Fiscal Year 2025-26 Revenue & Expenditure Update

City Council• September 10, 2026

FY 2025-26 Financial Overview

- Overall financial performance was favorable.
- General Fund revenues exceeded amended budget by approximately $591,000 (2.8%).
- General Fund expenditures exceeded amended budget by approximately $105,000 (0.5%)
- Positive operating result: approximately $486,000
- Projected June 30, 2027, General Fund balance improves from approximately $95,000 to $581,000
- Updated projection slightly exceeds the City's $500,000 target balance

Revenue Performance



- Total General Fund revenues: $21.60 million
- Amended budget: $21.01 million
- Favorable variance: approximately $591,000 (2.8%).
- Largest contributors:
  - Sales tax
  - Property tax
  - Transient Occupancy Tax (TOT)
  - Building permit revenue
- Several smaller revenue categories finished modestly below budget.

Key Revenue Results

- Sales Tax: $9,975,936
  - $260,058 above budget
    - Bradley Burns: $220,786 above budget
    - Measure Y: $26,273 above budget
    - Measure O: $12,999 above budget
- Property Tax: $3,708,437
  - $117,437 above budget
- TOT: $2,320,910
  - $98,910 above budget
    - Approximately $45,000 of TOT variance due to late payment of prior-year obligations

Additional Revenue Results

- Building Permit Revenue: $534,852 vs. $410,000 budget.
  - Favorable building permit variance: $124,852 (30.5%).
- Parking Citation Revenue: 506,749 vs. $450,000 amended budget.
  - Parking citation variance: $56,749 above budget (12.6%).
- Unfavorable variances:
  - Cannabis Retail Tax: $3,463 below budget
  - Franchise Tax: $3,922 below budget
  - Parking Pay Station Revenue: $7,059 below budget

Expenditure Performance

- Total General Fund expenditures exceeded adopted budget by approximately $105,000.
  - Primary unfavorable variance: City Attorney.
    - City Attorney expenditures: $629,625 vs. $325,000 budget.
    - Unfavorable City Attorney variance: approximately $304,625.
      - Contributing items include: Districting, Housing Element-mandated mall rezoning, higher levels of PRA's, and litigation associated with the flume
    - Staff will evaluate appropriate allocation of qualifying costs to special revenue funds during the annual audit.
  - Substantially offset by approximately $200,000 in combined departmental operating savings

General Fund Balance

- FY 2025-26 revenues exceeded expenditures by approximately $486,000.
- Initial estimated June 30, 2027, General Fund balance: approximately $95,000.
- Updated estimated June 30, 2027, balance: approximately $581,000.
- City target balance: $500,000.

Insurance Settlement

$1 million insurance settlement received for repairs associated with the 2023 Wharf damage.

Settlement is a one-time revenue source.

Staff does not recommend using proceeds for ongoing operating expenditures

Staff recommends directing settlement to reserves impacted by 2023 winter storms and associated repair costs.

Reserve Position

Current reserves are approximately $900,000 below established target balance levels.

Applying $1 million settlement to reserves would eliminate current shortfall.

Resulting reserve position would be approximately $100,000 above established target levels.

Staff recommends retaining additional $100,000 in Emergency Reserve.

Emergency Reserve & FY 2026-27

Non-Budgeted Items currently monitoring

- Council authorized use of up to $150,000 from Emergency Reserve for Stockton Bridge work.
- Recently completed districting effort: approximately $40,000 in additional costs.
- Emergency street repairs on Laurence Avenue: approximately $50,000.
- Staff is also monitoring potential impacts from forecasted Super El Niño winter storms.

Emergency Reserve & FY 2026-27

FY 2026-27 mid-year budget review will provide an opportunity to:

- Review financial performance after several months of operations
- Evaluate budget and fund balance projections
- Assess potential impacts from upcoming winter storm season

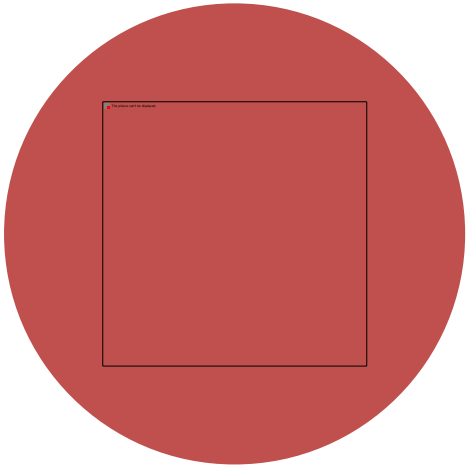
Finance Advisory Committee Recommendation

- Finance Advisory Committee met September 1, 2026.
  - FAC concurred with staff's recommendation to direct $1 million settlement to reserves.
  - FAC also requested review of the City's Financial Management Policy, including reserve policies.

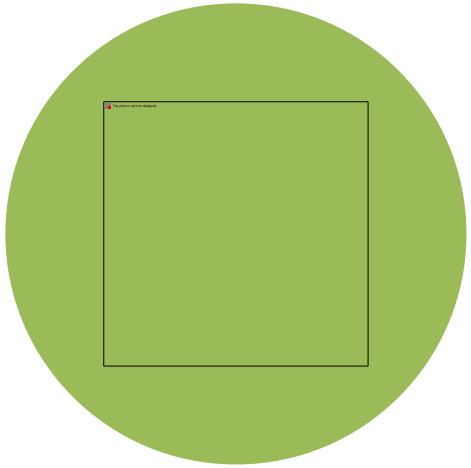
Next Steps / Audit

- Year-end financial results remain subject to completion of the City's financial audit.
- Auditors will be on site for year-end field work the week of September 8.
- Financial statements are anticipated to be completed by late October / early November.
- Any required year-end budget adjustments will be brought forward separately, as appropriate.

Recommended Action



RECEIVE FY 2025-26 REVENUE AND EXPENDITURE UPDATE.



PROVIDE DIRECTION REGARDING USE OF $1 MILLION INSURANCE SETTLEMENT