CITY OF COMMERCE
AGENDA REPORT

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

FROM: City Manager

SUBJECT: FY 2025-26 1st Quarter Budget Report

MEETING DATE: October 28, 2025

RECOMMENDATION:

It is recommended that the City Council receive and file the FY 2025-26 1st 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 September 30, 2025, representing 25% of the fiscal year. Activity during the 1st quarter is typically limited across most California cities, including Commerce. Many major revenues, such as sales tax and property taxes, are received later in the fiscal year 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 subsequent quarters.

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 25% of the fiscal year has passed, departments should generally have spent less than 25% 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 meeting 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, 1st 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 September 30, 2025.

Table 1. Citywide Revenue

FY 2025-26 1st Quarter Citywide Revenue

Fund	FY 2025-26 Adopted	Actuals As of September 30, 2025	% Received
General Fund	$ 81,715,700	$ 10,330,146	13%
Special Revenue	1,748,000	88,938	5%
Art in Public Places	400,000	240,705	60%
Community Benefit Fund	225,000	5,000	2%
Measure AA Fund	9,782,000	4,454,894	46%
Debt Service Payment	2,915,400	1,840,041	63%
Enterprise Funds	9,480,200	2,774,761	29%
Successor Agency	9,419,200	134,421	1%
TOTAL	$ 115,685,500	$ 19,868,907	17%

Table 2. Citywide Expenditures

FY 2025-26 1st Quarter Citywide Expenditures

Fund	FY 2025-26 Adopted	Actuals As of September 30, 2025	% of Budget Spent
General Fund	81,715,700	20,378,842	25%
Special Revenue	1,748,000	137,128	8%
Art in Public Places	400,000	33,000	8%
Community Benefit Fund	225,000	79,276	35%
Capital Improvement Fund	5,893,800	603,754	10%
Measure AA Fund	16,353,000	395,306	2%
Debt Service Payment	2,915,400	1,840,038	63%
Enterprise Funds	12,296,700	1,722,811	14%
Successor Agency	9,788,900	698,041	7%
TOTAL	$ 131,336,500	$ 25,888,195	20%

Table 3. General Fund Revenues

FY 2025-26 1st Quarter General Fund Revenues

Revenue Source	FY 2025-26 Adopted	Actuals As of September 30, 2025	% Received
License Fees - Card Club	$ 30,320,000	$ 5,290,693	17%
Sales Tax	28,793,200	2,001,573	7%
Other Taxes	9,632,700	42,113	0%
Licenses & Permits	5,744,800	1,265,775	22%
Use of Money	2,241,200	1,371,396	61%
Rev - Other Agencies	1,694,200	180,009	11%
Current Charges	1,402,000	1,215	0%
Transfers-In	755,000	-	0%
Parks and Recreation	368,100	42,760	12%
Misc. Revenue	441,500	80,050	18%
Fines & Penalties	323,000	54,563	17%
Total	**$ 81,715,700**	**$ 10,330,146**	**13%**

Table 4. General Fund Expenditure

FY 2025-26 1st Quarter General Fund Expenditures

Department	FY 2025-26 Adopted	Actuals As of September 30, 2025	% of Budget Spent
City Administration	$ 4,020,200	$ 651,140	16%
Community Development	1,614,000	244,843	15%
Debt Service/Transfers-Out*	2,915,500	1,840,038	63%
Finance	3,067,600	611,958	20%
Human Resources	2,131,300	380,100	18%
Library Services	5,006,600	934,189	19%
Non-Departmental*	9,540,700	3,698,646	39%
Parks and Recreation	10,915,000	2,384,347	22%
Public Safety	28,926,000	6,543,382	23%
Public Works	11,106,600	1,592,264	14%
Transportation*	2,472,200	1,497,934	61%
Total	**$ 81,715,700**	**$ 20,378,842**	**25%**

**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 1st quarter of FY 2025-26.

Citywide Highlights

- Citywide revenues are tracking slightly below 25% of estimates due to the timing of major tax and intergovernmental receipts, which is typical for the 1st quarter.
- Expenditures across most funds remains below 25% of budget, consistent with expected 1st quarter spending patterns.
- Capital project activity remains limited as several projects are in early planning or procurement stages, with more significant expenditures anticipated in the 2nd and 3rd quarters.
- Enterprise and Special Revenue funds, including Transit and Gas Tax funds, are performing within expected levels and will show more activity as reimbursements and program expenditures occur later in the fiscal year.
- No significant budgetary variances or concerns have been identified at this time.

General Fund Highlights

- General Fund revenues are tracking modestly below the 25% benchmark, primarily due to the timing of major receipts such as Sales Tax and Property Tax. The receipt of revenues is expected to normalize by the 3rd quarter (January – March) as major revenue sources are distributed according to their typical collection cycles.

- General Fund expenditures remain well within budgeted levels for most departments, consistent with typical 1st quarter trends.
- No significant variances have been noted that would impact the city's overall financial position at this time.

1st quarter results indicate that most departments remain within the expected range of expenditures for this point in the fiscal year, generally below 25% of their adopted budgets. Three Departments on table 4 reflect expenditures above the 25% 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 1st 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.

RELATIONSHIP TO STRATEGIC GOALS:

The action recommended in this report aligns with the 2016 Strategic Plan Fiscal Sustainability Guiding Principle 1: demonstrate fiscal responsibility through the establishment of financial policies and budgeting practices that meet the Financial Standards of Excellence requirements.

Prepared by: Alvaro Castellon, Director of Finance
Respectfully submitted: Ernie Hernandez, City Manager