



Agenda Item

Orange City Council

Item #: 8.1.

2/10/2026

File #: 25-0700

TO: Honorable Mayor and Members of the City Council

THRU: Jarad Hildenbrand, City Manager

FROM: Trang Nguyen, Finance Director

1. SUBJECT

Fiscal Year 2024-2025 General Fund Report.

2. SUMMARY

The Fiscal Year 2024-25 annual audit is near completion, and staff are prepared to report on the unaudited actuals, focusing on the General Fund. The Annual Comprehensive Financial Report is being finalized and tentatively scheduled to be received and filed with the City Council next month.

3. RECOMMENDED ACTION

1. Receive and file the Fiscal Year 2024-25 Year-end Financial Report, focusing on the General Fund.
2. Approve the Purchase Order carryover requests of \$14,746, 733 and continuing appropriations of \$4,312,319.49 for all funds.

4. FISCAL IMPACT

The appropriations are from unspent funding in Fiscal Year 2024-25.

5. STRATEGIC PLAN GOALS

Goal 2: Enhance Economic Development and Achieve Fiscal Sustainability.

6. DISCUSSION AND BACKGROUND

BACKGROUND

Fiscal Year 2025 Summary

The City's annual audit started in late October and the field work was completed early January 2026. The Annual Comprehensive Financial Report (ACFR) is being finalized, and staff has prepared the unaudited actuals, focusing on the General Fund. Staff will present the ACFR and audited results to the Audit Committee in February before returning to the City Council for receive and file.

The Fiscal Year 2024-25 (FY25) General Fund Adopted Budget for revenue was \$153.7 million and expenditure of \$159.7 million. The General Fund closed FY25 with a total revenue of just over \$158.7 million and expenditure of over \$159.4 million, resulting in a deficit of almost \$700,000. The ending fund balance at June 30, 2025 was \$28.5 million, of which \$26.4 million is catastrophic reserve and just over \$169,000 in undesignated fund balance.

Accounting Changes

Internal Service Funds (ISFs) are commonly used as a financial planning tool to smooth large and irregular expenditure over time and to support reporting compliance with actuarial requirements for self-insurance programs. The City historically maintained nine ISF's to account for equipment maintenance, vehicle and computer replacement, major building improvements, self-insurance, and information systems operations, with the General Fund serving as the primary funding source.

At the close of Fiscal Year 2025, four of the ISF's were consolidated into the General Fund for two primary reasons. First, these programs incur routine, recurring annual operating expenses rather than intermittent or long-term costs typically suited for ISF. Second, the Equipment Maintenance Fund has experienced an ongoing structural deficit since Fiscal Year 2016.

The consolidation of the Equipment Maintenance, Major Building Improvements, Dental Insurance, and Information Systems Operations funds into the General Fund improves transparency by fully reflecting the City's true operating costs and eliminating the need for interfund transfers to subsidize ongoing deficits. Details for revenue and expenditure, combining the General Fund and ISFs, will be discussed later in the report.

DISCUSSION

General Fund Revenue

The FY25 General Fund revenue is approximately \$158.7 million, including transfers and 1-time revenues. Actuals were slightly more than the FY25 revised budget by almost \$120,000 or 0.1%. While actuals were consistent with what was budgeted, details on the variance comparing the Fiscal Year 2023-24 (FY24) within various categories are summarized in Table 1.

Compared to FY24, the General Fund total revenue, including transfers in, increased by over \$12 million or 8%. The three largest contributors to the increases from FY24 were the consolidation of the ISFs, Property Tax, and Fine and Forfeitures.

- Revenues in the Internal Service Revenues category increased by about \$11.8 million or over 325% compared to FY24. However, \$8.4 million is the result of the consolidation of the ISFs, including funds previously designated for fleet maintenance, IT operations, and major building repairs. The remaining \$3.4 million is attributed to the new cost allocation plan.
- Property tax revenues increased by approximately \$3.1 million, or 5.7%, compared to FY24 actuals. This increase is primarily attributable to the annual 2% CPI adjustment, with the remaining growth resulting from higher property transfer tax activity.
- Revenue from Fines and Forfeitures increased by almost \$881,000 or 50.4% compared to the FY24 actuals. This is mostly due to increased parking violation enforcement for street sweeping related violations.

Table 1: FY25 Unaudited General Fund - Revenues

	FY24 Actual	FY25 Revised Budget	FY25 Actual	Changes from FY24
Property Tax	\$54,579,940	\$55,710,900	\$57,658,841	\$3,078,901
Sales Tax	50,610,366	51,617,688	49,355,015	-1,255,351
Transient Occupancy Tax (TOT)	6,092,658	5,850,000	6,150,976	58,318
Franchise	2,981,298	3,220,194	2,753,299	-227,999
License & Permit	7,206,692	7,106,173	6,396,387	-810,305
Fine & Forfeiture	1,747,538	1,655,800	2,628,786	881,248
Use of Money & Property	4,794,620	3,076,751	3,815,519	-979,101
Revenue from Other Agencies	3,570,197	2,051,915	3,002,532	-567,665
Fee for Services	6,851,807	6,061,669	6,602,124	-249,683
Miscellaneous Revenue	1,958,560	3,222,295	1,870,906	-87,654
Internal Service Charges	3,635,631	16,015,328	15,474,265	11,838,634
Total Operating Revenues	144,029,307	155,588,713	155,708,650	8,375,692
Transfers in	2,629,049	3,000,000	3,000,000	370,951
Total Revenues	\$146,658,469	\$158,588,713	\$158,708,650	12,050,181

General Fund Expenditure

The FY25 General Fund expenditure is \$159.4 million, leaving an unspent budget of \$9.7 million. The two largest unspent budget categories are in salaries and benefits and miscellaneous expenditure for \$5.9 million and \$1.6 million, respectively. However, it is important to note that some of the unspent budget has been committed and/or restricted, and will need to be carried over to Fiscal Year 2025-26 (FY26).

When comparing the General Fund expenditure to FY24, total expenditure, including transfers, increased by approximately \$15.5 million or 10.8%. The increase is mostly attributed to the consolidation of ISFs contributing to more than \$10.6 million or 69% of the increase compared to the previous year. Salaries and benefits increased by about \$3 million and accounted for 19% of the increase. The Details on the variance compared the FY24 are summarized in Table 2.

Table 2: FY25 Unaudited General Fund - Expenditure

	FY24 Actual	FY 25 Revised Budget	FY 25 Actual	Changes from FY24
Salaries & Benefits	\$100,385,131	\$110,288,544	\$104,365,095	\$3,979,964
Contractual Services	15,545,853	6,002,855	6,141,942	-9,403,911
Materials & Supplies	2,227,988	6,296,969	4,851,803	2,623,815

Repair & Maintenance	-	8,087,496	6,865,145	6,865,145
Utility Charges	-	3,044,524	3,321,195	3,321,195
Capital Outlay	135,064	1,306,375	1,006,636	871,572
Misc. Expenses	282,313	2,532,872	961,385	679,072
Debt Services	1,711,460	17,519,111	17,377,333	15,665,873
Internal Service Costs	23,636,031	14,029,588	14,029,588	-9,606,443
Total Operating Expenses	143,923,840	169,108,334	159,407,802	15,483,962
Transfers Out	-	-	487,680	487,680
Total Expenses	143,923,840	169,108,334	159,407,802	15,483,962

General Fund Carryover

Staff are requesting \$2,003,807 to be carried over to FY25 for ongoing projects that have been committed and for grants and/or donations that were received for a specific purpose. At the end of FY25, staff are requesting \$787,103 or 8% of the unspent General Fund balance be carried over to FY25 for ongoing projects and commitments (attached). Staff are also requesting a continuing appropriation of \$1.2 million for grants and donations that were received in FY25 but have not been spent (attached).

Other Funds Carryover

In addition to the General Fund carryovers, year-end closing for FY25 identified a total of \$17.1 million in continuing appropriations and purchase order carryovers, as detailed in the attached schedules. This amount reflects purchase orders and appropriations that remained open at fiscal year-end and determined to be justified obligations at fiscal year end. While these balances are identified for carryover purposes, not all amounts will ultimately be carried forward into the subsequent fiscal year.

General Fund - Fund Balance

At the end of FY25, the General Fund had an operating deficit of approximately \$700,000, including transfers. Total revenue of \$158.7 million and expenditure of \$159.4 million. However, it is important to note that the deficit was not a direct result of the General Fund's underperformance, but rather from the consolidation of four ISFs that the General Fund supports almost exclusively. After setting aside for catastrophic reserve and carryover, the General Fund closed FY25 with an undesignated fund balance \$169,174, a decrease of \$1.4 million from FY24.

Table 3: FY25 Unaudited General Fund - Fund Balance

	FY24 Actual	FY25 Actual	Variance to FY24
Beginning Fund Balance	\$24,228,416	\$29,252,874	\$5,024,458
Operating Revenues	144,029,307	155,708,650	11,679,343
Transfers in	2,629,162	3,000,000	370,838

Total Revenues	146,658,469	158,705,650	12,050,181
Operating Expenditures	143,923,841	158,920,122	14,996,281
Transfers out	-	487,680	487,680
Total Expenditures	143,923,841	159,407,802	15,483,961
Surplus/(Deficit)	2,734,628	-699,152	-3,433,780
Ending Fund Balance	26,963,044	28,553,772	1,590,678
Catastrophic Reserve	23,891,358	26,380,740	2,489,383
Committed/Carryover	1,477,565	2,003,807	526,242
Undesignated Fund Balance	\$1,594,121	169,174	-\$1,424,947

In closing, the City's unaudited General Fund continued to display slow revenue growth and controlled expenditures through position vacancies, with year-over-year changes largely driven by the strategic consolidation of ISF's that had previously been fully supported by the General Fund. While the consolidation resulted in a modest operating deficit and an undesignated fund balance at year-end, this outcome improves long-term transparency and more accurately reflects the City's true operating costs within the General Fund.

7. ATTACHMENTS

- Purchase Order Carryover Listing
- Continuing Appropriation Listing