



TITLE

Fiscal Year 2025-26 Mid-Year Budget Adjustments

RECOMMENDATION

Receive and discuss the Fiscal Year 2025-26 Mid-Year Budget Adjustment presentation previewing City Council Item to be presented on February 17, 2026.

BACKGROUND & ANALYSIS

The City adopts a budget each June for the upcoming fiscal year. It covers the time period of “one year” (July 1 through June 30). Thereafter, staff routinely monitors expenditures and revenues on a monthly basis. After the completion of the prior fiscal year’s Annual Comprehensive Financial Report (ACFR) near the mid-term of the fiscal year, staff undertakes a comprehensive review of the City’s financial position. This proposed mid-year budget estimates revenue and expense expectations and needs for the remainder of the current fiscal year.

During the “Mid-Year Budget Review” process, staff compares their respective departments’ actual revenue and expenditures, expectations for the remainder of the fiscal year, and compares those results to amounts budgeted. This fiscal year’s process includes activity posted through January 31, 2025. It also includes analysis about planned work not yet complete and unplanned work that is desired before the end of the fiscal year. This includes any added, unplanned work to this “Mid-Year Budget Review” and associated Mid-Year Budget Amendments for that are included.

The Fiscal Year 2024-25 audit was completed in February 2, 2026 and based on those results and input from other city departments, the proposed Mid-Year Budget Amendments are summarized in Exhibit A and projected ending fund balances are summarized in Exhibit B. A detailed report will be added to the City's new transparency portal, which shows requests at the fund level and at a more granular and aggregate levels.

General Fund

Revenues - Major adjustments include,

- \$160,000 increase in legal revenue from water enterprise
- \$150,000 increase in sales tax coming in higher than expected
- \$ 97,500 increase in developer contributions, will have expense offset

- \$ 50,680 increased parks & recreation activity
- \$ 50,000 increase in property taxes resulting from increases in secured, unsecured, and transfer tax
- \$ 50,000 encroachment permit activity not in adopted budget

Expenditures - Major adjustments include,

- \$168,663 increase in GF payment to Legal ISF to recover negative fund balance
- \$160,000 increase in legal expenses (reimbursed by water enterprise)
- \$128,000 increase in parks expense - water bill and city-wide sign update and tree removal
- \$ 75,000 increase in developer billing expenditures
- (194,000) reduction in insurance premiums

Budget	Adopted FY2026	Adjusted FY2026	Midyear FY2026	MY 2026 Adjustments
Revenues	\$32,672,908	\$32,672,908	\$33,261,360	\$588,452
Expenditures	\$32,672,908	\$32,876,514	\$33,261,360	\$384,846
Fund Balance	\$11,299,517	\$10,070,625	\$11,299,517	

Another item to note is the Capital Improvement Project PR26-0100, Wetlands Restoration and Public Access Project. Originally scheduled to begin in FY 2026-27, the project has been advanced o FY 2025-26. While the total project cost remains unchanged, this timing shift accounts for the \$1.5 million increase in Fund 350 (Capital Outlay) and the corresponding increase in Fund Sources 230 (Grants) and 310 (Parks Impact).

ATTACHMENTS:

[Exhibit A - FY 2025-26 Midyear Budget Adjustments](#)

[Exhibit B - FY 2025-26 Midyear Budget Fund Balance](#)