

FISCAL YEAR 2025-26 THIRD QUARTER BUDGET UPDATE

May 14, 2026
Finance Committee



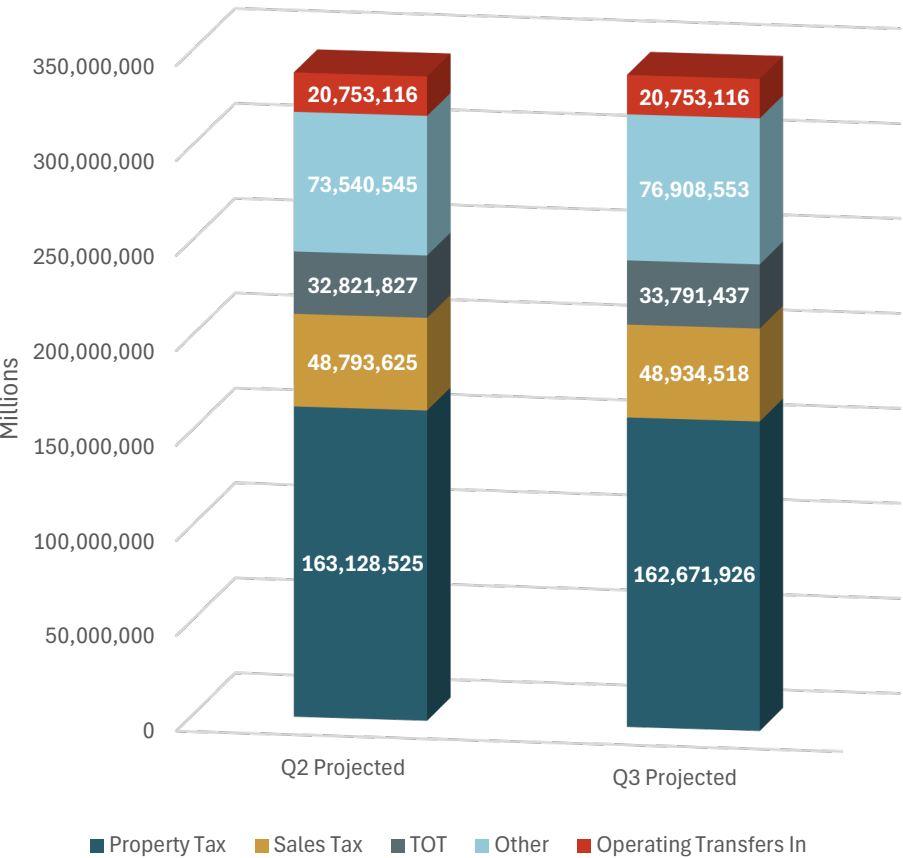
PROJECTED GENERAL FUND REVENUES

Current Revised Budget \$ 343.7 million

Second Quarter Projection \$ 339.0 million

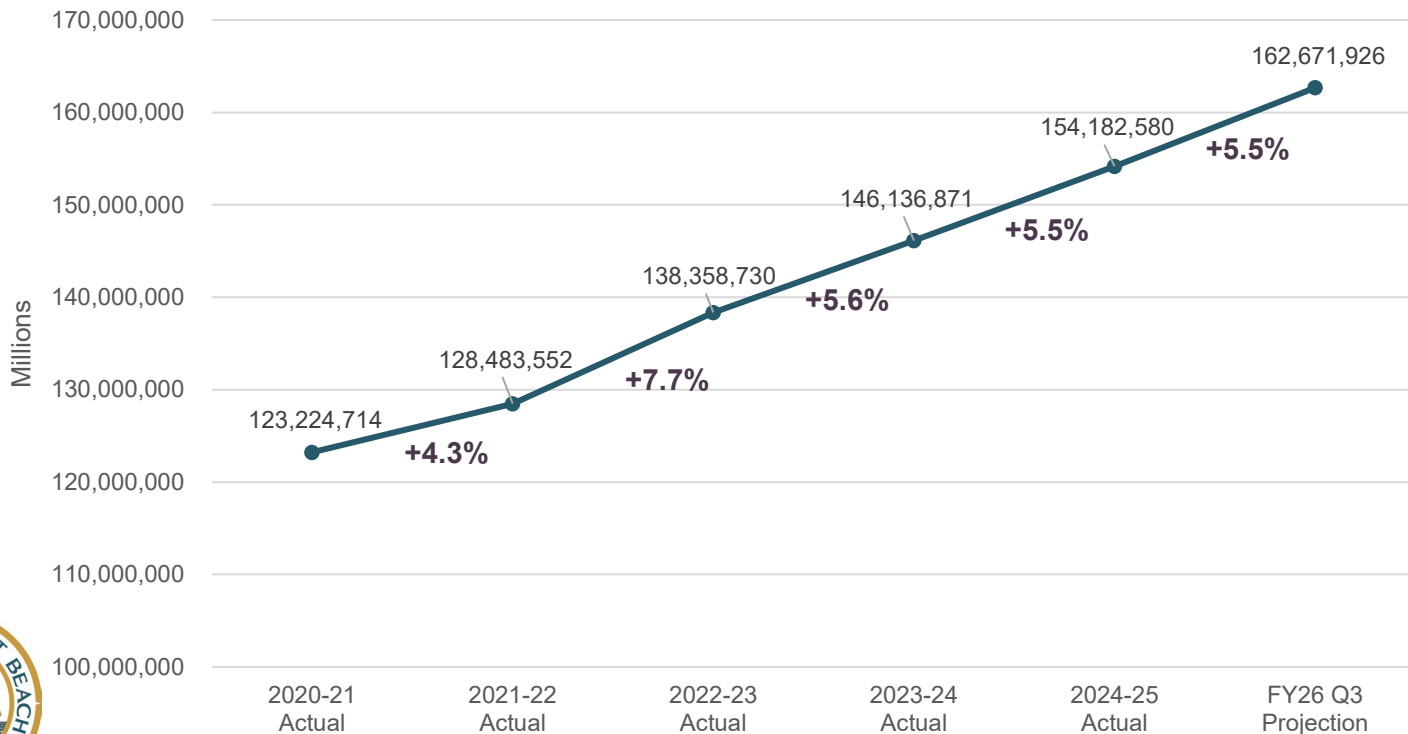
Third Quarter Projection \$ 343.1 million

- \$4.0 million, or 1.2%, favorable variance from the Q2 Projection, driven primarily by:
 - Service Fees and Charges
 - Transient Occupancy Tax
 - Investment Earnings
 - Licenses and Permits



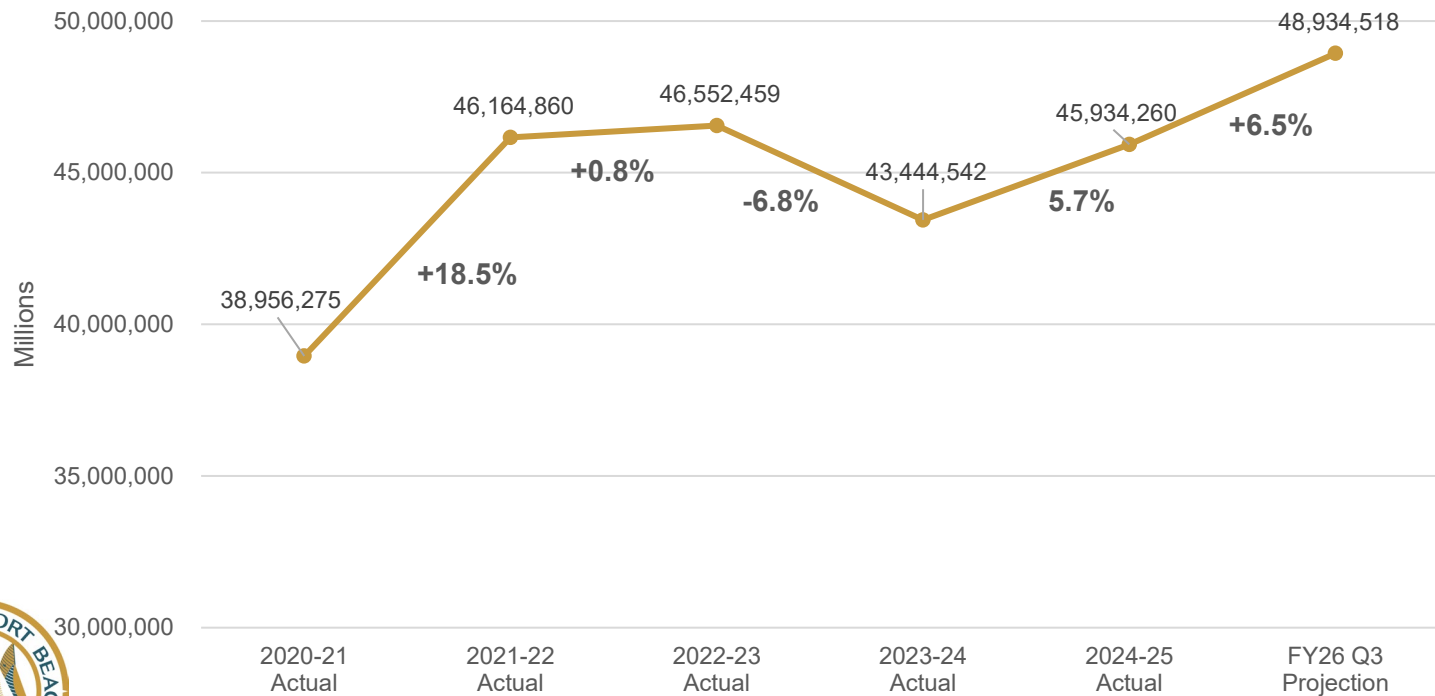
PROPERTY TAX REVENUE

- Property tax revenue, the City's largest revenue source, is projected to increase by \$8.5 million (5.5%) over the prior year. The projection is slightly below the Q2 forecast of \$8.9 million (5.8%) due primarily to updated secured property tax delinquency assumptions that better reflect recent collection trends.



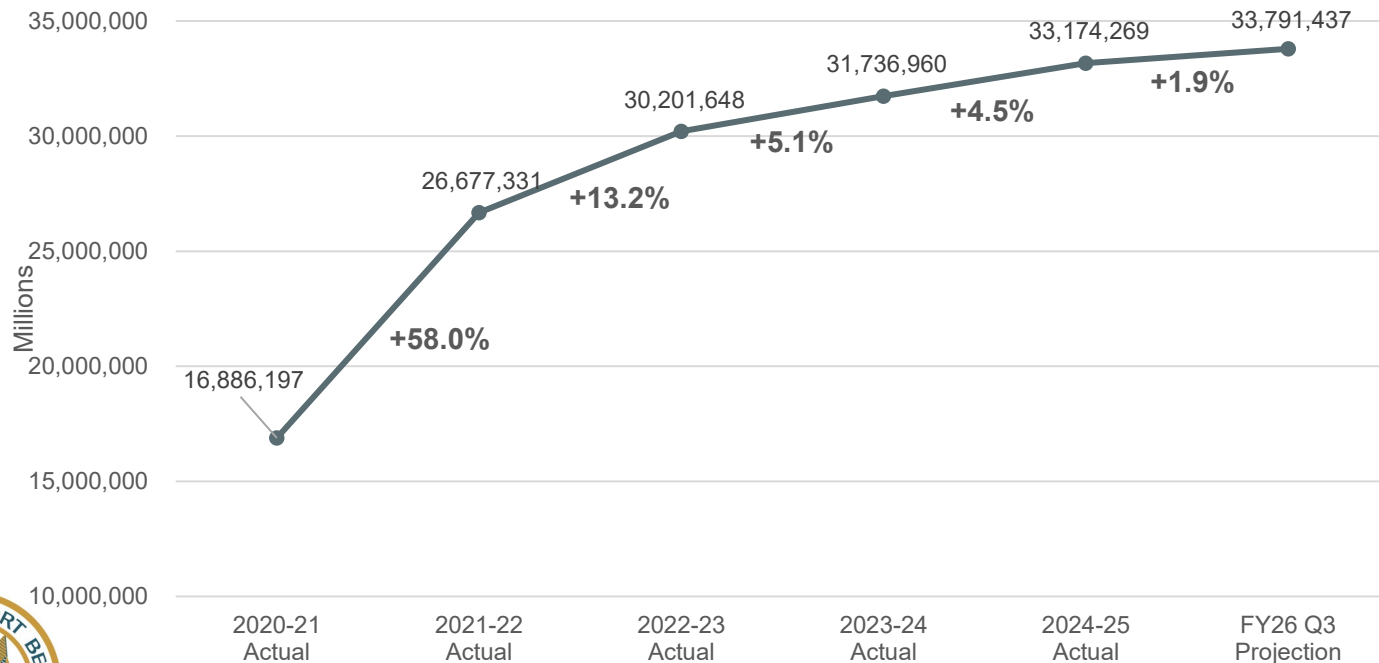
SALES TAX REVENUE

- Sales tax revenue, the City's second-largest revenue source, is projected to exceed the revised budget by approximately \$0.1 million (0.3%) and increase by \$3.0 million (6.5%) over prior year actuals.



TRANSIENT OCCUPANCY TAX

- Transient occupancy tax (TOT) revenue, the City's third-largest revenue source, is projected to increase by \$0.6 million (1.9%) over prior year actuals due to continued growth in hotel-generated receipts. The Q3 projection of \$33.8 million is approximately \$1.0 million higher than the Q2 forecast, which had assumed a 1.1% decline from the prior year.



GENERAL FUND EXPENDITURES

Q2 Projected Actual	\$344.9 million
Q3 Projected Actual	<u>\$342.3 million</u>
Additional Projected Savings	\$2.6 million

- Savings are primarily attributable to salary and benefit savings resulting from vacancies and lower-than-budgeted employee benefit costs.



GENERAL FUND SOURCES & USES

- Current projection reflects a \$19.5 million surplus.
- \$3.4 million of the projected surplus will first be used to fully fund the General Fund Contingency Reserve.
- Remaining projected surplus is \$16.1 million.

Category	Revised Budget	A Q2 Projection	B Q3 Projection	C=B-A Variance	D=C/B % Variance
Beginning Fund Balance Reserves	\$ 25,714,088	\$ 25,714,088	\$ 25,714,088	\$ -	0.00%
Operating Resources:					
Operating Revenues	317,992,315	318,284,522	322,306,434	4,021,912	1.26%
Prior Year Resources Carried Forward	3,785,541	3,785,541	3,785,541	-	0.00%
Transfers In from Other Funds	20,753,116	20,753,116	20,753,116	-	0.00%
Repayment of Advances	1,250,000	1,250,000	1,250,000	-	0.00%
Total Operating Resources	\$ 343,780,972	\$ 344,073,180	\$ 348,095,092	\$ 4,021,912	1.17%
Operating Uses:					
Operating Expenditures	294,150,811	287,690,595	285,069,393	2,621,202	0.91%
Transfers Out	45,331,827	43,489,779	43,489,790	(11)	0.00%
Total Operating Uses	\$ 339,482,638	\$ 331,180,374	\$ 328,559,184	\$ 2,621,191	0.79%
Net Operating Surplus	\$ 4,298,334	\$ 12,892,805	\$ 19,535,908	\$ 6,643,103	51.53%
Non-Operating Resources & Uses					
Non-Operating Transfers In	5,000,000	-	5,000,000	-	100.00%
Non-Operating Transfers Out	(5,000,000)	-	(5,000,000)	-	100.00%
Purchase of Real Property on Campus Drive	(11,936,500)	(11,936,500)	(11,936,500)	-	0.00%
Transfers out to the FFP	(13,777,588)	(13,777,588)	(13,777,588)	-	0.00%
Total Non-Operating Resources & Uses	\$ (25,714,088)	\$ (25,714,088)	\$ (25,714,088)	\$ -	0.00%
Net Change in Fund Balance	(21,415,754)	(12,821,283)	(6,178,180)	6,643,103	-51.81%
Ending Fund Balance Reserves	\$ 4,298,334	\$ 12,892,805	\$ 19,535,908	\$ 6,643,103	51.53%



OTHER MAJOR FUNDS

- Measure M-Competitive
 - Recognize and appropriate OCTA grant funding for the purchase of a second trash rover for Newport Harbor.
- Public, Education, and Government (PEG) Fund
 - Allocate qualifying PEG-related expenditures to the PEG Fund rather than the General Fund.
- Fire Equipment Fund
 - Recognize and appropriate public safety development impact fees from the Quail project for fire equipment purchases.



RECOMMENDED ACTION

Staff recommends that the Finance Committee:

- Review and discuss this report
- Provide recommendations for consideration by the City Manager and City Council



Questions?

