FY 2025/26 Third Quarter Financial Update

Finance Department

City Council
July 28, 2026

Fiscal Health and Outlook

Overall, the City maintains a strong financial position

Risk that expenditure will continue to outpace revenue growth

Significant uncertainty of future fiscal outlook remains

GENERAL FUND & MEASURE Z RESERVE BALANCES

General Fund		
Policy Reserves		**Balance (in millions)**
Emergency Reserve (15%)	$	57.32
Contingency Reserve (5%)		19.11
Total	**$**	**76.43**
Other Reserves		
Reserved for Section 115 Trust Contributions	$	18.23
Infrastructure Reserve		2.74
Technology Reserve		5.00
Water GFT Escrow		25.82
Section 115 Trust		100.32
Undesignated		-
Total	**$**	**152.11**
Total Reserves	**$**	**228.54**

Measure Z		
		Balance (in millions)
Available Fund Reserves*	$	23.86
Policy Reserve		5.00
Total	**$**	**28.86**

* Reflects projected fund balance as of the end of the third quarter including encumbrances, carryovers, and recommended adjustments.
* Measure Z fund balance is anticipated to be drawn down over the adopted five-year plan.

FUNDED BY MEASURE Z

GENERAL FUND & MEASURE Z OVERVIEW

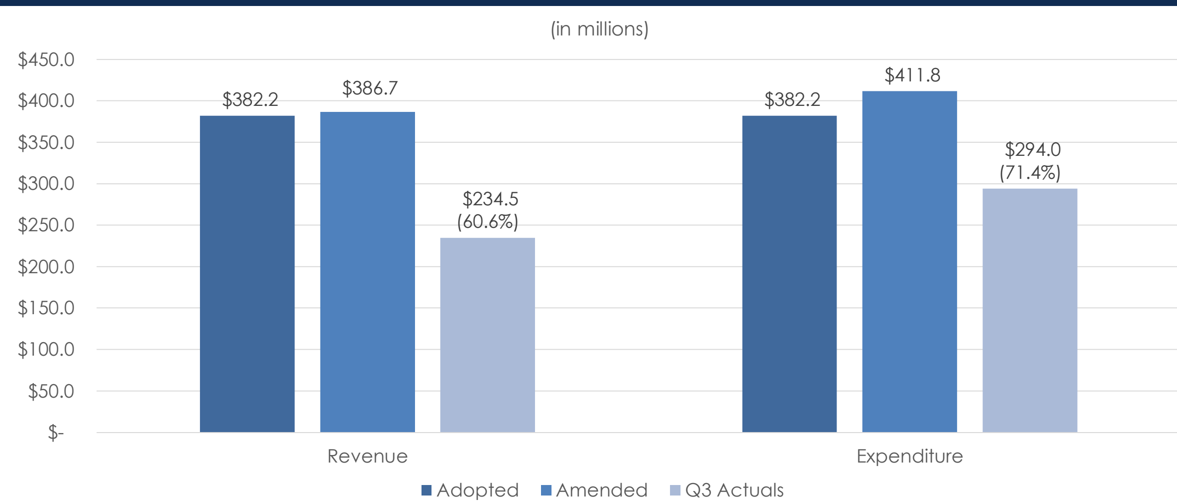
FY 2025/26 Summary	Adopted Budget	Council Approved Adjustments*	Q3 Recommended Adjustments	Final Adjusted Budget
General Fund				
Revenue/Transfers In	$ 382,157,213	$ 4,566,713	$ 701,234	$ 387,425,160
Expenditure/Transfers Out	382,157,213	4,566,713	701,234	387,425,160
Surplus/(Deficit)	$ -	$ -	$ -	$ -
Measure Z				
Revenue/Transfers In	$ 84,096,000	$ (220,000)	$ -	$ 83,876,000
Expenditure/Transfers Out	107,253,487	$ (3,189,981)	-	104,063,506
Surplus/(Deficit)**	$ (23,157,487)	$ (2,969,981)	$ -	(20,187,506)

* Excludes encumbrances and carryovers and various net zero adjustments, which do not have a net impact the on surplus/deficit calculation.
** Reflects continued strategic draw on available Measure Z fund balance as adopted in the FY 2025/26 budget.

GENERAL FUND REVENUES

General Fund (in millions)				
Revenue Category	Amended Budget (Through Q2)	Proposed Adjustments	Year End Projection	% Change
Property Taxes	$ 97.97	$ -	$ 97.97	-
Sales Tax	94.97	-	94.97	-
Cannabis Tax	.25	-	.25	-
Utility Users Tax	36.32	-	36.32	-
Transient Occupancy Tax	8.93	-	8.93	-
Franchise Fees	6.16	-	6.16	-
Licenses & Non-Developer Permits	12.11	-	12.11	-
Non-Development Charges for Services	12.21	-	12.21	-
Development Fees & Charges	7.74	-	7.74	-
General Fund Transfer	59.33	-	59.33	-
Measure Z Transfer	18.27	-	18.27	-
Public Safety Support (Measure Z)	7.37	-	7.37	-
Other Revenues & Transfers In	25.11	0.70	25.11	2.8%
Total Revenues & Transfers In	**$ 386.72**	**$ 0.70**	**$ 387.42**	**0.18%**

GENERAL FUND

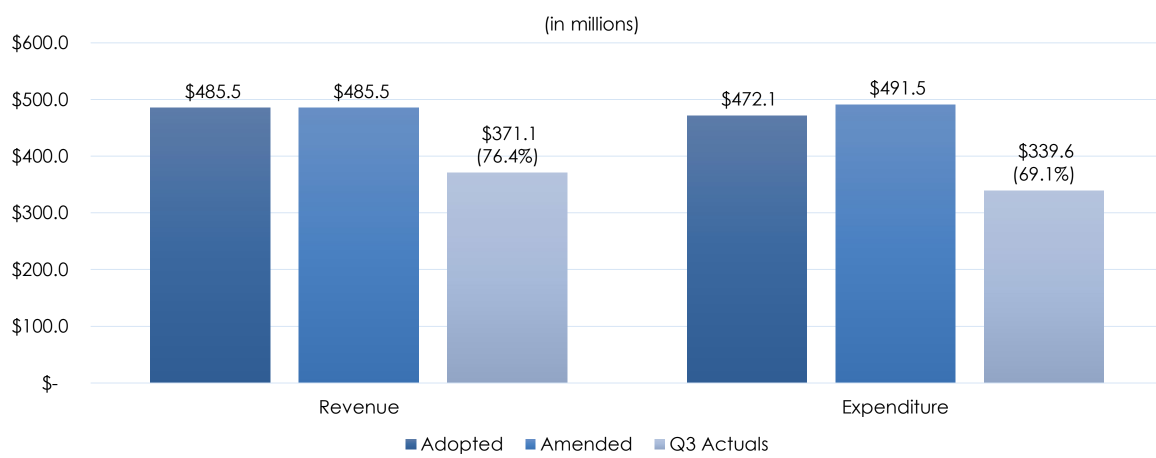


Amended Budget includes prior fiscal year encumbrances and carryovers.

MEASURE Z SPENDING PLAN

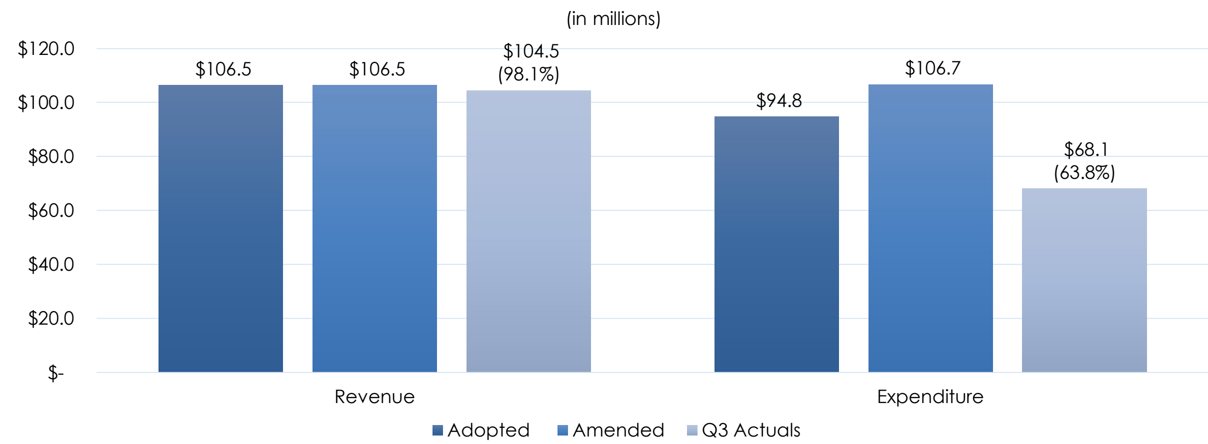
	Actuals				Projected
(in millions)	**2022**	**2023**	**2024**	**2025**	**2026**
Revenue	$ 83.91	$ 85.84	$ 84.20	$83.67	$ 83.88
Expenditures	(67.45)	(69.61)	(86.10)	100.90	(104.06)
Encumbrances & Carryovers					(44.44)
Net Change in Fund Balance	**$ 16.46**	**$16.24**	**$(1.91)**	**$(17.23)**	**$(64.63)**
Beginning Fund Balance	$ 74.94	$ 91.40	$ 107.63	$ 105.72	$ 88.49
Net Change in Fund Balance	16.46	16.24	(1.91)	(17.23)	(64.63)
Ending Fund Balance	**$ 91.40**	**$ 107.63**	**$ 105.72**	**$ 88.49**	**$ 23.86**

Electric Fund



Amended Budget includes prior fiscal year encumbrances and carryovers.
Excludes bond proceeds and capital expenditures

Water Fund



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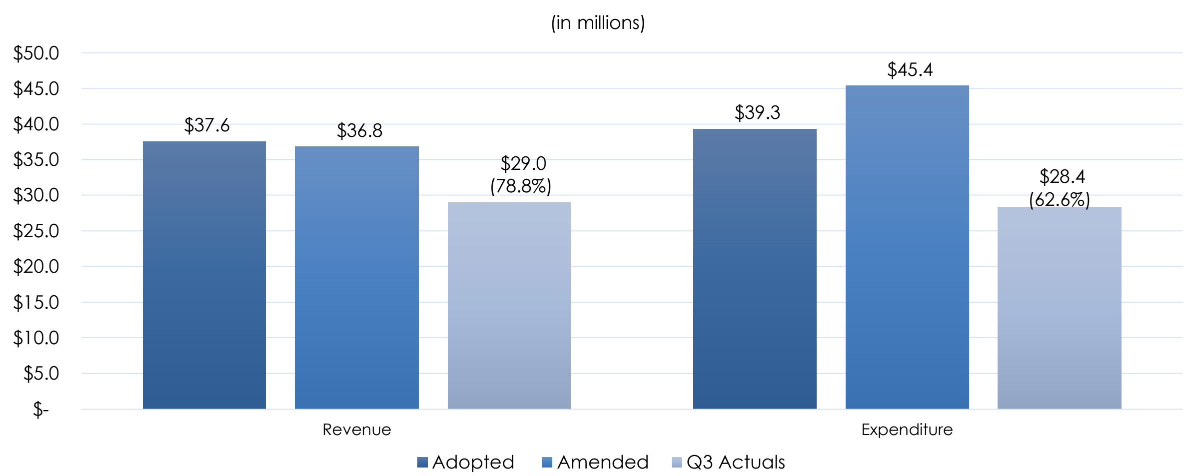
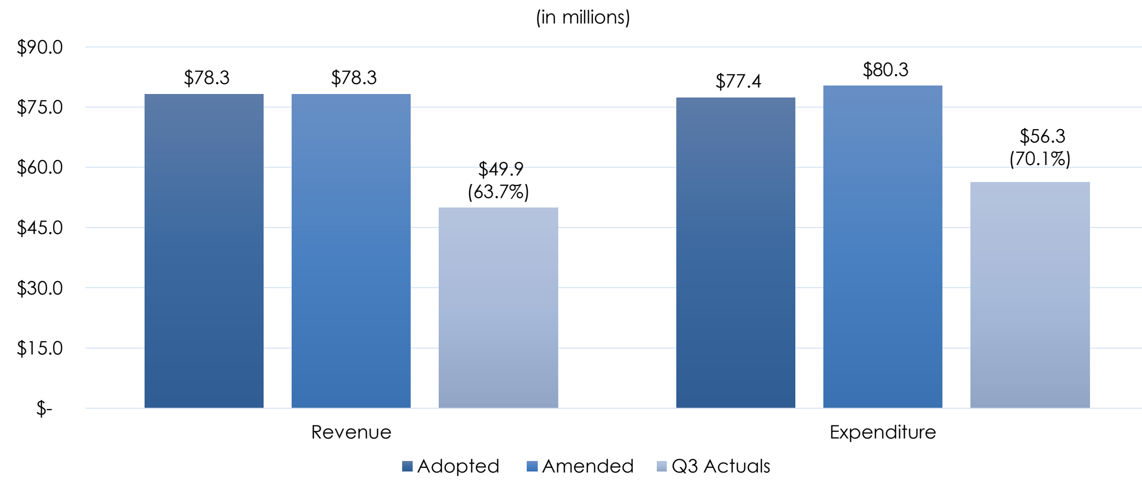
Refuse Fund



Amended Budget includes prior fiscal year encumbrances and carryovers.
Excludes capital expenditures

Sewer Fund



Amended Budget includes prior fiscal year encumbrances and carryovers.
Excludes capital expenditures

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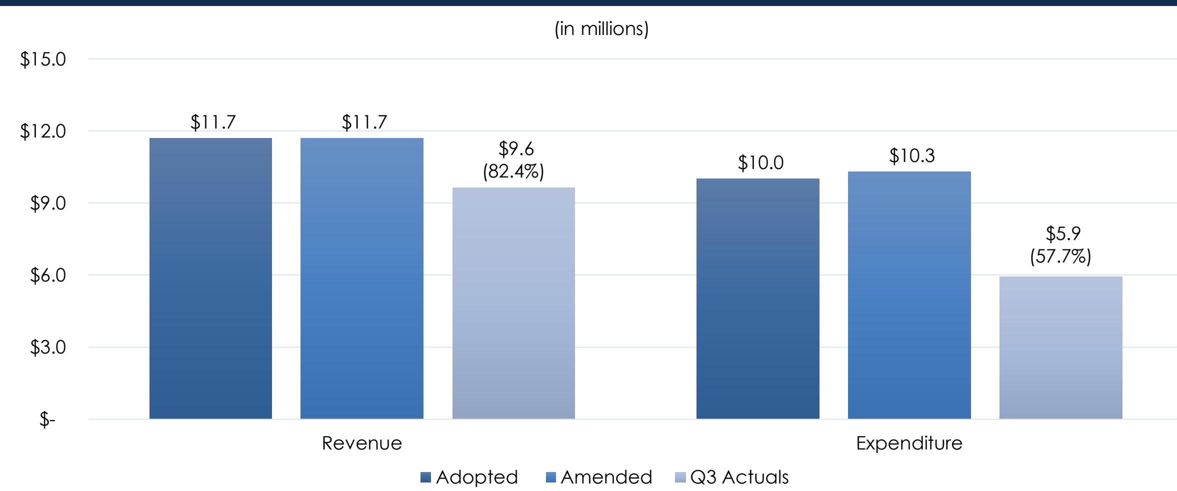
Public Parking Fund



Amended Budget includes prior fiscal year encumbrances and carryovers.
Excludes capital expenditures

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RECOMMENDATIONS

That the City Council:

1. Receive and provide input on the Fiscal Year 2025/26 Third Quarter Financial Update;

2. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record in FY 2025/26:

   a) Supplemental appropriations and offsetting revenue increases, and all accounting related entries in the Bridle Ridge CFD, Special Deposits Fund, and Library Permanent Fund, in the amount of $938,618;

   b) Supplemental appropriation and offsetting revenue increase in the General Fund, Fire, Mutual Aid in the amount of $701,234;

RECOMMENDATIONS

   c) Authorize an interfund transfer from General Fund surplus reserves to the General Liability Trust Fund in the amount of $9,560,000;

   d) Authorize an interfund transfer in the amount of $1,400,000 from the General Fund to the General Liability Trust Fund and offsetting budget reductions in the General Fund; and

3. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record in FY 2026/27:

   a) Supplemental appropriations in the General Fund in the amount of $97,750;

   b) Supplemental appropriations in the Airport Fund in the amount of $12,685;

   c) Interdepartmental transfers in various funds and accounts in the amount of $624,686.