

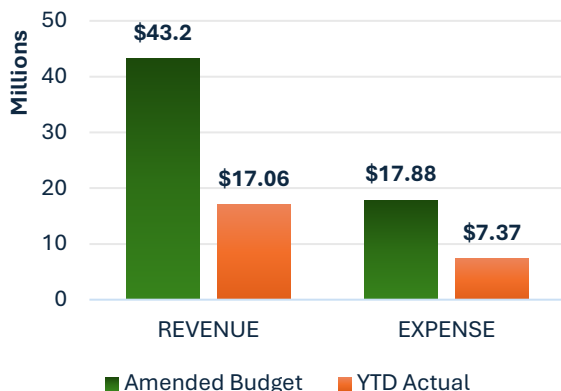
The City has completed the second quarter of Fiscal Year (FY) 2025-26. This report summarizes the overall financial performance of the City for the period of July 1, 2025, through December 31, 2025, but it is not meant to be inclusive of all finance and accounting transactions. While the focus of the report is the General Fund, summary financial information is also provided for the Cypress Recreation and Park District General Fund and Capital Project funds. The information presented is unaudited. This report is intended to provide City Council and the public with an overview of the City's general fiscal condition.

The revenue and expenditures per the Budget to Year-To-Date (YTD) Actual comparisons include adjustments for carryovers and any appropriations made as of December 31, 2025. The information presented reports revenues as they are received and expenses when paid. Revenues and expenses are only accrued at year end to account for such activity in the correct fiscal year.

City General Fund Overview

Based on the first six months of the fiscal year, the city has received 39% of its budgeted revenue and spent 44% of its budgeted expenses. As of December 31, 2025, expenses exceeded revenue which is typical for this time of year.

Chart 1. General Fund Revenue & Expenses



General Fund Revenue

Many revenue payments in the first half of the year (including sales taxes, franchise taxes, transient occupancy taxes, and interest earnings) are received after December 31st. Thus, only one-third of revenues are typically received by mid-year. Revenue (as a percentage of budget) is 39%, which is 6% ahead of last fiscal year to-date.

Table 1. Summary of General Fund Revenue

General Fund Revenue (\$ Millions)	Amended Budget	Actual YTD	% of Budget
Property Taxes	14.79	4.36	29%
Sales Tax	12.61	4.77	38%
Other Taxes	7.48	3.13	42%
Service Charges	4.29	1.83	43%
Interest & Rents	2.23	2.01	90%
Licenses & Permits	0.97	0.72	74%
Revenue from Other Agencies	0.57	0.08	14%
Fines	0.25	0.11	44%
Other Revenue	0.02	0.05	331%
Total Revenue	\$43.19	\$17.06	39%

Sales taxes and property taxes combined make up over 63% of General Fund revenue. While property tax tends to be stable and grow at generally predictable rates, sales tax receipts are more volatile and fluctuate with the economy.

The FY 2025-26 Adopted Budget used projections from the City's sales tax consultant which reflect ongoing economic uncertainties and their impact on revenues. The most recent forecast projects \$475,000 more than the amended budget.

Property Tax distributions are trending over the prior year at 29% of budget received to-date. The first large distribution of Property Tax is in December.

Most other revenue sources are in line with budget. However, there are some revenue items trending over budget and are proposed to be increased:

- Engineering and Inspection Fees (\$42,800).
- Miscellaneous Revenue (\$39,150).
- Motor Vehicle License Fee (\$16,500).
- Plan check overages (\$190,000).

Overall, General Fund revenues for FY 2025-26 are projected to exceed expectations by \$760k. The proposed increases in revenue are included in the proposed amendment.

Table 2. General Fund Revenue Projection

General Fund Revenue (\$ Millions)	Amended Budget	Proposed Amendment	New Projection
Property Taxes	14.79	0.00	14.79
Sales Tax	12.61	0.48	13.08
Other Taxes	7.48	0.00	7.48
Service Charges	4.29	0.25	4.54
Interest & Rents	2.23	0.00	2.23
Licenses & Permits	0.97	0.00	0.97
Revenue from Other Agencies	0.57	0.00	0.57
Fines	0.25	0.00	0.25
Other Revenue	0.02	0.04	0.05
Total Revenue	\$43.19	\$0.76	\$43.96

General Fund Expenditures

As of the second quarter, all departments are trending under budget (less than 50%).

Table 3. Summary of General Fund Expenditures

General Fund Expenditures (\$ Millions)	Amended Budget	Actual YTD	% of Budget
City Council & Mgmt	4.17	1.86	45%
Community Development	1.79	0.70	39%
Finance/ Admin Svcs	2.92	1.23	42%
Police	24.15	11.07	46%
Public Works	8.99	3.59	40%
Total Expenditures	\$42.02	\$18.44	44%

Proposed adjustments to the General Fund:

There are some programs that are trending over budget and are proposed to be adjusted:

- Severance payment to former City Manager (\$315,000).
- Attorney charges (\$32,800).
- Parks Impact Fee Study (\$25,000): The City imposes an impact fee on certain new

- residential developments. Recent changes in State law require a study to ensure these fees are proportionate, equitable, and defensible.
- Overage for contract plan check services which are offset by revenue (\$114,000).

These activities tend to be largely out of the City's control and can vary significantly from one fiscal year to the next. This projection has been included in the proposed budget amendment:

Table 4. General Fund Expenditure Projection

General Fund Expenditures (\$ Millions)	Amended Budget	Proposed Amendment	New Projection
City Council & Mgmt	4.17	0.35	4.52
Community Development	1.79	0.03	1.82
Finance/ Admin Svcs	2.92	0.00	2.92
Police	24.15	0.00	24.15
Public Works	8.99	0.11	9.10
Total Expenditures	\$42.02	\$0.49	\$42.51

The proposed amendment increases General Fund expenditures to \$42.51 million and has a positive net change of \$276,650.

Fund Balance Overview for City General Fund

As of July 1, 2025, the General Fund had a beginning fund balance of \$37.44 million – \$5 million over the adopted budget. Based on the current projection, the General Fund will have an ending fund balance of \$35.81 million.

Table 5. General Fund, Fund Balance

General Fund Fund Balance (FB) (\$ Millions)	Adopted Budget	Current Projection	Inc./ (Dec.)
Beginning FB	31.40	37.44	6.04
Rev. Less Exp.	1.68	1.45	(0.23)
Net Transfers	(2.02)	(3.08)	(1.06)
Estimated Ending FB	\$31.06	\$35.81	\$4.75

In prior years, fund balance was assigned and/or transferred to other funds per the City's Fiscal Strategies. These strategies will be reviewed with City Council during the upcoming budget workshop March 24th.

Cypress Recreation and Park District (CRPD) General Fund (GF) Overview

Revenues and expenditures for the first six months of the fiscal year for the District are summarized in Table 6. As of December 31, 2025, revenues are at 49% of the Amended Budget and expenditures are at 23%.

Table 6. Recreation & Park District General Fund

CRPD General Fund (\$ Millions)	Amended Budget	Actual YTD	% of Budget
REVENUE			
Property Taxes	7.62	4.18	55%
Use of Money and Property	1.06	0.37	35%
Charges for Services	0.79	0.34	44%
From Other Agencies	0.58	0.03	5%
Other Revenue	0.00	0.02	0%
Total Revenue	\$10.04	\$4.94	49%
EXPENDITURES			
Personnel Costs	2.94	1.30	44%
Supplies and Services	3.97	1.33	33%
Interfund Charges	0.35	0.18	50%
Debt Service	2.00	0.00	0%
Capital Project Costs	4.62	0.36	8%
Total Expenditures	\$13.89	\$3.16	23%

Total expenditures tend to fluctuate year to year due to budgeted capital projects while operating expenditures experience less volatility. Typically, operating expenditures are below 50% at the end of the calendar year due to most December non-personnel expenditures (which includes contract costs for landscaping and custodial services) not being paid until January.

Proposed adjustments to the District:

District General Fund

- New staff uniforms for branding (\$14,500): As part of the rebranding process, CRPD will need to purchase new staff uniforms to properly equip approximately 90 employees.

District Capital Replacement Fund

- Refrigerator and freezer replacement (\$23,400): The Senior Center’s commercial

refrigerator and freezer stopped working and needed replacement. These are essential pieces of equipment for the Center’s nutrition programs as food is delivered cold or frozen at least one day in advance of when it is served. Last fiscal year, over 21,000 meals were delivered and served onsite.

- New vehicle overage (\$7,000): The CRPD Capital Replacement Fund budget included \$14,000 to purchase a utility vehicle for Arnold Cypress Park, however; quotes came in over budget by \$7,000 (\$21,000 total).

District General Fund, Fund Balance

The District's fund balance is projected to decrease by \$4.15 million due to capital expenses and outstanding loans due to the City. However, excluding capital and loan repayments (\$6.62 million), the District has positive revenue less expenditures of \$2.48 million.

Table 7. Recreation & Park District Fund Balance

District General Fund Fund Balance (FB) (\$ Millions)	Actual 6/30/2025	Projection 6/30/2026	Inc./ (Dec.)
Revenue	\$10.51	\$10.04	(\$0.47)
EXPENDITURES			
Operating Budget	6.00	7.28	1.28
Transfers Out	0.17	0.29	0.12
Subtotal Operating Expenditures	\$6.17	\$7.57	\$1.39
Capital Expenses	22.16	4.62	(17.54)
Debt Service	0.69	2.00	1.31
Subtotal Capital & Debt	\$22.85	\$6.62	(\$16.23)
Total Expenditures	\$29.03	\$14.19	(\$14.84)
Revenue Less Expenditures	(18.52)	(4.15)	14.37
Beginning FB	(2.91)	(21.43)	(18.52)
Estimated Ending FB	(\$21.43)	(\$25.57)	(\$4.15)

As of June 30, 2025, the principal balance was \$3.2 million for Lexington Park and \$30.5 million for Arnold Cypress Park. Future repayments for Lexington Park are determined by the availability of park development revenues. Repayments for Arnold Cypress Park are \$2 million per year, inclusive of interest (2.0% per annum).

Capital Projects Overview

The table below provides a status of the City's capital improvement projects.

Table 8. Summary of Capital Projects

Capital Projects (\$ Millions)	Amended Budget	Actual YTD	% of Budget
Street Projects	1.96	0.05	2.8%
Storm Drainage Projects	28.99	0.43	1.5%
Parkway Projects	1.08	0.12	10.9%
Public Facility Projects	3.24	0.19	6.0%
Grand Total	\$35.27	\$0.80	2.3%

Capital project expenditures for the first half of the year are consistent with expectations. Public Works will provide a separate update to the City Council on the Capital Improvement Program.

The following adjustments are recommended:

- City Hall LED Lights Retrofit (\$20,000): Recent California regulations prohibit the purchase of fluorescent lamps. LED replacements are available and can be installed in-house.
- Concrete - Sidewalk Rehab (\$37,000): Work includes the replacement of concrete curb, gutter, sidewalk, and driveway associated with Conditional Use Permit (CUP) No. 2001-20 for 4962-4992 Lincoln Ave. This expense will be offset by revenue.
- HVAC Replacement at Maintenance Yard and Telecom Room (\$40,000): Both facilities were originally scheduled for replacement next fiscal year; however, immediate repairs are necessary to maintain proper cooling for critical server equipment.

Other Recommended Budget Amendments

Below are proposed changes to other funds based on unanticipated situations:

Asset Seizure Fund, Justice & Treasury

- Mobile Audio-Visual System for Police Patrol Vehicles (\$75,100): Funds that were budgeted to be expended directly from the Treasury Fund are proposed to be transferred to and paid out of the Equipment Replacement Fund for continuation of the

mobile AV project. This will account for the whole the asset in one fund.

- Cell phones and peripherals (\$20,000): Cell phones are essential safety equipment that allow officers to access body-worn and in-car camera footage, intelligence databases, and real-time information, and to securely capture photographs that can be booked into evidence immediately.
- Taser Subscription (\$64,750): Funds are proposed to be reallocated from the Justice fund to the Treasury fund to ensure an adequate fund balance in the Justice fund. There are adequate funds available in the Treasury fund to support this eligible expenditure.

City Central Services Fund

- Unforeseen Police vehicle maintenance (\$24,100): One patrol vehicle required significant engine and exhaust repairs, and additional funding is necessary to cover routine maintenance for the remainder of the fiscal year, ensuring these critical Police vehicles remain in daily operation and extending their useful service life.

Conclusion

This summary report is derived from detailed financial information generated by the City's Finance & Administrative Services Department. For more information regarding the City's finances, please visit www.cypressca.org.