



CITY OF ORLAND STAFF REPORT
MEETING DATE: April 7, 2027

TO: Honorable Mayor and Council

FROM: Roberto Moreno, Strategic Services Consultant for Regional Government Services (RGS)

SUBJECT: **3rd Quarter General Fund Budget Review and Future Outlook**

Staff is pleased to present a review of the General Fund budget at the end of the third quarter, March 31, 2026, 75% of the year.

The table below shows that the General Fund started FY year 25-26 with an operating deficit of \$529,773. At this point of the year, based on the percentage of revenues collected and appropriations spent, that budget deficit will materialize for the year.

General Fund Budget	Budget Original	Budget Revised	Actual YTD 03/31/26	Percent Collect/Spent
Estimated Revenues	6,734,228	6,742,082	4,607,158	68%
Appropriations	7,264,001	7,329,362	5,429,297	74%
Operating Surplus (Deficit)	(529,773)	(587,280)	(822,139)	

Combined General Funds Budget

The table below shows that the General Funds budget is made up of the General Fund, Measure A and Measure J. These funds are reported as the General Fund in the audited financial statements because technically they all make up the General Fund since the expenditure of these monies is at the City Council discretion.

Budget	General Fund	Measure A	Measure J	Combined Total
Estimated Revenues	6,734,228	1,300,000	950,000	8,984,228
Appropriations	7,264,001	1,291,000	326,500	8,881,501
Operating Surplus (Deficit)	(529,773)	9,000	623,500	102,727

The General Fund is budgeted to have an operating deficit of \$529,773, while Measure A is budgeted with a surplus of \$9,000 and Measure J is budgeted with a surplus of \$623,500 for a combined operating surplus of \$102,727; therefore, the General Fund will not report an operating deficit for the year in the audited financial statements.

Estimated Revenues Outlook

The table below shows that the General fund revenues come from Property Taxes (34%), Sales Tax (37%) and all Others (24%). Property taxes are a solid revenue source since they are allowed to increase by up to 2%. Sales Taxes are the single largest revenue source for the City, unfortunately, they are not expected to increase much next year. All other sources includes fees for charges and state reimbursements, so those should stay consistent. The one-time revenues of \$304,900 will not be available for FY 2026-27, exacerbating the budget deficit for FY 26-27.

General Fund Estimated Revenues					
Source	Original	Revised	YTD 03/31/26	Percent Collected	Percent of Total
Property taxes	2,300,000	2,300,000	1,456,297	63%	34%
Sales taxes	2,526,500	2,526,500	1,687,008	67%	37%
One-time revenues		304,900	304,900	100%	5%
All others	1,907,728	1,610,682	1,158,953	25%	24%
	<u>6,734,228</u>	<u>6,742,082</u>	<u>4,607,158</u>	<u>68%</u>	<u>100%</u>

Measure "A" and Measure "J" Budgets

Fortunately, Measure A and Measure J are budgeted with operating surpluses which will likely be exceeded. Sales tax for these tax measures is coming in stronger than anticipated. Once staff receive a revised sales tax estimate in April from HdL, the City's sales tax consultant staff will present an update to the Measure A and Measure J budgets.

Expenditures by Department

At 75% of the year, the General Fund budget is 74% spent, so there will most likely not be any savings in expenditures. There are some corrections in personnel costs allocations that need to take place, but it will not change the total expenditures.

Expenditures Outlook

The 2023-24 General Fund budget was adopted with an operating deficit of \$99,801 and ended the year with an operating deficit of \$644,324.

The 2024-25 General Fund budget was adopted with an operating surplus of \$2,861 and will most likely end the year with an operating surplus of \$26,000 when the audit is completed.

The 2025-26 budget was adopted with an operating deficit of \$529,773 and will most likely end the year with an operating deficit of at least \$500,000.

The 2026-27 budget will also have a deficit if no changes are made in operations or funding. The City cannot continue operating on a deficit. Since this structural deficit has come about over time, it may take a couple of years for the City to get back to a structurally sound general fund budget.

FY 2026-27 Budget Preparation Expectations

In the past, the budget was presented in stages beginning in March and April. That will not be possible this year, due to staff shortages and the amount of work that is required to come up with solutions. Staff anticipates presenting the budget in May and scheduling a budget workshop at which time the budget will be presented in detail so Council can be well-informed when making decisions. The final budget will be presented at the last Council meeting in June for adoption.

Staff will take the following steps in developing a structurally sound budget:

- Ensure that all costs are being charged to the appropriate accounts.
- Ensure that overhead costs are appropriately shared by all funds.
- Review all contracts for services that the City provides, to ensure the City is fully reimbursed for costs incurred. Any recommended changes will be presented to Council.
- Present the budget in a format that shows the degree to which the general revenues support each department after subtracting revenues related to each department.
- Review the services the City provides so that if cuts have to be made, Council is well aware of the affected services.
- Provide options for balancing the budget.

Department Heads will be meeting individually with Mr. Moreno to go over their budgets for FY 26-27, the week of April 6-9.

RECOMMENDATION

Staff recommends that the City Council review the information provided from RGS and offer any comments.