



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council **Item No. _____**

FROM: City Manager

SUBJECT: FY 2025-26 3rd Quarter Budget Report

MEETING DATE: May 12, 2026

RECOMMENDATION:

It is recommended that the City Council receive and file the FY 2025-26 3rd Quarter Budget Report.

BACKGROUND:

The City Council adopted the Fiscal Year 2025-26 Budget on June 24, 2025. As part of the renewed commitment to fiscal responsibility and transparency, staff is now preparing quarterly budget status reports to provide updates on the city's financial position and highlight any notable variances or trends.

DISCUSSION:

This report covers financial activity for the period of July 1, 2025, through March 31, 2026, representing 75% of the fiscal year. Activity during the 3rd quarter typically increases across most California cities, including Commerce. A large share of many major revenues, such as sales tax and property taxes, have been received through the third quarter, although the largest share of the revenues are received in the fourth quarter (Apr-Jun) due to the timing of revenue receipts and reporting lags. Similarly, grant reimbursements, capital projects, and seasonal program expenditures tend to generate more financial activity in the last quarter of the fiscal year.

As part of ongoing financial monitoring, staff uses the percentage of the fiscal year elapsed as a benchmark to identify potential variances or areas of concern. Since 75% of the fiscal year has passed, departments should generally have spent less than 75% of their annual budgets at this point in time. Variances above this level do not necessarily indicate a problem but may warrant review to confirm that expenditures are aligned with operational needs and timing differences (such as upfront contractual payments, annual one-time payments, or encumbrances).

The Finance Department is also continuing to meet individually with each department to review their quarterly results in greater detail. These discussions help identify any emerging

budgetary issues, allow for proactive adjustments as needed, and help maintain an open channel of communication between departments and the Finance Department, promoting collaboration and shared accountability in managing city resources.

At this time, 3rd quarter results are consistent with expectations, and no material concerns have been identified.

The following tables provide summary-level information for citywide funds and General Fund revenue and expenditures as of March 31, 2026.

Table 1. Citywide Revenue

FY 2025-26 3rd Quarter Citywide Revenue

Fund	FY 2025-26 Amended	Actuals As of March 31, 2026	% Received
General Fund	\$ 83,650,700	\$ 56,298,246	67%
Food & Brewery District	-	649,380	N/A
Special Revenue	1,748,000	1,624,092	93%
Art in Public Places	400,000	310,865	78%
Community Benefit Fund	225,000	124,667	55%
Capital Improvement Fund	6,688,908	2,693,306	40%
Measure AA Fund	9,782,000	11,415,124	117%
Debt Service Payment	2,915,400	2,915,339	100%
Enterprise Funds	10,354,370	8,369,020	81%
Successor Agency	9,419,200	1,036,441	11%
TOTAL	\$ 125,183,578	\$ 85,436,480	68%

Table 2. Citywide Expenditures

FY 2025-26 3rd Quarter Citywide Expenditures

Fund	FY 2025-26 Amended	Actuals As of March 31, 2026	% of Budget Spent
General Fund	\$ 83,890,211	\$ 57,216,810	68%
Project Management Fund	1,945,700	6,600	0%
Food & Brewery District	-	-	0%
Special Revenue	1,884,300	497,201	26%
Art in Public Places	595,167	128,357	22%
Community Benefit Fund	225,000	184,355	82%
Capital Improvement Fund	6,871,525	2,066,526	30%
Measure AA Fund	34,776,359	6,143,046	18%
Debt Service Payment	2,915,400	2,780,248	95%
Enterprise Funds	13,594,012	9,013,506	66%
Successor Agency	9,788,900	1,824,326	19%
TOTAL	\$ 156,486,574	\$ 79,860,975	51%

Table 3. General Fund Revenues**FY 2025-26 3rd Quarter General Fund Revenues**

Revenue Source	FY 2025-26 Amended	Actuals As of March 31, 2026	% Received
License Fees - Card Club	\$ 30,320,000	\$ 23,110,519	76%
Sales Tax	28,793,200	17,970,993	62%
Other Taxes	9,632,700	5,112,378	53%
Licenses & Permits	5,744,800	4,933,757	86%
Use of Money	3,656,200	2,091,962	57%
Rev - Other Agencies	1,694,200	961,023	57%
Current Charges	1,402,000	858,171	61%
Transfers-In	755,000	-	0%
Parks & Recreation	368,100	381,232	104%
Misc. Revenue	961,500	566,122	59%
Fines & Penalties	323,000	312,090	97%
Total	\$ 83,650,700	\$ 56,298,246	67%

Table 4. General Fund Expenditure**FY 2025-26 3rd Quarter General Fund Expenditures**

Department	FY 2025-26 Amended	Actuals As of March 31, 2026	% of Budget Spent
City Administration	\$ 4,220,200	\$ 2,491,719	59%
Community Development	1,614,000	919,514	57%
Debt Service/Transfers-Out*	2,915,500	2,914,483	100%
Finance	3,067,600	2,100,990	68%
Human Resources	2,131,300	1,057,587	50%
Library Services	5,024,600	3,037,473	60%
Non-Departmental*	9,540,700	7,545,256	79%
Parks & Recreation	11,650,000	7,735,021	66%
Public Safety	28,926,000	20,913,106	72%
Public Works	11,328,111	6,343,696	56%
Transportation*	3,472,200	2,157,965	62%
Total	\$ 83,890,211	\$ 57,216,810	68%

**Reflects one-time annual payments made during the first quarter of the year*

The following summarizes key observations from citywide revenues and expenditures and the General Fund as of the 3rd quarter of FY 2025-26.

Citywide Highlights

- Citywide revenues are tracking slightly below 75% of estimates due to the timing of major tax and intergovernmental receipts, which is typical for all government agencies.
- Expenditures across most funds remains below 75% of budget, consistent with expected 3rd quarter spending patterns.
- Capital project activity is catching up as several projects have started and more expenditures are anticipated in the last quarter of the fiscal year.
- Enterprise and Special Revenue funds, including Transit and Gas Tax funds, have received the expected levels and may show more activity as reimbursements and program expenditures occur later in the last quarter of the fiscal year.
- No significant budgetary variances or concerns have been identified at this time.

General Fund Highlights

- General Fund revenues through the 3rd quarter remain generally consistent with historical timing trends for major revenue categories such as property tax and franchise-related revenues. However, sales tax revenues are currently trending below the estimated amount, primarily driven by weaker than anticipated receipts in certain sales tax categories (i.e., business and industry, building and construction, fuel and service stations, etc.) and also reflects broader economic conditions and consumer spending patterns.
- Based on receipts received through March, staff anticipates that the sales tax revenue will be \$1.8 million under the budgeted amount.
- General Fund expenditures remain well within budgeted levels for most departments.
- No significant expenditure variances have been noted that would impact the city's overall financial position at this time.

3rd quarter results indicate that most departments remain within the expected range of expenditures for this point in the fiscal year, generally below 75% of their amended budgets. Three Departments on table 4 reflect expenditures above the 75% benchmark and this is due primarily to timing-related expenses, such as debt service payment occurring in August (under Debt Service/Transfers Out) and other one-time contractual payments (under Transportation & Non-Departmental) occurring in July & August. These expenses are not indicative of overspending, but rather reflect annual payments made at the beginning of the fiscal year. As we go through the fiscal year, the spending levels will even out.

Staff will continue to monitor revenues and expenditures closely throughout the year and report to the City Council on a quarterly basis.

ALTERNATIVES:

1. Receive and file the FY 2025-26 3rd Quarter Budget Report (recommended)
2. Provide alternative direction to staff

FISCAL IMPACT:

There is no fiscal impact associated with receiving and filing this report. The report is informational and intended to support ongoing financial transparency and monitoring.

Recommended by: Alvaro Castellon, Director of Finance

Approved as to form: Noel Tapia, City Attorney

Respectfully submitted: Ernie Hernandez, City Manager