



AGENDA REPORT

Department: Finance
Prepared by: Bruce Foltz, Finance Director
Meeting Date: Tuesday, December 2, 2025
Approved by: Alejandro Hernandez, Acting City Manager

SUBJECT:

City of National City First Quarter Fiscal Year 2025/26 Financial Review

RECOMMENDATION:

Accept and File the Report.

BOARD/COMMISSION/COMMITTEE PRIOR ACTION:

Not Applicable.

EXPLANATION:

This report covers the financial results for the first three months of Fiscal Year 2025/26. Exhibit (A) attached, presents the current fiscal year revenues and expenditures for the General Fund for the period of July 2025 through September 2025 in comparison to the current year General Fund budget and the actual results for same period for FY 2024/25 and FY 2023/24.

The General Fund generates revenues from various sources such as taxes; fees for services; fines; citations; transfers from other funds; interest income; and miscellaneous one-time revenues all of which are received at various times throughout the fiscal year. Property Tax, Sales Tax and Franchise Fees represent approximately 83% of the City's total General Fund revenues for the current fiscal year. Sales Tax revenues, which represent 56% of the total General Fund revenues, are received on a monthly basis and generally are consistent from month to month. However, there is a two-month delay in receiving the proceeds from the California Department of Tax and Fee Administration, the ("State"). For example, sales tax collected by the merchant during the month of July is remitted to the State in August and the City receive their apportionment from the July sales during the month of September. As of the end of September 2025, the City has only received one apportionment of sales tax from the State.

The City receives Property Tax throughout the entire fiscal year however, the months with the largest apportionments from the County are the months of December and January and again in April and May which coincide with the tax delinquent dates of December 10th and April 10th. Franchise Fees are received at various times throughout the fiscal year. Franchise fees associated with the refuse franchise are received on a monthly basis while cable TV franchisees remit their payments on a quarterly basis. Public utilities such as Gas and Electric companies report their fees on an annual calendar basis and in turn, the City receives the Franchise Fees in a single annual payment in the month of April. The remaining 17% of the City's General Fund revenues consist of Business Licenses; Development Fees; Transient Occupancy Tax (Hotel Tax); Fines & Fees; and Other miscellaneous revenues which can also fluctuate throughout the fiscal year. Business license renewals are mailed to current active businesses in November for the new calendar year and expire on December 31st of that billing year. The majority of the

Business License revenues are received during the period of December through February. Development Fees are generated during the entitlement process which can also vary throughout the year depending on the volume of new construction and redevelopment activity. Fines represent citations that are issued by the Police Department or Code Enforcement while Fees consist of charges associated with services that are provided by the City such as admission to the Las Palmas Pool along with recreational classes and activities. Other Revenues represents a broad category consisting of interest and rental income, reimbursements for damages to City property, settlement claims, sale of City land and equipment, and any other one-time revenues that the City may receive.

Table 1

General Fund	FY 2024 July to Sept Actual	FY 2025 July to Sept Actual	FY 2026 July to Sept Actual	FY 2026 YTD Budget	FY 2026 Actual to Budget %
Revenues	6,973,657	6,693,716	5,482,459	73,703,497	7.4%
Expenditures	(13,488,327)	(16,987,725)	(19,766,430)	(84,282,480)	23.5%
Surplus (Deficit)	(6,514,670)	(10,294,009)	(14,283,971)	(10,578,983)	

For the first three months of Fiscal Year 2025/26, as shown in Table 1 and in more detail in Exhibit (A), the City has only received 7.4% of the total projected General Fund revenues. Of this revenue, 59%, represents sales tax associated with the month of July 2025. Table 2, below show the detail between the sales tax collect under the Statewide 1% Bradley-Burns Uniform Local Sales and Use Tax Law and the City's Proposition D, 1% District Sales and Use Tax. The District Sales Tax is generally less than the Bradley-Burns statewide sales tax because the District Sales Tax generally pertains to point-of-sales transactions within the City while the statewide sale tax is applicable to products that are purchased both within the City and outside the City boundaries including merchandise shipped to the City. Under the Bradley-Burns Sales Tax the City also receives a portion of all eligible sales tax collected within the County Sales Tax Pool.

Table 2

Sales Tax	FY 2024 July to Sept Actual	FY 2025 July to Sept Actual	FY 2026 July to Sept Actual	FY 2026 YTD Budget	FY 2026 Actual to Budget %
Bradley-Burns	1,800,980	1,799,376	1,748,775	24,261,000	7.2%
1% District Tax	1,166,816	1,243,002	1,256,025	16,868,000	7.4%
Total	2,967,796	3,042,378	3,004,801	41,129,000	7.3%

Table 3 below reflects total General Fund expenditures for the first quarter of this current fiscal year along with the same period for Fiscal Years 2024/25 and 2023/24. Total expenditures for the first three months of Fiscal Year 2025/26 were \$19.8 million and are 16.4% higher compared to the same period last fiscal year.

Table 3

General Fund Expenditures	FY 2024 July to Sept <u>Actual</u>	FY 2025 July to Sept <u>Actual</u>	FY 2026 July to Sept <u>Actual</u>	FY 2025 to FY 2026 <u>Variance</u>	FY 2026 YTD <u>Budget</u>	FY 2026 Actual to <u>Budget %</u>
Police	6,309,230	7,941,817	6,981,819	(959,998)	33,467,578	21%
Fire	2,953,262	4,241,607	3,592,025	(649,581)	15,807,459	23%
Engineering & Public Works	845,296	911,071	846,564	(64,507)	4,356,314	19%
Community Development	639,361	877,702	769,851	(107,851)	3,965,874	19%
Community Services	414,438	488,305	581,535	93,230	3,069,422	19%
Administration	2,200,949	2,522,187	6,994,636	4,472,449	23,615,833	30%
Capital Improvements	125,790	5,036	-	(5,036)	-	
Total	13,488,327	16,987,725	19,766,430	2,778,705	84,282,480	23%

For the first quarter 2025/26, the City paid \$2.5 million towards the City’s Unfunded Actuarial Liability (UAL) to CalPERS and \$2.5 million in transfers from the City’s General Fund to other City funds. These payments are reflected in the Administration Department and helped to contribute to the \$4.4 million variance from prior fiscal year. The largest single transfer was \$1.2 million to the City’s Pension Obligation Bond Fund to support the annual pension bond payment. The remaining \$1.3 million in transfers represent the quarterly transfer payments from the General Fund to other funds as subsidy payments to the Library Fund, Park Maintenance Fund and the Capital Improvement Fund. For the first quarter of FY 2025/26, there appears to be a large savings in both the Police Department and the Fire Department. This negative variance is the result of the change in the methodology of recording the annual CalPERS UAL payment. In prior years, the payment was allocated to department as a percentage of the total cost of wages and benefits. Starting this fiscal year, the UAL payment is recorded as labor cost in Non-Departmental, which is a component of the Administration Department as shown above. Since the annual required UAL payment to CalPERS cannot be clearly identified to active employees the payment is no longer charged to the individual departments. Removing the payment from the individual departments helps to more accurately reflect the true cost of each department.

Total labor cost represents 66% of the total General Fund budget expenditures. As of the end of the first quarter, total labor costs were \$14.0 million, up 10.9% compared to the same period last fiscal year. The two primary factors for the increase in labor cost represent the increase in the CalPERS UAL payment, an increase of \$1.1 million over prior fiscal year and the salary increases brought on by labor negotiations with City’s bargaining units. Overtime remains a significant component of total labor costs. As of the end for the first quarter of FY 2025/26, the City’s General Fund has incurred \$1.5 million in overtime costs of which \$512,000 is eligible for reimbursement from the California Governor’s Office of Emergency Services as these costs are associated with the deployment of fire personnel to assist in statewide emergency operations.

FINANCIAL STATEMENT:

There is no budgetary adjustment required at this time. Further analyses and budget adjustments will be considered and presented during the Mid-Year financial review.

RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:

Balanced Budget and Economic Development

ENVIRONMENTAL REVIEW:

This is not a project under CEQA, and is therefore, not subject to environmental review. CCR15378; PRC 21065.

PUBLIC NOTIFICATION:

The Agenda Report was posted at least 72 hours before the Regular Meeting date and time, and 24 hours before a Special Meeting in accordance with the Ralph M. Brown Act.

ORDINANCE:

Not Applicable

EXHIBIT:

Exhibit A - Fiscal Year 2025/26 General Fund Financial Report