NECESSARY TO MEET THE EXPENDITURES SET FORTH THEREIN

RESOLUTION NO. 2026-XXX – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, ADOPTING THE CITY OF FULLERTON'S MASTER SCHEDULE OF FEES AND CHARGES FOR FISCAL YEAR 2026-27

ALTERNATIVE OPTIONS

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

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

None.

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 Proposed FY 2026-27 All City Funds Budget, including the General Fund, Enterprise Funds, Special Revenue Funds and the Capital Improvement Program, totals $283,428,526 and supported by ongoing $283,428,526 Citywide revenues, transfers in and available fund balances (including designated set aside funds for capital projects).

The Proposed FY 2026-27 General Fund Budget proposes Expenditures and Transfers Out totaling $147,258,314; supported and balanced with $147,258,314 in Revenues and Transfers In. The Proposed General Fund Budget is a balanced budget with no planned use of available reserves in FY 2026-27; proposed through a combination of operating reductions, unfunding of 26 vacant positions and other one-time revenue or budget solutions. The proposed General Fund Budget meets the 10% minimum reserves requirement per the City's financial policy.

BACKGROUND AND DISCUSSION

Introduction

Staff presented the Fiscal Year (FY) 2026-27 Proposed Operating Budget and Capital Improvement Program (CIP) to the City Council initially at a Budget Study Session held on July 14, 2026 and at a regular meeting on July 21, 2026. At both meetings, Staff presented a comprehensive overview of the City's financial outlook, the Proposed FY 2026-27 Baseline Budget for the General Fund and All City Funds, and three budget scenario options to address the General Fund's structural deficit.

In addition, the City held two budget community meetings in June 2026 to engage the City's residents, give an overview of the FY 2026-27 Proposed Budget and City's current fiscal condition, and garnered community input on City priority service and program levels, budget reductions, and revenue options. Staff presented community feedback and priority results to City Council during both budget meetings.

The FY 2026-27 Proposed Budget reflects City Council direction provided during the July budget meetings and presents a balanced General Fund spending plan for the upcoming fiscal year. The budget continues funding for core municipal services, including police and fire services, street and infrastructure maintenance, community and economic development, parks and recreation, library services and general City operations. It also provides approximately $29 million for capital improvements, with significant investments in street rehabilitation, water infrastructure, sewer and storm drain systems, traffic improvements and City facilities.

At the same time, the City continues to face a structural imbalance between ongoing revenues and expenditures. A structural imbalance or deficit occurs when expenditures exceed revenues. To address this challenge, the Proposed Budget incorporates approximately $6.9 million in operating and personnel reductions, including the unfunding of 26 vacant positions, service and program modifications and other expenditure reductions; together with revenue adjustments and one-time budget solutions. These measures allow the City to present a balanced budget for FY 2026-27 without the planned use of General Fund reserves while maintaining the City's minimum reserve requirement of 10%.

City Council gave Staff direction to utilize an additional $1 million of internal service fund reserves to be applied towards balancing the budget and reinstating various services and positions. This report outlines the City Manager’s recommended positions and services to be reinstated with use of these funds.

The Proposed FY 2026-27 Budget Book (Attachment 3) is provided with the budget adoption report. The Budget Book is the primary financial document that summarizes City resources (revenues), operating expenditures and service levels the City intends to provide for the upcoming fiscal year. The Budget Book document includes all key financial schedules, personnel summaries of positions authorized, and all department budget information and operating plans.

Lastly, Staff presents the authorizing Resolution adopting the FY 2026-27 Operating Budget for approval; and Resolution adopting the annual Master Schedule of Fees and Charges for FY 2026-27 which presents proposed fee changes for the new fiscal year.

All City Funds

The FY 2026-27 All Funds Proposed Budget totals $283.4 million and supported by ongoing Citywide revenues, transfers in and available fund balances (including designated set aside funds for capital projects). The Proposed All Funds Budget includes:

- General Fund, the chief City operating fund;
- Enterprise Funds, such as Water and Sewer Utility Funds, Airport and other business activities;
- Special Revenue Funds, such as Gas Tax and Measure M2 transportation Funds;
- Internal Service Funds, such as Liability and Workers Compensation funds, Vehicle Replacement, IT and building and equipment maintenance funds;
- The Capital Improvement Program (CIP) and capital projects budget plan;
- Successor Agency, the agency to wind down all remaining obligations of the former redevelopment agency.

Table 1 – All Funds' Proposed FY 2026-27 Budget Overview

All Funds by Fund Type	FY 26-27 All Funds
General Funds	$142,241,183
Special Revenue Funds	$43,749,155
Water Fund (Operating Only)	$45,326,326
Other Enterprise Funds (Operating only)	$11,524,595
Capital Improvements (CIP)	$28,983,342
Successor Agency	$11,603,925
All Funds Expenditures Totals	**$283,428,526**

The General Fund is the chief City operating fund supporting traditional municipal services, such as police and fire public safety services, public works and maintenance, community and economic development, administration, parks and recreation and library community services. The General Fund, excluding transfers out, is proposed to total $142.2 million in FY 2026-27.

The City *Special Revenue Funds* totals $43.8 million in FY 2026-27 and includes City Gas Tax funds from the State, Measure M2 Local Fair Share funds from the County, Sanitation and Drainage Capital Outlay funds, Community Development Block Grant Program (CDBG) federal funds and other Grants Funds. These funds are restricted for special purposes, such as street maintenance efforts, street capital improvements, housing and community assistance programs and other earmarked grant purposes.

Enterprise Funds. The Water Enterprise Fund (excluding capital projects) totals $45.3 million in FY 2026-27 and supports City water utility system operations. The City maintains its sewer utility, Airport operations, and other enterprise funds totaling $11.5 million in FY 2026-27. Enterprise funds are self-supporting funds generating their own revenue through user fees or charges passed to customers to support business activities and operations.

The Capital Improvement Projects Program (CIP) totals $28.9 million in FY 2026-27. Special revenues largely support the CIP Program such as Measure M2 and SB1 gas tax for street improvements, enterprise funds for water and sewer utility improvements, various grants and/or developer funds. The General Fund also supports the CIP Program through a $3.9 million allocation from the Infrastructure Fund as required by City ordinance, and a $500,000 direct General Fund support.

General Fund (including Parks and Recreation and Library)

The FY 2026-27 Proposed General Fund Budget totals $142.2 million in operating expenditures and $5.0 million in transfers out to other funds. Staff proposes balancing the General Fund Budget with $143.9 million operating revenues, $3.3 million transfers in and *no planned use of available reserves*.

Table 2 – FY 2026-27 Proposed General Fund Budget Overview

	FY 26-27 Proposed Budget	FY 27-28 Forecast	FY 28-29 Forecast
Available Beginning Fund Balance	$16,074,169	$16,074,169	$16,074,169
Revenues	143,885,227	150,006,152	154,241,834
Expenditures	(142,241,183)	(145,667,239)	(151,032,411)
Operating Surplus (Deficit) - No Transfers	$1,644,044	$4,338,913	$3,209,423
Transfers In	3,373,087	678,087	1,678,087
Revenues & Transfers In Total	$147,258,314	$150,684,239	$155,919,921
Transfers Out	(5,017,131)	(5,017,000)	(4,887,510)
Expenditures & Transfers Out Total	(147,258,314)	($150,684,239)	($155,919,921)
Net Operating Surplus/(Deficit) w/ Transfers	$0	$0	$0
Ending Available Fund Balance	$16,074,169	$16,074,169	$16,074,169
Projected Contingency Reserve	$16,074,169	$16,074,169	$16,074,169
Projected Contingency Reserve %	11.3%	11.0%	10.6%

General Fund Revenues

FY 2026-27 General Fund operating revenues *(excluding transfers in)* are projected to total $143.9 million, an increase of $6.3 million (or 4.6%) from FY 2025-26 budgeted revenues of $137.5 million. Consistent property tax revenue growth, stable sales tax and other tax revenues including increased cost recovery efforts from participation in a new ambulance revenue State recovery program drive this revenue growth.

Property Tax – Total Property Tax revenue from General Property Tax and Property Tax In Lieu of Vehicle License Fee (VLF) comprises the largest General Fund revenue at 46% of General Fund operating revenues. Staff projects Property Tax to total $66.7 million in FY 2026-27, a $4.0 million increase from last year, primarily due to increased VLF allocation from the State, continued strong assessed property valuations and growth, recent development projects on the secured property tax roll and increased residual property tax receipts as successor agencies pay down former redevelopment agency (RDA) obligations. Overall, the City's diverse and stable property tax base (mixture of commercial, industrial and residential) continues to drive property tax revenue growth.

Sales Tax – Staff anticipates Sales Tax, the second largest General Fund revenue, to total $31.1 million in FY 2026-27, representing relatively flat growth from 2025-26 budgeted levels. Sales tax revenues have provided a stable revenue source for the City in recent years, however sales tax revenue growth has stalled largely due to economic uncertainty in the current business environment. Nonetheless, sales tax revenue has not decreased due to the City's diverse economic base which does not rely on one economic sector.

Transient Occupancy Tax - Transient Occupancy Tax, or TOT, offers another viable revenue source for the City, projected to total $3.6 million in FY 2026-27, a 4.8% increase from the previous year. The projected increase is related to the City's improving its enforcement and cost recovery efforts of its Short-Term Rental (STR) program. The City receives TOT revenue from hotels, motels and the STR (Airbnb, Vrbo etc.) licensed rental properties located in the City. The City imposes a 10% TOT rate, for stays less than 30 days, with neighboring city TOT rates ranging from 10% to 15%.

Charges for Services – Charges for Services revenues would total $17.0 million in FY 2026-27, a 4% decrease from the previous year's budget of $17.8 million. The decrease is related to the anticipated completion of major Public Works reimbursable projects and aligning ambulance billing to historical actuals and anticipated lower State intergovernmental reimbursement programs.

Staff expects all other General Fund revenues either increase in line with market trends or remain flat.

General Fund Expenditures

For FY 2026-27, General Fund expenditures (excluding transfers out) are projected to total $142.2 million, reflecting a $4.9 million (or 3.7%) increase from the FY 2025-26 adopted $137.8 million budget. The primary expenditure increases come from existing labor agreements with employee labor groups, increases to CalPERS Unfunded Actuarial Liability (UAL) pension costs, and previously approved contractual obligations.

While the Proposed General Fund Budget includes expenditure reductions necessary to address the General Fund deficit, it also continues to provide substantial funding for the City's core services and infrastructure priorities. The Proposed Budget includes approximately $68.1 million for Police services and $39.1 million for Fire services, reflecting the City's continued significant investment in public safety. Funding also continues for Community and Economic Development, Public Works, Parks and Recreation, Library services and the administrative functions necessary to support City operations.

In addition to maintaining existing services and capital investments, the Proposed Budget incorporates targeted additions intended to strengthen public safety, financial management and operational capacity. These include selected staffing and equipment additions within Police, Fire, Administrative Services and Public Works. Taken together, the Proposed Budget seeks to balance the need for expenditure reductions with continued investment in essential services, infrastructure and organizational priorities.

To balance the FY 2026-27 General Fund Budget, Staff incorporated a combination of organizational efficiencies, revenue enhancements, expenditure reductions, savings from unfunding several vacant positions, and limited one-time funding solutions. The following summarizes the primary budget balancing measures incorporated into the Proposed Budget. Below is a summary of the Proposed Budget and budget reductions proposed to be implemented in FY 2026-27 across the organization.

- *Organizational Efficiencies and Revenue Enhancements* – For FY 2026-27, Staff identified Citywide organizational efficiencies to reduce costs and revenue enhancements to generate additional revenue to the General Fund. In addition, the City Council awarded a contract for citywide IT services provider at the April 7, 2026

City Council meeting. This transition has resulted in a net $1.2 million savings for FY 2026-27.

For revenue enhancements, the City would withdraw $400,000 from its Section 115 Pension Trust to pay towards its CalPERS UAL costs in FY 2026-27. In addition, Staff would increase its cost recovery efforts for its Short-Term Rental (STR) program. Staff projects to generate additional $200,000 in TOT cost recovery and permit revenue in FY 2026-27. Lastly, the City would utilize $400,000 of restricted funds for its downtown parking program and general plan update activities, consistent with the allowable uses of these restricted funds.

- *Strengthening of Financial Internal Controls and Fiscal Accountability* – The City is committed to strengthening financial internal controls and improving fiscal accountability as recommended by Grant Thornton. The Proposed Budget includes adding a Principal Revenue Manager to bolster revenue monitoring and lease revenue efforts, an additional Accountant to preserve segregation of duties and improve internal controls.

  For Public Safety, Police overtime funding would be increased by $1.0 million to align with historical overtime and spending levels as recommended by Grant Thornton. An Administrative Analyst would also be added to the budget to provide additional administrative support and fiscal oversight.

- *Operating Reductions of $1.8 Million* – Staff identified Citywide operating reductions totaling $1.8 million to reduce its operating services, programs and events to assist in balancing the budget. This includes elimination of the annual First Night event, a ‘Fireworks-Only’ Fourth of July event, and reduced community programming to achieve savings of $700,000. The Library Foundation and Friends of the Library support groups would temporarily subsidize the City’s book collections budget and electronic resources, yielding the City savings of $240,000 for FY 2026-27.

- For City services, graffiti removal and security services at City Hall and Fullerton Community Center would be substantially reduced. As-needed on-call plan check services would also be reduced. Lastly, deferred facility capital maintenance of $250,000 would also be deferred in FY 2026-27.

- *Unfunding of 26 Full-Time Equivalent (FTE) Vacant Positions* – As part of the proposed reduction measures, 26 FTE vacant positions are proposed to be unfunded in FY 2026-27, reducing the proposed expenditure budget by $5.1 million. For Public Safety, this includes 6 sworn Police safety positions and the Deputy Chief / Fire Marshal position in the Fire Department. For Police, this may result in decreased service levels and the use of overtime to backfill increased safety demands. For Fire, the Fire Chief and Division Chiefs would share responsibility of Fire Code enforcement efforts in the field and civilian Assistant Fire Marsal would assume more administrative fire code duties.

  For service departments, 1 Senior Maintenance Worker, 1 Police Services Representative and Records Clerk position, and 1 Code Enforcement Manager and 1 Permit Technician are proposed to be unfunded. This would result in delays of processing permitting, code appeals and front-counter support for development and police services. Other administrative and professional positions are proposed to be unfunded as well.

By unfunding vacant positions, this reduces the City's capacity to fill key positions that support essential City services and may result in noticeable impacts to the community.

- *Reduced Allocations to Workers Compensation & Liability Insurance Internal Services Funds (ISF)*– The Proposed Budget factors in one-time reduced allocations of $2.3 million (and savings to the General Fund) to the Workers Compensation and Liability Insurance internal services funds. These funds have built up sufficient reserve levels above the required funds set aside as determined and recommended by third-party actuarials; to address current and future liability claims exposure based off its completed actuarial reports. Staff intends to undertake financial studies to analyze these funds' methodology and reserves' levels in FY 2026-27. It is important to note that other City funds also contribute to these ISF funds and are not solely supported by the General Fund.

- *Use of Other 1-Time Internal Services Fund Reserves or Deferred Reductions* – The Proposed Budget factors in additional 1-Time contributions of $1.5 million from its Equipment Maintenance and another $1.0 million from its Building Maintenance internal services funds to reimburse the General Fund. These funds have built up surpluses over the last several years as a result of vacant positions that had been funded through these allocations.

  In addition, 1-Time deferred vehicle and IT capital maintenance would also contribute savings. These are 1-Time budget mechanisms and would restore to normal allocation levels in FY 2027-28. As part of the Proposed Budget, staff plans to conduct a thorough financial analysis of the City's internal services funds, reviewing methodology and appropriate reserve levels.

While the Proposed Budget incorporates expenditure reductions necessary to address the City's structural budget challenges, it also includes a limited number of targeted additions or position changes to address identified operational needs and support priority services across Administrative Services, Police and Fire, Parks and Recreation, as well as vital equipment and operational investments within Police, Fire and Public Works.

Among the additions are resources intended to strengthen financial management and internal controls, support Police and Fire operations, and provide equipment for Public Works street, sidewalk and downtown operations. These additions have been incorporated within the overall balanced FY 2026-27 Proposed Budget while the City continues to implement broader expenditure reductions and other measures necessary to address its structural budget challenges. Attachment 6 provides the complete listing of proposed budget additions and reductions.

Subsequent Changes to the Proposed Budget

Since the July 2026 budget meetings, there have been additional savings identified in the General Fund and other City funds to support reinstatement of several unfunded positions.

In Public Works, 4 maintenance worker positions, 1 Ground Maintenance Lead Worker, and 1 Streets Lead Worker are proposed to be reinstated and reallocated from the General Fund to other City funds, such as Gas Tax or Brea Dam funds, to align with appropriate service levels and funding.

For Parks & Recreation, 1 Parks and Recreation Supervisor is proposed to be unfunded in lieu of a Parks and Recreation Coordinator that was originally presented to be unfunded as there has been a recent change in the vacant positions for the department due to staff turnover.

There is no additional fiscal impact to the General Fund and these changes are all included in the FY 2026-27 Proposed Budget for adoption.

All Budget Additions, Personnel and Operating Reductions to the FY 2026-27 Proposed Budget are included in Attachment 6 – Proposed Budget Additions and Budget Reductions.

$1 Million Proposed Plan for Use of Internal Services Fund Reserves

Staff proposes the $1 Million Plan with use of ISF reserves from the Workers Compensation Fund to reinstate the following unfunded positions and services in alignment with Council's goals of revenue generation and economic development, and strengthening its fiscal accountability efforts. The following positions and areas are proposed to be reinstated:

Revenue-Generating:

- Economic Development - 1 Economic Development Specialist position to support the City's economic development efforts, including economic plan and other initiatives to bolster development in the City.
- Engineering – The Civil Engineer and Construction Inspector as these positions support private development projects in the pipeline and are reimbursed by development fee revenues.

Fiscal Accountability:

- Police Overtime – Increasing Police overtime by $395,000 to align with historical actual levels improves the City's fiscal accountability efforts. This also preserves the City's Clean Streets Initiative program that was implemented two years ago.

Community Preservation & Programs:

- The Code Enforcement Manager is requested to be restored to uphold the City's municipal codes, manage its enforcement efforts, and to maintain the City's preservation efforts for the community.
- Library Nonregular Hours – In addition to temporarily subsidizing the Library's book collections' budget, the Library Board requested reinstatement of the Library Technology position. While this request was considered, Staff recommends increasing the Library's nonregular hours for 3 part-time Library Technology and Library Technical Assistant positions to support its day-to-day technology efforts in being open 6 days a week. This provides savings and flexibility with more hours of

coverage over a full-time position. The City's existing contracted IT staff would support the Library for more complex technology needs.

Administration:

- Human Resources – Reinstate Director of Human Resources position in lieu of a Deputy Director position to provide proper oversight of the department, personnel and risk management programs.

Group Insurance Program Savings

Since preparation of the preliminary budget estimates, staff has received the City's actual 2027 health benefit premium rates. The final rates are lower than originally projected, resulting in approximately $300,000 in additional General Fund savings for active and retired employee health benefits based on historical spending.

Staff is proposing to utilize the General Fund savings to the Group Insurance Fund and add $300,000 of funding in Police overtime towards the City's Clean Streets Initiative program. This would maintain the City Council's initiative and program to maintain community preservation efforts. This is cost-neutral to the General Fund and would reduce the Group Insurance Fund Budget by the same $300,000.

All proposed reinstated positions and services are included in Attachment 7 - Proposed Reinstatement Plan with use of $1 million of additional ISF funds and $300,000 of Group Insurance Funds and are requested for City Council approval.

Capital Improvement Program (CIP) Budget for FY 2026-27

The City's Capital Improvements Program (CIP) provides a comprehensive capital projects plan for the upcoming fiscal year. The FY 2026-27 Proposed CIP Budget totals $29.0 million, including $16.5 million for Street Rehabilitation projects and $6.9 million for Water Infrastructure projects as well as other capital improvements for sewer utility, storm drain repairs, traffic systems and other City facility improvements. The following summarizes the planned CIP by major category.

Table 3 – FY 2026-27 Proposed CIP Budget

CIP Project Category	FY 26-27 Proposed
Street Rehabilitation	16,507,000
Utility – Water System	6,950,000
Utility - Sewer and Storm Drain Systems	3,100,000
Traffic Systems	1,101,342
City Facilities (Buildings, Accessibility, etc.)	875,000
Parks	50,000
Misc. Projects (Sidewalk, PMP, etc.)	400,000
Total Proposed CIP Budget	**$28,983,342**

- *Street Rehabilitation ($16.5 million)* – Projects would continue to focus on rehabilitation of both arterial and residential streets. The majority of residential street projects focus on the streets that recently received a water main replacement. Locations of arterial street projects are based on existing conditions and also past and future programmed projects. Funding includes SB1 gas tax, Measure M2 local fair share, General Funds (including Infrastructure funds), and Federal Grants (including CDBG).

- *Utility - Water Infrastructure ($6.9 million)* – Water improvement projects continue to focus on main pipe replacements with additional work addressing PFAS issues, equipment and operations upgrades, plus well and reservoir rehabilitation.
- *Utility - Sewer ($2.5 million) and Storm Drain ($600,000) Infrastructure* - Projects would continue repair and replacement of existing facilities.
- *Traffic System Improvements ($1.1 million)* – Improvements consist of safety and traffic signal operational and maintenance enhancements, equipment upgrades and street light conversion projects. Measure M2 funds, gas tax funds and traffic mitigation fees primarily support these projects.
- *City Facilities ($875,000) and Parks ($50,000)* - Various city buildings and other facilities would receive equipment repairs, replacements, and accessibility improvements supported by facility capital and infrastructure funds. Park Dwelling funds would support park projects.
- *Miscellaneous Projects ($400,000)* – Work involves preparation of required Pavement Management Plan (PMP) and repair of damaged sidewalk at various locations citywide.

The FY 2026-27 Proposed Budget Book (Attachment 3) includes the Proposed CIP Budget project details, including the 5-year capital project plan.

Master Schedule of Fees and Charges

Staff presents the annual City Master Fee and Charges Schedule annually with adoption of the annual operating budget. City Departments may evaluate and propose changes to the fee schedule as part of this process to align with best practices and current market rates, account for inflation and increased cost of doing business and support cost recovery efforts for user fees. Not all departments update fee schedules annually, therefore many of the existing fee rates carry forward to the next fiscal year at the same levels as FY 2025-26.

Proposed Fee Changes for FY 2026-27

Airport Fee Schedule. The Airport fee schedule proposes slight increases to align rates with current operating costs and support continued Airport facility improvements. Tie-down fees and hangar rental rates have increased to better align with the costs associated with operating and maintaining these facilities. Other fees proposed to increase include parking, private events, and commercial operation fees to better align with maintenance and operations as well as improve cost recovery.

Fire Department Fee Schedule. The Fire Department is proposing updates to their fee schedule to reflect current costs of doing business and achieve 100% cost recovery without a City subsidy. The Fire Department previously completed a User Fee study in

FY 2023-24 to begin cost recovery efforts. However, the study was conducted prior to the approved labor increases in subsequent years. As a result, the FY 2026-27 fee increases account for increased salaries and utilizes the same methodology for the previously approved fee study. These proposed fees are requested to stay in line with cost of doing business and consistent with the City's efforts to achieve full cost recovery.

Library Fee Schedule. The Library Department is proposing a minor update to their fee schedule, increasing passport photo fees to better align with market rates of neighboring libraries. Additionally, the Library removed the Osborne Room A from their list of available rooms to rent, as this room needed for storage and is unavailable for public use at this time. Osbourne Rooms B and C remain available for rentals.

Parks and Recreation Fee Schedule. The Parks and Recreation Department updated their fee schedule to enhance cost recovery, reduce City subsidy, and support continued facility improvements. Field rentals fees have all increased by $1, with new fees added for batting cages rentals. Fees for pre-packaged food vendors are proposed to increase to better reflect the costs associated with the Fullerton Market. The updated rates are intended to better align fees with current services and operational costs.

Staff included the redlined Proposed Fee Changes for FY 2026-27 with this report as Attachment 5. The Citywide Master Schedule of Fees and Charges for FY 2026-27 is included with the resolution as Attachment 4.

Closing

In closing, Staff requests the City Council adopt the following:

- Resolution adopting the FY 2026-27 Annual Operating and Capital Budget, including subsequent budget changes to the Proposed Budget to be retroactively effective as of July 1, 2026;
- Approve the $1 million Proposed Plan for Use of Internal Services Fund Reserves and $300,000 of Group Insurance Savings to re-instate essential services and positions; and
- Resolution adopting the City's Master Schedule of Fees and Charges for FY 2026-27.

If approved, Staff will update the authorizing Budget Resolution, Budget Book and all financial schedules to reflect approved changes. Upon completion, Staff will post the final FY 2026-27 Adopted Budget Book on the City website and make available to the general public and all residents.

<u>Attachments:</u>

- Attachment 1 – FY 2026-27 Budget Adoption Presentation
- Attachment 2 – Draft Resolution Adopting FY 2026-27 Operating Budget
- Attachment 3 – Draft Proposed FY 2026-27 Budget Book
- Attachment 4 – Draft Resolution Adopting FY 2026-27 Master Fee and Charges Schedule

- Attachment 5 – Redlined Proposed Department Fee Changes
- Attachment 6 – FY 2026-27 Proposed Budget Additions and Budget Reductions
- Attachment 7 – Proposed Reinstatement Plan with Use of $1 Million of ISF Reserves and $300,000 Group Insurance Savings

cc: City Manager Eddie Manfro