



# AGENDA REPORT

Finance Department

<b>DATE:</b>	January 27, 2026
<b>TO:</b>	Mayor Martinez and Members of the City Council
<b>FROM:</b>	Emily Combs, Director of Finance Mubeen Qader, Deputy Director of Finance Jerry Gurule, Accounting Manager Antonio Banuelos, Accounting Manager
<b>SUBJECT:</b>	Fiscal Year 2025-26 Quarter 1 Budget Report
<b>FINANCIAL IMPACT:</b>	There is no fiscal impact for receiving this item.
<b>PREVIOUS COUNCIL ACTION:</b>	June 24, 2025
<b>STATEMENT OF THE ISSUE:</b>	City staff are presenting the Fiscal Year 2025-26 Quarter 1 General Fund and Non-General Funds financial report which covers financial activity from July 1, 2025, through September 30, 2025.
<b>RECOMMENDED ACTION:</b>	RECEIVE the Fiscal Year (FY) 2025-26 Quarter 1 (Q1) report for the period of July 1, 2025, through September 30, 2025 – Finance Department (Emily Combs 510-620-6790/Mubeen Qader 510-412-2077/Jerry Gurule 510-620-6591).

**DISCUSSION:**

City staff prepare the quarterly budget report to monitor revenue and expenditures against the approved budget. The report provides City staff, the City Council, and the community with a clear view of financial performance against the approved budget. It promotes transparency, ensures accountability, and highlights variances that may require corrective action.

This report summarizes the City’s quarter 1 (Q1) operating revenue and expenditures for Fiscal Year (FY) 2025-26 which covers financial activity from July 1, 2025, through

September 30, 2025. For the initial three months, the benchmark is 25 percent of the Adopted Budget, meaning revenues and expenditures are generally expected to align with this threshold. Variances can occur due to seasonal patterns in major resources. For example, Business License Tax receipts are typically received in March and April in accordance with Measure U, while Property Tax payments are received from the County in two installments, one in December and another in April.

**General Fund**

General Fund Revenues

Revenue for Q1 of FY 2025-26 was \$100.4 million, or 32.5 percent of the budgeted amount, exceeding the 25 percent threshold due to limited-term revenue received in July. Table 1 summarizes Q1 revenue budget to actuals. Details for major categories by department are in Attachment 1.

Table 1: General Fund Revenue, FY 2025-26, Quarter 1

GENERAL FUND	FY 2025-26 ORIGINAL BUDGET	FY 2025-26 REVISED BUDGET	YTD ACTUALS	% USED
PROPERTY TAXES	58,329,291	58,329,291	-	0.0%
SALES & USE TAX	60,163,807	60,163,807	3,726,378	6.2%
UTILITY USERS TAX	64,943,670	64,943,670	13,904,737	21.4%
OTHER TAXES	28,399,659	28,399,659	7,923,279	27.9%
LICENSES, PERMITS & FEES	17,274,036	17,274,036	1,153,542	6.7%
FINES & FORFEITURES	200,000	200,000	145,761	72.9%
INTEREST INCOME	3,030,545	3,030,545	761,966	25.1%
CHARGES FOR SERVICES	3,724,495	3,724,495	1,343,291	36.1%
OTHER REVENUE	50,167,500	50,167,500	50,043,446	99.8%
RENTAL INCOME	791,157	791,157	214,194	27.1%
INTERGOVERNMENT STATE TAXES	150,000	150,000	177,196	118.1%
STATE GRANT	180,000	180,000	251,492	139.7%
OTHER GRANT	290,000	290,000	-	0.0%
PROCEEDS FROM SALE PROPERTY	15,000	15,000	-	0.0%
LOAN/BOND PROCEEDS	40,400	40,400	-	0.0%
OPERATING TRANSFERS IN	20,853,959	20,853,959	20,774,429	99.6%
<b>TOTAL REVENUES</b>	<b>308,553,519</b>	<b>308,553,519</b>	<b>100,419,711</b>	<b>32.5%</b>

At this early point in the fiscal year, it is too soon to determine whether adjustments to General Fund revenues will be required. City staff will continue to monitor revenues collections closely and expect to have a clearer assessment of local revenue trends by mid-year. Based on preliminary data from Q1 of FY 2025-26, most revenues sources are trending as expected or better.

- Property Tax – The FY 2025-26 Adopted Budget estimated 4.1 percent growth in Assessed Valuation for Secured Property Taxes. However, Contra Costa County’s (County) 2025-2026 Assessment Roll, which was released in July 2025, indicates

3.53 percent growth for Secured Property Taxes, representing a reduction of approximately \$78,000. Other significant impacts include sale of properties and tax increment allocation. Successor Agency Surplus and Pass-through revenues to the General Fund have declined over the past two years following significant growth due to a decrease in assessed values within the former redevelopment project areas. More accurate property tax revenue estimates will be available after the City receives the December payment from the County, which will guide any necessary mid-year adjustments. The City does not receive Property Taxes in Q1.

- Sales & Use Tax – Sales & Use Tax revenues have demonstrated consistent growth over the last few years and this positive trend is projected to continue for through the remainder of the fiscal year. The updated forecast from the City’s financial consultants aligns with the FY 2025-26 Budget. Total Sales Tax collected through Q1 is \$3.7 million, or 6.2 percent of the budgeted amount.
- Utility Users Tax (UUT) – UUT, which applies to Cable Television, Gas and Electricity, and Telecommunications, is tracking above budgeted levels. City staff will continue to monitor UUT collections to determine if a mid-year adjustment is necessary. As of Q1, the total UUT collected is \$13.9 million, or 21.4 percent of the budgeted amount.
- Other Taxes - This category includes various taxes and franchise fees including the Transient Occupancy Fee (Hotel Tax) and Documentary Transfer Tax on property sales in Richmond. For Q1, total revenue received in this category is \$7.9 million, or 27.9 percent of the budgeted amount. The largest component is the Documentary Transfer Tax, with \$7.6 million collected in Q1. This revenue category is volatile and unpredictable, with significant month-to-month variations.
- Licenses, Permits, & Fees – This category includes Business License Tax revenue. As of Q1, total revenue received in this category is \$1.2 million, or 6.7 percent of the budgeted amount. With the adoption of Measure U, all businesses have a December 31, license expiration date with due dates of March 1, for rental and April 1, for all other businesses. Most revenue will be received between January and April of 2025.
- Interest Income – This category represents interest income earned on cash in the City’s bank accounts. Total interest earned through Q1 is \$761,966, or 25.1 percent of the budgeted amount.
- Charges for Services – This category includes various charges or fees for services to recover costs for fire prevention, Public Works, engineering, and passport services. As of Q1, total charges are \$1.3 million, or 36.1 percent of the budgeted amount.
- Other Revenue – This category includes limited-term revenue.
- Intergovernmental State Taxes – This category includes Motor Vehicle Fees

received from the State. Total receipts collected through Q1 are \$177,196, or 118.1 percent of the budgeted amount.

- State Grant – This category includes various grants received from the State. Total receipts collected through Q1 are \$251,492, or 139.7 percent of the budgeted amount.
- Operating Transfers In – Operating transfers are typically processed following adoption by City Council. As of Q1, total operating transfers are \$20.8 million, or 99.6 percent of the budgeted amount.

**General Fund Expenditures**

Expenditures for Q1 of FY 2025-26 were \$59.9 million, or 23.0 percent of the budgeted amount. Actuals are trending slightly below the approved budget without encumbrances; including encumbrances, the percentage utilized is 26.5 percent. Encumbrances refer to funds reserved through purchase orders for specific operating expenditures, such as copier leases. Table 2 summarizes the Q1 expenditure budget to actuals. For details by department, see Attachment 1.

Table 2: General Fund Expenditure, FY2025-26, Quarter 1

GENERAL FUND	FY 2025-26 ORIGINAL BUDGET	FY 2025-26 REVISED BUDGET	YTD ACTUALS	ENCUMB.	% USED W/O ENCUMB.	% USED W ENCUMB.
SALARIES AND WAGES	96,762,515	96,664,929	24,125,261	-	25.0%	25.0%
BENEFITS	74,157,128	74,264,514	18,408,573	-	24.8%	24.8%
PROFESSIONAL & ADMINISTRATIVE	26,354,296	26,387,180	3,591,238	3,127,961	13.6%	25.5%
OTHER OPERATING	9,511,051	9,474,227	1,128,780	3,235,357	11.9%	46.1%
UTILITIES	7,265,830	7,274,370	1,550,807	1,390,818	21.3%	40.4%
EQUIPMENT & CONTRACT SVCS	5,513,366	5,716,913	213,015	936,744	3.7%	20.1%
PROVISN FOR INSURANCE	46,500	46,500	39,446	-	84.8%	84.8%
COST POOL	21,145,184	21,145,184	7,877,863	-	37.3%	37.3%
ASSET/CAPITAL OUTLAY	2,842,986	2,944,920	400,726	436,876	13.6%	28.4%
DEBT SERVICE EXPENDITURE	775,647	775,647	-	-	0.0%	0.0%
A87 - COST PLAN REIMBS	(3,362,171)	(3,362,171)	(874,738)	-	26.0%	26.0%
GRANT EXPENDITURES	34,497	34,497	-	-	0.0%	0.0%
OPERATING TRANSFERS OUT	19,006,690	19,006,690	3,439,157	-	18.1%	18.1%
<b>TOTAL EXPENSES</b>	<b>260,053,519</b>	<b>260,373,399</b>	<b>59,900,128</b>	<b>9,127,755</b>	<b>23.0%</b>	<b>26.5%</b>

- Salaries and Wages – includes base salaries for full-time and part-time staff, overtime, and other pay types. Actual expenditures total \$24.1 million (25.0 percent of budget). Expenditures in this category are expected to increase in subsequent quarters due to City Council’s approval of successor Memoranda of Understanding (MOUs), which includes compensation increases for represented employees.
- Benefits – includes medical, dental, workers compensation, CalPERS pension costs,

other post-employment benefits (OPEB), and other fringe benefits. Actual expenditures total \$18.4 million (24.8 percent of budget).

- Professional & Administrative Services – includes professional and consulting services, and contractual obligations, such as animal control and professional consulting services. Actual expenditures total \$3.6 million (13.6 percent of budget) and is below the threshold. Factoring in purchase order encumbrances of \$3.1 million, the total is \$6.7 million (25.5 percent of budget).
- Other Operating – includes copier leases, office supplies, and other items. Actual expenditures total \$1.1 million (11.9 percent of budget). Factoring in purchase order encumbrances of \$3.2 million, the total is \$4.3 million (46.1 percent of budget).
- Utilities – includes gas, electricity, water, refuse, telephone, and internet services. Actual expenditures total \$1.5 million (21.3 percent of budget). Factoring in purchase order encumbrances of \$1.4 million, the total is \$2.9 million (40.4 percent of budget).
- Equipment & Contract Services – includes equipment and maintenance/repair services. Actual expenditures total \$213,015 (3.7 percent of budget). Factoring in purchase order encumbrances of \$936,744, the total is \$1.1 million (20.1 percent of budget).
- Provision for Insurance – includes insurance premiums for drone, fire apparatus, and fire boat Insurance. Actual expenditures total \$39,446 (84.8 percent of budget). Insurance premiums are due annually at the start of the fiscal year.
- Cost Pool – includes the City’s general liability allocation, vehicle replacement program, and Civic Center allocation. Actual expenditures total \$7.9 million (37.3 percent of budget). Cost Pool charges are allocated monthly through a journal entry transaction.
- Asset/Capital Outlay – includes furniture replacement, computer replacement, radios and other small equipment. Actual expenditures total \$400,726 (13.6 percent of budget). Factoring in purchase order encumbrances of \$436,876, the total is \$837,602 (28.4 percent of budget).
- Debt Service – includes debt service for loans and bonds. All debt service payments are processed in the second and the fourth quarter of each fiscal year.
- Cost Plan Reimbursement – reimburses departments in the General Fund for internal support services provided to other funds. Actual expenditures are shown as a credit in this category totaling \$874,738 (26.0 percent of budget).
- Grant Expenditures – no expenditures in this category are due to timing on Office of Neighborhood Safety (ONS) Grants.
- Operating Transfers Out – includes transfers out from the General Fund to non-

general funds mostly for operating subsidies and a portion of debt service. Actual expenditures total \$3.4 million (18.1 percent of budget).

## Non-General Funds

### Non-General Fund Revenues

Overall, 11.2 percent of non-general fund revenues have been collected and are trending as expected. The timing of receipts varies based on the source of funding. For example, grant funds are usually received after expenditures are incurred and reimbursements are requested to grantors. Table 3 summarizes the revenue budget to actuals for non-general funds. For details by individual fund, see Attachment 2.

Table 3: Non-General Fund Revenues, FY 2025-26, Quarter 1

FUND	FY 2025-26 ORIGINAL BUDGET	FY 2025-26 REVISED BUDGET	YTD ACTUALS Q1	% USED
Total Capital Improvement Fund	55,010,627	55,878,518	4,684,195	8.4%
Total Debt Service Funds	19,142,975	19,142,975	5,942,056	31.0%
Total Enterprise Funds	44,653,962	44,653,962	1,518,384	3.4%
Total Housing Funds	2,109,250	2,109,250	766,420	36.3%
Total Housing Authority Funds	4,485,250	4,485,250	394,029	8.8%
Total Internal Service Funds	34,720,066	34,720,066	11,442,931	33.0%
Total Other Operations Funds	19,257,210	22,612,852	1,795,350	7.9%
Total Special Revenue Funds	85,698,068	92,884,814	4,448,301	4.8%
<b>Total All Funds</b>	<b>265,077,407</b>	<b>276,487,686</b>	<b>30,991,667</b>	<b>11.2%</b>

- Capital Improvement Funds – revenues are below the 25 percent budget threshold. This variance is mainly due to grants, as the entire grant award is budgeted, but actual revenue is based on reimbursements received from grantors for actual expenditures.
- Debt Service Funds – revenues are above the budget threshold due to the transfer in from General Fund and Secured Pension Override Fund for the Pension Obligation Bond debt service payment due in July.
- Enterprise Funds – revenues are below the budget threshold as the sewer drain fee allocation from the County has not yet been received in the Wastewater Fund.
- Housing Funds – revenues are above the budget threshold due to higher than expected Housing In-Lieu Developer fee collections.
- Housing Authority Funds – revenue is below the budget threshold mainly due to the Capital Grant fund allocations for operations and administration.
- Internal Service Funds – revenue is above the budget threshold due to the

transferring of the approved budget for vehicle replacement program at the beginning of the fiscal year. Other Revenue in these funds are received monthly.

- Other Operation Funds – revenue is below the budget threshold due to Transportation and Employment and Training Funds, where grant revenues are received after expenditures have occurred. Additionally, Hilltop and Marina Special District Funds contribute to this variance as property tax revenue is collected in December, April, and June. As part of the mid-year budget review, City staff will include information regarding the status of capital projects in the Marina Special District Fund.
- Special Revenue Funds – revenue is below the budget threshold due to the tax assessment allocation in the Secured Pension Tax Override Fund and the timing of grant revenue in the Transformative Climate Communities Grant Fund.

Non-General Fund Expenditures

Overall, 14.0 percent of non-general fund budgeted expenditures have been spent. Spending patterns in non-general funds are similar to those in the General Fund and are trending as expected. Most expenditures are either at or below the 25 percent threshold. Expenditures exceeding this threshold are primarily attributable to purchase order encumbrances. Table 4 summarizes the expenditure budget to actuals for non-general funds. For details by individual fund, see Attachment 2.

Table 4: Non-General Fund Expenditures, FY2025-26, Quarter 1

FUND	FY 2025-26 ORIGINAL BUDGET	FY 2025-26 REVISED BUDGET	YTD ACTUALS Q1	ENCUMB.	% USED W/O ENCUMB	% USED W ENCUMB
Total Capital Improvement Fund	109,470,186	121,130,385	1,504,565	13,840,087	1.2%	12.7%
Total Debt Service Funds	19,232,511	19,232,511	4,216,124	-	21.9%	21.9%
Total Enterprise Funds	72,428,398	75,563,313	13,788,605	14,138,523	18.2%	37.0%
Total Housing Funds	4,368,368	4,467,609	285,913	141,822	6.4%	9.6%
Total Housing Authority Funds	4,494,250	4,494,250	678,190	477,442	15.1%	25.7%
Total Internal Service Funds	46,171,816	52,535,289	8,482,640	7,867,884	16.1%	31.1%
Total Other Operations Funds	25,703,833	30,760,178	3,872,370	4,490,941	12.6%	27.2%
Total Special Revenue Funds	101,925,131	120,100,042	27,311,801	20,897,684	22.7%	40.1%
<b>Total All Funds</b>	<b>383,794,493</b>	<b>428,283,577</b>	<b>60,140,208</b>	<b>61,854,382</b>	<b>14.0%</b>	<b>28.5%</b>

- Capital Improvement Funds – expenditures are below the budget threshold due to the timing of multi-year capital projects. See Attachment 3 for additional details on Capital Improvement Projects.
- Debt Service Funds – debt service expenditures follow the City’s debt service schedules. Actuals of \$4.2 million in Q1 represent the City’s debt service payment for the 2022 Pension Obligation Bonds.

- Enterprise Funds – expenditures are above the budget threshold due to the timing of several capital projects in the Wastewater Fund. See Attachment 3 for additional details on Enterprise Fund expenditures.
- Housing Funds – expenditures are below the budget threshold primarily due to activity in the Community Development Block Grant (CDBG) Fund and the Successor Housing Agency Funds. Lower expenditures in the CDBG Fund are due to the timing of multi-year projects. Lower expenditures in the Successor Housing Fund are due to lower than anticipated loans being processed or issued due to program staffing constraints.
- Richmond Housing Authority (RHA) Funds – expenditures are below the budget threshold due to Richmond Village One, Two, and Three being pass-through funds with no drawdown requests in Q1.
- Internal Service Funds – expenditures are below the budget threshold due to the timing of purchases in the Equipment Vehicle Replacement Program. Larger vehicle purchases, like fire apparatus, take approximately 12-18 months to complete.
- Other Operations Funds – expenditures are below the budget threshold primarily due to activity in the Planning and Building Fund and Employment and Training Fund. Lower expenditures in the Planning and Building Fund are due to the timing of approved grants. An administrative budget clean-up is required on certain grants due to carry forward purchase orders as part of the fiscal year end closing process. Lower expenditures in the Employment and Training Fund are due to delays in processing financial transactions resulting from the timing of filling vacant administrative positions.
- Special Revenue Funds – expenditures are below the budget threshold due to the timing on multi-year projects such as the Main Library Renovation project in the Library Fund, several projects in the Environmental and Community Investment Agreement (ECIA) Fund, and other large grants including the American rescue Plan Act (ARPA), Transformative Climate Grant, Encampment Resolution Fund Round 2 and Round 3.

## **Next Steps**

City staff will continue to monitor revenues and expenditure trends in the current fiscal year to determine if adjustments will be needed during the mid-year budget review which will be presented to the City Council in February 2026. In addition, as part of the mid-year budget review, staff will include information regarding the status of capital projects in the Marina Special District Fund as well as the Developer Impact Fees Fund.

**DOCUMENTS ATTACHED:**

Attachment 1 – General Fund – Quarter 1 Budget Report

Attachment 2 – Non - General Funds – Quarter 1 Budget Report

Attachment 3 – Capital Improvement Projects Quarter 1 Report