Agenda Report

Fullerton City Council

MEETING DATE:	**JULY 21, 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:	**FISCAL YEAR 2026-27 PROPOSED OPERATING BUDGET SCENARIOS**

SUMMARY

Staff requests City Council select one of the three proposed General Fund budget scenarios to incorporate into the Fiscal Year (FY) 2026-27 Proposed Operating Budget. Staff will prepare the final Proposed Operating Budget with the selected budget scenario for consideration on August 18, 2026.

PROPOSED MOTION

1. Select Budget Scenario A, B or C to incorporate into the Fiscal Year 2026-27 Proposed Operating Budget.
2. Continue the Public Hearing to August 18, 2026 at 5:30 p.m. in the Fullerton City Council Chamber.

ALTERNATIVE OPTIONS

- Provide direction on the Proposed Budget Alternative Options
- 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 FY 2026-27 Proposed All Funds Budget totals approximately $290.4 million, including a proposed $28.9 million Capital Improvement Program (CIP). The Proposed General Fund Budget includes approximately $146.3 million in revenues and transfers in and $150.0 million in expenditures and transfers out. The final Proposed Budget presented for adoption on August 18, 2026, will be updated to reflect the budget scenario selected by the City Council at this meeting.

DISCUSSION

Staff presented the Fiscal Year (FY) 2026-27 Proposed Operating Budget and Capital Improvement Program (CIP) to the City Council during the July 14, 2026 Budget Study Session. That presentation provided a comprehensive overview of the City's financial outlook, the proposed FY 2026-27 budget, the projected General Fund structural deficit, and three budget scenarios developed to address the remaining funding gap. Public comments were also received during the Budget Study Session and through two community budget workshops held on July 7 and July 9, 2026.

This public hearing serves as the second review of the Proposed Budget and requests City Council direction on the General Fund budget scenario to be incorporated into the final FY 2026-27 Proposed Operating Budget. Following Council action, staff will prepare the final budget documents reflecting the selected scenario for consideration at the August 18, 2026 City Council meeting.

As presented during the July 14 Budget Study Session, staff developed three budget scenarios to address the remaining General Fund budget deficit. Each scenario builds upon the previous option by incorporating additional ongoing reductions while reducing reliance on one-time funding.

Scenario A – Baseline Services and Use of Reserves

Includes ongoing expenditure reductions and the use of approximately $3.8 million in available reserves to balance the FY 2026-27 budget. This option minimizes service impacts but relies on one-time funding.

Scenario B – Balanced Budget (Year One)

Builds upon Scenario A with additional ongoing reductions, allowing the FY 2026-27 budget to be balanced without using reserves. This option provides a one-year balanced budget but does not eliminate the long-term structural deficit.

Scenario C – Multi-Year Structural Balance

Includes additional ongoing reductions beyond Scenarios A and B and is the only option that achieves a structurally balanced General Fund over the next three fiscal years. This option has the greatest impact on City services but provides the most sustainable long-term financial solution.

Detailed reductions associated with each scenario are included in Attachment 2 – FY 2026-27 Budget Scenarios' Reduction Detail.

Next Steps

Following City Council's selection of a budget scenario, staff will incorporate the approved direction into the final FY 2026-27 Proposed Operating Budget for consideration at the August 18, 2026 City Council meeting. At that time, the City Council will also consider adoption of the Master Schedule of Fees and Charges and other related budget resolutions.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – FY 2026-27 Budget Scenarios' Reductions Detail
- Attachment 3 – July 14, 2026 Budget Study Session Presentation

cc: City Manager Eddie Manfro