



Staff Report

TO: Honorable Mayor and Members of the City Council
FROM: Jennifer Ustation, Finance Director
DATE: February 17, 2026
SUBJECT: FY2025-2026 Mid-Year Budget Report

Description: Receive and file the FY2025-2026 Mid-Year Budget Report.

Background and Analysis:

As per the City of Beaumont Financial Management Policy, a mid-year budget report will be presented to the Mayor and City Council for review and discussion as an action item on a City Council agenda. This report provides financial data for the six months of the fiscal year from July 1, 2025, to December 31, 2025, and provides the City Council with a broader look of the City's financial picture at the mid-point of the fiscal year. The report focuses on the current fiscal year and provides an analysis of adopted budget revenues and expenditure appropriations.

Economic Outlook

National Economy

Beacon Economics reports that despite elevated political uncertainty, negative headlines, and weakened consumer confidence, the U.S. economy remains fundamentally stable entering 2026. Real GDP growth averaged approximately 2.5% in 2025, with early-year softness offset by stronger performance later in the year. Inflation continues to moderate at 2.7% year-over-year, driven primarily by service-sector costs rather than goods or trade pressures. While job growth has slowed and unemployment has edged up to 4.6%, labor market conditions remain historically healthy, with low unemployment claims and normal job-opening rates. In response to softening indicators, the Federal Reserve has shifted toward stimulus through rate cuts and slower quantitative tightening, while federal fiscal policy remains expansionary.

Looking ahead, Beacon identifies rising long-term risks despite solid near-term momentum. Asset markets—particularly those tied to artificial intelligence—are showing signs of a speculative bubble, while federal debt levels continue to grow and could become destabilizing if interest rates rise. Beacon warns that a pullback in foreign

capital or a correction in equity markets could expose structural fiscal vulnerabilities, increasing borrowing costs and pressuring rate-sensitive sectors such as real estate. Overall, recession risk remains low in the near term, but underlying financial and fiscal imbalances continue to build, warranting cautious long-term planning.

California Economy

Beacon Economics reports that California enters 2026 with an economy constrained less by declining demand and more by policy uncertainty, high costs, and structural imbalances. Labor market conditions remain softer than the nation's, with unemployment at approximately 5.6%, driven largely by slow labor force growth rather than a collapse in hiring. Job growth has been concentrated in Health Care, Social Assistance, and Government, while goods-producing sectors such as Manufacturing and Construction continue to face headwinds. Consumer spending has stabilized following the pandemic-era surge, with taxable sales remaining flat but elevated relative to pre-pandemic trends. However, housing affordability remains a central challenge, as limited supply has prevented meaningful price relief despite slower market activity.

Looking ahead, Beacon identifies several elevated risks to California's outlook. Proposed state and local policies—including new taxes on high earners and vacant properties—add to uncertainty and may discourage investment or accelerate out-migration, potentially shrinking the tax base. The state's budget is highly exposed to financial market volatility due to its reliance on personal income and capital gains taxes, with projected deficits widening beyond 2026. Longer-term, demographic aging, reduced immigration, and chronic underproduction of housing continue to constrain labor force growth and economic potential. Beacon concludes that while California is not facing an immediate downturn, sustained growth will depend on reducing policy uncertainty, expanding housing supply, and addressing structural fiscal and demographic pressures.

City of Beaumont

The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 5.2% in December 2025, a slight decrease from 5.5% in November, and remaining above a year-ago estimate of 4.9%. The unemployment rate was 5.2% in Riverside County, and 5.0% in San Bernardino County.

The City had an overall decline in total permit activity in calendar year 2025. Calendar year 2025 had a decrease from 2024. In comparison, calendar year 2025 is below calendar year 2024 by 15.9%. Below is a table representing the permit data for the City of Beaumont over the last ten calendar years.

Permit Information	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Dec
<i>Information for Total Permit figures includes all residential and commercial construction</i>												
Total Permits Issued	2052	1907	2286	2704	2229	1555	2148	2998	2969	2121	1783	186
Total Permits Finals	1674	1410	2001	2404	2319	1443	1385	2213	1975	2063	1416	124
Average a Month	138	159	191	225	185	129	179	249	247	176	148	
S/F Homes	457	446	745	707	531	275	475	883	658	285	142	39
S/F Homes Finals	405	333	552	536	629	335	277	766	533	535	197	15
Average a Month	38	37	37	59	44	23	36	69	54	23	11	
Commercial	81	93	88	107	124	109	124	160	116	135	78	13
Commercial Finals	63	65	99	51	104	93	75	81	89	101	85	5
Average a Month	7	8	7	9	10	9	10	13	9	11	6	
Population Totals	43,370	44,821	46,179	46,545	46,545	48,407	51,603	51,603	53,036	58,463	58,463	

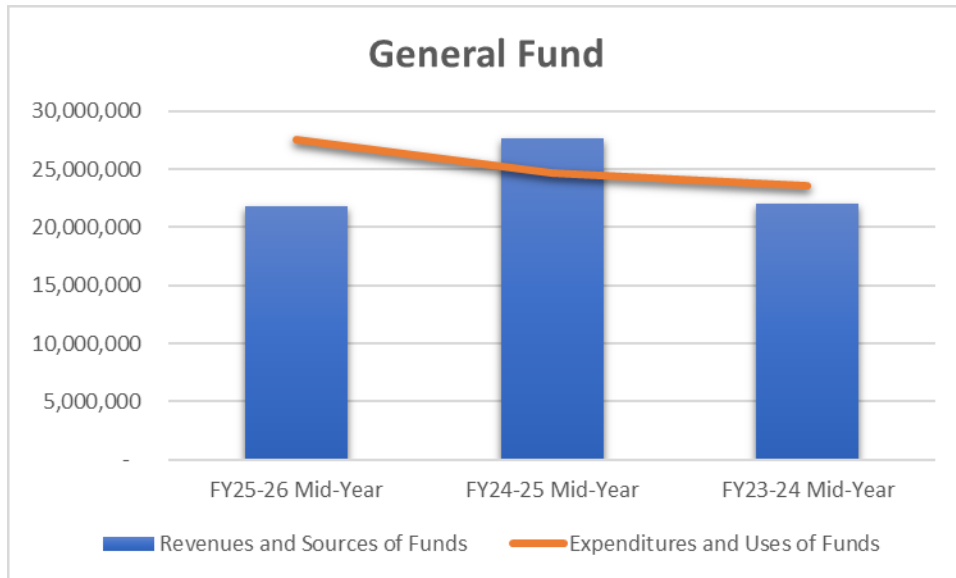
General Fund

Overview

As of December 31, 2025, General Fund Revenues and Sources of Funds totaled \$21.8M, a decrease of 21.1% (\$5.85M) from the same point last year. Expenditure and Uses of Funds totaled \$27.5M, which is an increase of 12% (\$2.85M) from last year's midway point.

For this period, July through December 2025, Revenues and Sources of Funds exceeded Expenditures and Sources of Funds by approximately \$5.7M. Several of the General Fund's larger revenue streams, such as Property Taxes, are received in the latter half of the fiscal year. Historically, during the first six months of the fiscal year, the General Fund cash flow needs are reliant upon the City's 16% Operating Reserve, which prevents the City from having to borrow funds (i.e. issue tax and revenue anticipation notes), thereby avoiding additional interest and issuance expenses.

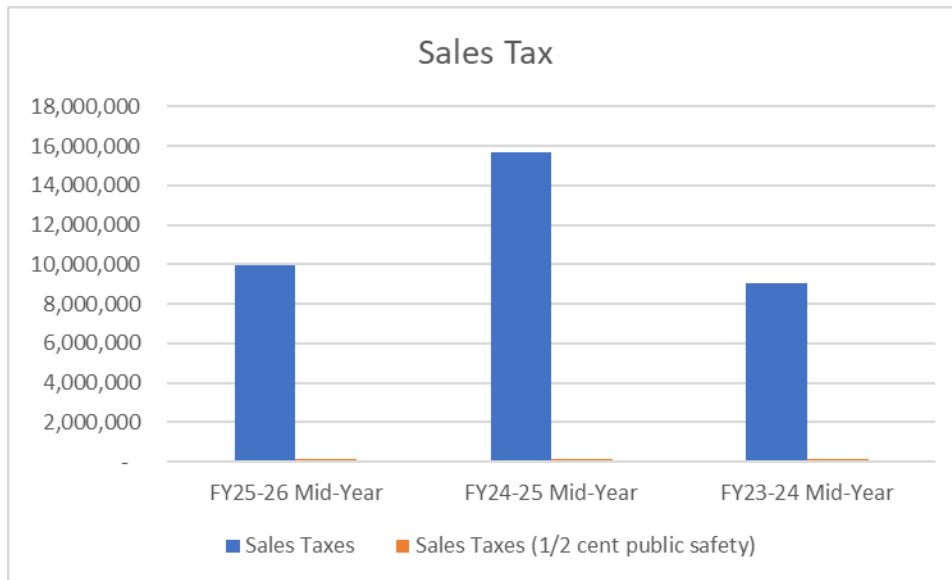
The table below summarizes this activity for the current year, as well as the two previous years.



	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Revenues and Sources of Funds	72,486,809	21,809,285	30%	27,673,954	22,006,407
Expenditures and Uses of Funds	76,607,195	27,519,805	36%	24,664,246	23,573,723

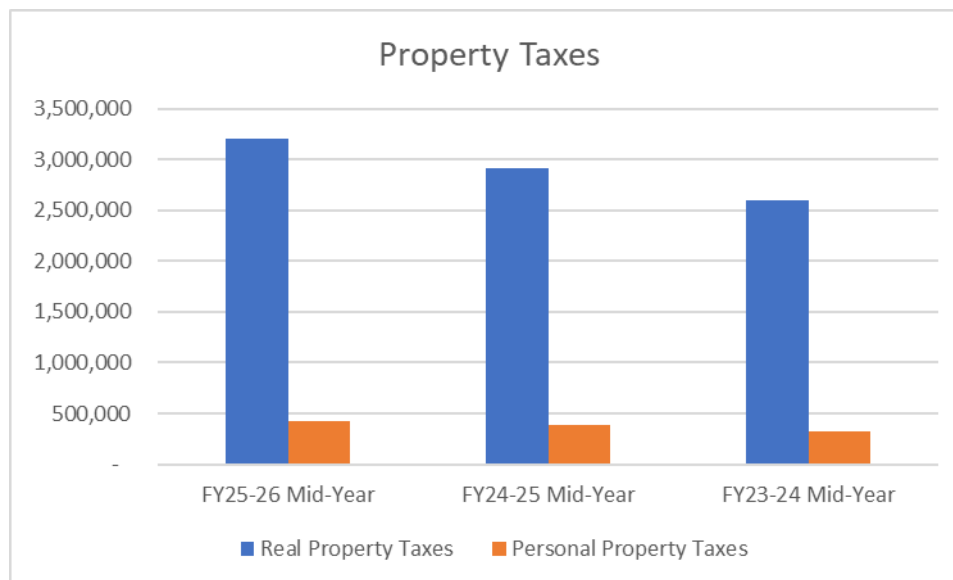
The General Fund has many sources of revenues with the Tax category accounting for 69% of the total General Fund budget. The taxes category includes Property Tax, Sales Tax, and Other Taxes such as Utility Users Tax and Transient Occupancy Tax.

Sales Tax – Sales tax revenue is a significant source of tax revenue for the City of Beaumont. It is comprised of two components: the City’s share of the State sales tax rate and a voter approved 0.5% general sales tax for public safety. At the mid-year point of the fiscal year, sales tax receipts are down from the same point last year, with only revenue received as of October 2025. This is due largely to a one-time audit correction from a fulfillment center in the amount of \$6.2M collected in the same time period last year. This amount was excluded from the current budget since it is a one-time occurrence. November and December 2025 Sales Taxes will record during the third quarter. The table below summarizes these balances, as well as those of the two previous years.



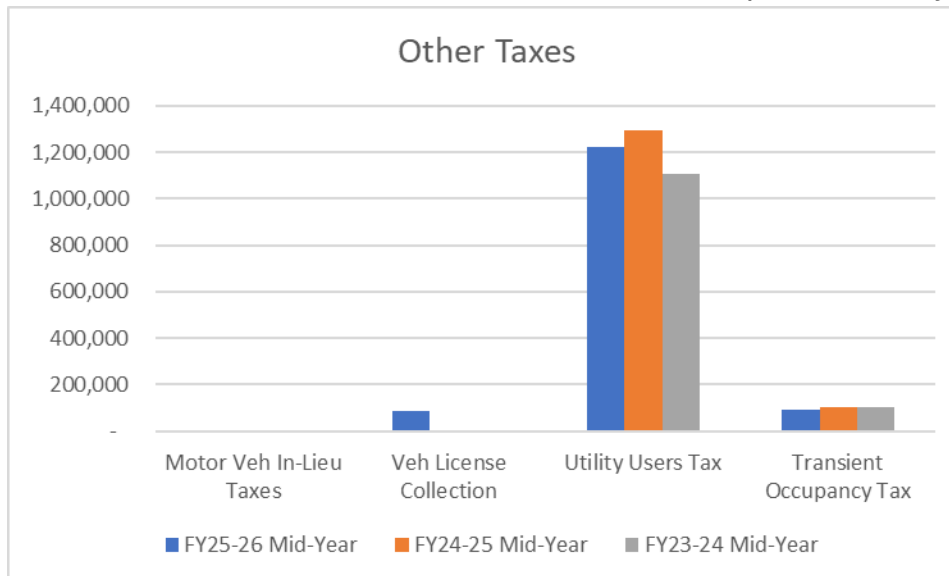
	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Sales Taxes	27,023,663	9,940,849	37%	15,659,895	9,064,943
Sales Taxes (1/2 cent public safety)	256,647	103,102	40%	106,835	108,009

Property Taxes – Property tax revenue is comprised of two major components: real property taxes and personal property taxes. At the mid-year point of the fiscal year, real property taxes are currently at 33%. The majority of this revenue is expected to be received in the second half of the fiscal year. The table below summarizes these balances, as well as those of the previous two years.



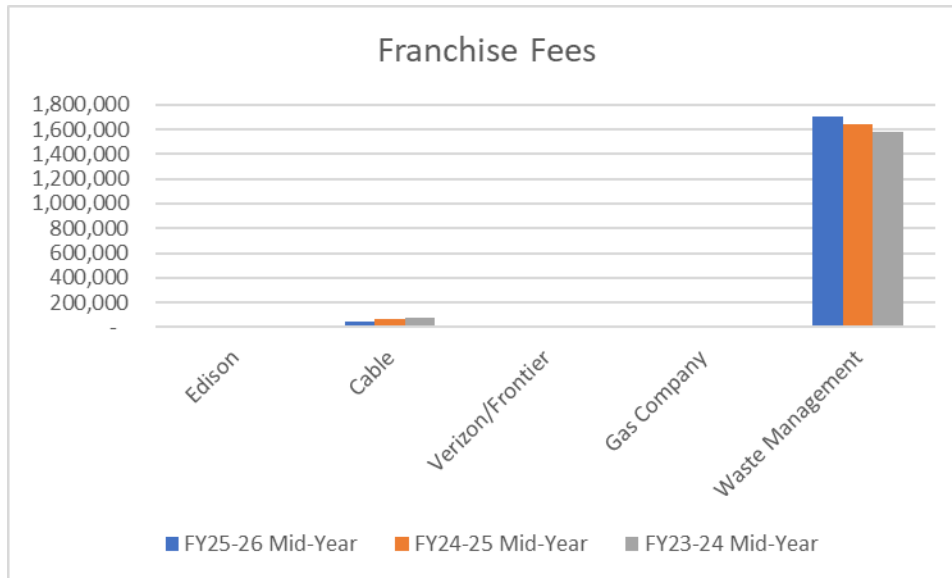
	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Real Property Taxes	9,806,594	3,211,318	33%	2,921,488	2,595,935
Personal Property Taxes	322,969	421,970	131%	387,651	318,316

Other Taxes – Other taxes are comprised of Motor Vehicle In-Lieu Taxes, Vehicle License Collections, Utility Users Tax, and Transient Occupancy Tax. At the mid-year point of the fiscal year, other taxes are up 16% (\$190K) from the same point last year. Most of this revenue is received in the second half of the fiscal year. The table below summarizes these balances, as well as those of the previous two years.



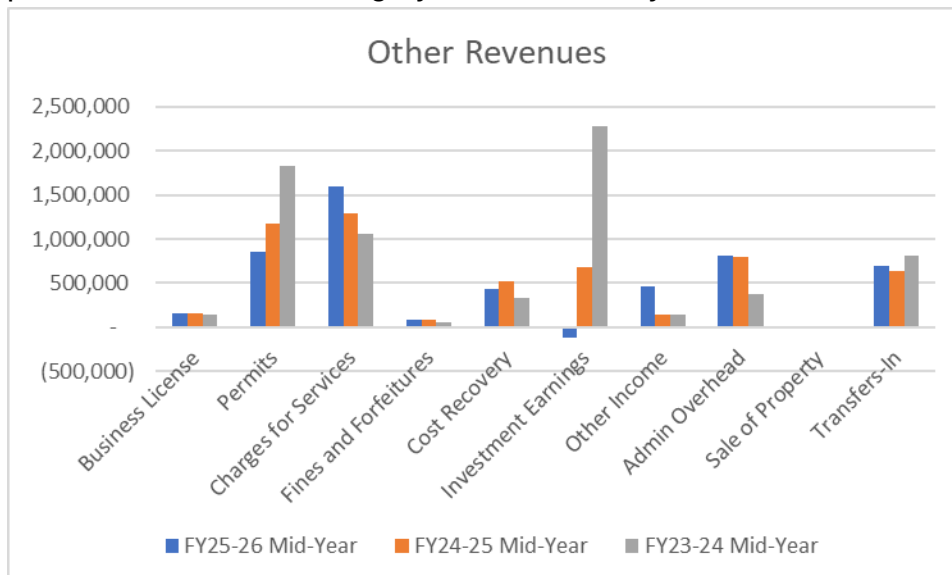
	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Motor Veh In-Lieu Taxes	9,373,956	-	0%	-	-
Veh License Collection	74,585	87,782	118%	-	-
Utility Users Tax	2,874,997	1,225,003	43%	1,295,940	1,104,724
Transient Occupancy Tax	409,606	93,377	23%	102,024	102,520

Franchise Fees – Franchise fees are collected from Edison, cable company providers, Verizon and Frontier, Gas Company, and Waste Management. At the midpoint of the fiscal year, franchise fees are up 2% (\$31.9K) from the same point last year. The table below summarizes these balances, as well as those of the two previous years.



	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Edison	667,685	-	0%	-	-
Cable	265,811	50,352	19%	68,185	75,090
Verizon/Frontier	51,854	-	0%	13,617	18,603
Gas Company	254,420	-	0%	-	-
Waste Management	2,179,800	1,701,391	78%	1,638,000	1,575,000

Other Revenue Categories – The remaining revenue categories represent 26% of total General Fund Revenues and Sources of Funds. The following table details the mid-year performance of each category for the current year, as well as the two most recent years.



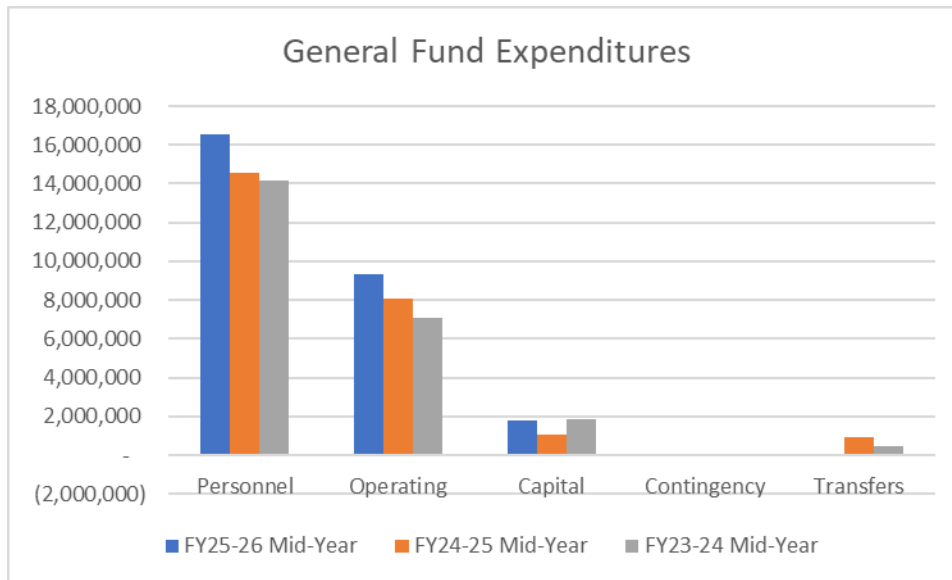
	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Business License	450,000	160,360	36%	158,198	149,550
Permits	2,071,119	850,477	41%	1,180,414	1,827,086
Charges for Services	2,717,534	1,600,256	59%	1,285,642	1,061,165
Fines and Forfeitures	220,000	89,394	41%	89,471	62,619
Cost Recovery	1,103,297	434,613	39%	514,591	334,266
Investment Earnings	2,429,019	(121,941)	-5%	684,302	2,276,858
Other Income	106,574	460,489	432%	139,131	146,911
Admin Overhead	1,623,468	812,246	50%	794,607	374,991
Sale of Property	-	-	0%	105	818
Transfers-In	8,203,211	694,036	8%	633,858	809,003

Expenditures and Use of Funds

Expenditures and Uses of Funds are \$27.5M or 36% at midyear. This represents a 11.5% (\$2.85M) increase from the same point last year. The following table shows mid-year expenditures organized by department for the current year, as well as the two preceding years.

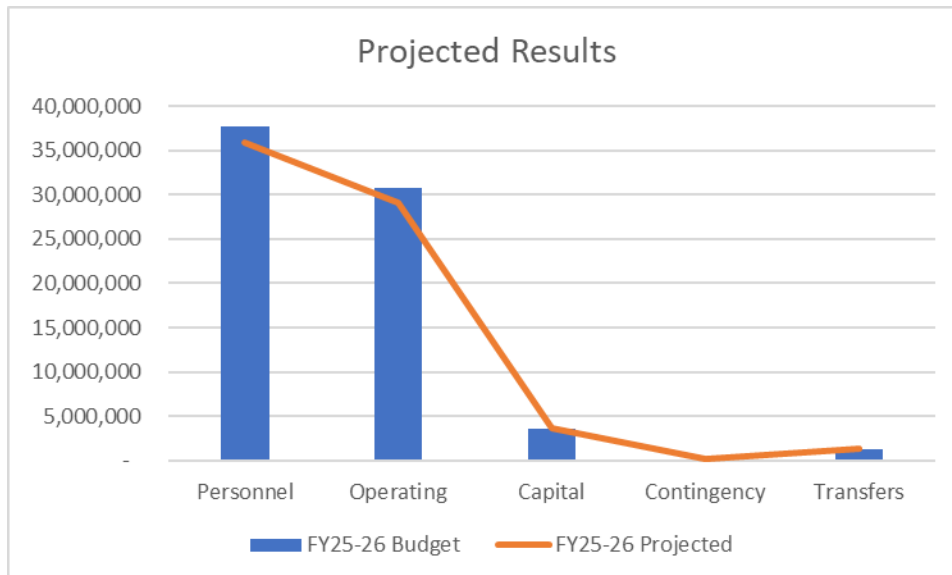
	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Non-Departmental	1,383,230	(171,669)	-12%	917,836	470,760
City Council	336,016	108,126	32%	141,660	30,032
City Clerk	582,319	234,114	40%	211,695	230,375
Administration	2,104,937	883,090	42%	509,894	468,840
Communications	982,337	281,460	29%	209,073	92,449
Finance	2,587,976	963,321	37%	917,220	861,174
IT	2,579,254	1,068,607	41%	987,257	1,063,324
Economic Development	1,969,230	324,219	16%	273,373	297,622
Risk and HR	4,585,378	3,466,779	76%	2,885,432	2,367,017
Legal	1,501,000	634,432	42%	484,460	576,492
Community Development	1,311,635	499,858	38%	323,633	382,361
Community Services	2,956,259	1,021,482	35%	858,142	930,163
Animal Control	948,230	176,476	19%	150,629	182,112
Community Enhancement	697,064	277,503	40%	158,957	158,516
Police	19,621,061	9,339,861	48%	8,704,399	8,466,708
K-9	22,749	11,333	50%	16,038	4,940
Police Support	3,731,585	1,476,146	40%	1,358,419	1,216,791
Fire	9,349,440	30,551	0%	44,913	58,057
Building and Safety	1,553,015	719,338	46%	713,030	566,278
Public Works	3,498,528	1,390,266	40%	1,098,941	1,114,844
Street Maintenance	3,627,968	1,448,226	40%	1,230,388	1,106,029
Building Custodial	652,130	293,022	45%	578,608	532,954
Building Facilities	977,811	301,182	31%		
Parks and Grounds	6,048,043	2,742,081	45%	1,890,252	2,395,885
Total General Fund Expenditures	73,607,195	27,519,805	37%	24,664,246	23,573,723

General Fund expenses are also shown by category in the following table.



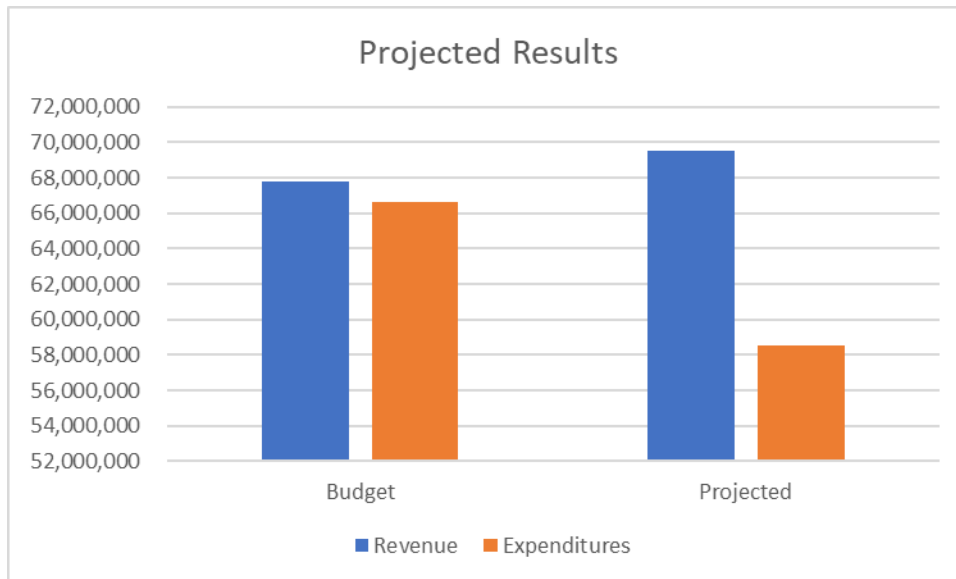
	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Personnel	37,760,112	16,570,266	44%	14,574,515	14,194,430
Operating	30,786,226	9,356,937	30%	8,089,479	7,053,372
Capital	3,582,393	1,754,947	49%	1,075,327	1,881,906
Contingency	150,000	36,708	24%	7,089	14,352
Transfers	1,328,464	(31,041)	-2%	917,836	429,664
Total General Fund Expenditures	73,607,195	27,687,817	38%	24,664,246	23,573,723

By year end, these categories in total are projected to total less than budgeted amounts. Projected results for each expenditure category are shown in the following table.



	FY25-26 Budget	FY25-26 Projected	% of Budget
Personnel	37,760,112	35,903,108	95%
Operating	30,786,226	29,048,452	94%
Capital	3,582,393	3,593,659	100%
Contingency	150,000	150,000	100%
Transfers	1,328,464	1,328,464	100%
Total General Fund Expenditures	73,607,195	70,023,683	95%

Projected Results



Fund Balance

Fund balance is comprised of reserves and designations for specific operating needs or purposes. The 16% Working Capital Reserve is used to provide sufficient cash flow during the first half of the fiscal year, primarily resulting from timing differences between expenditures and revenues. The Budget Stabilization Reserve is established for the purpose of stabilizing delivery of services during periods of budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures. The Emergency Disaster Reserve is to cover emergency costs related to any disaster caused by nature or human. Assigned reserves are reserves that have been dedicated for a special purpose by the City Council. Any remaining fund balance is available for City Council appropriation or can be reserved for future appropriation.

The unassigned fund balance at the start of the fiscal year was \$26.8M. A Re-appropriation of unexpended expenditures from FY2024-2025 was adjusted in the amount of \$618K. On August 19, 2025, the City Council approved a CIP budget

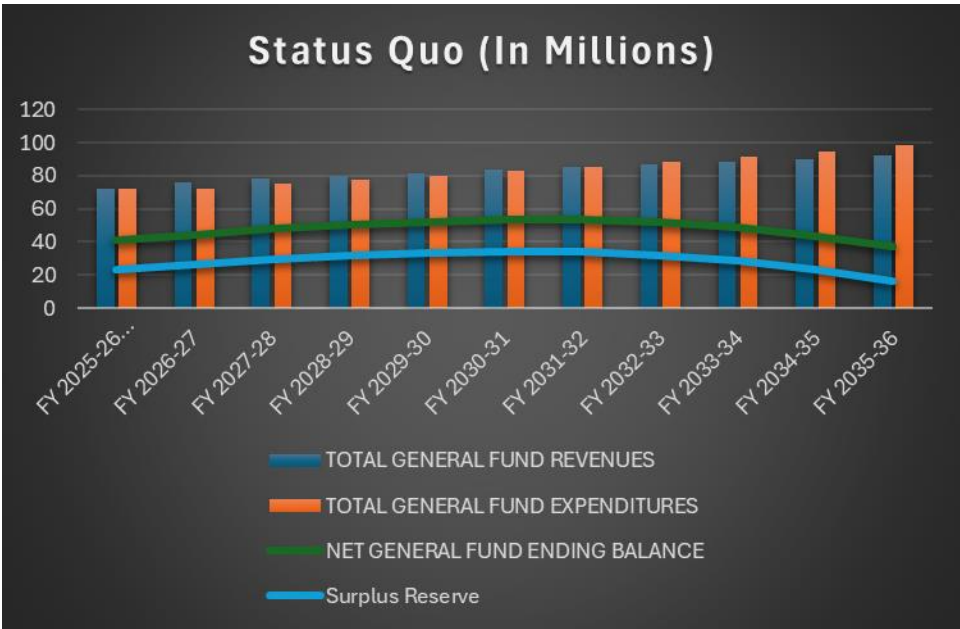
amendment to program 800K of the assigned reserves balance to the Potrero CIP project. There has been an amount of \$608K set aside for MOU required bonus payment from the FY2024-2025 audited financial results. Taking into consideration projected revenues and expenditures at the fiscal year-end, fund balance is expected to total approximately \$48M. The following table illustrates projected reserve balances at year-end.

Per the City’s Financial Policies, unassigned fund balances that exceed any policy requirements will be brought forth to the City Council for options of use that meet the strategic goals that have been established within the budget process. Below is a table that represents the current and year-end estimated balances.

	07/01/25 Fund Balance	6/30/26 Estimated Fund Balance
16% Cash Flow Reserve	11,584,289	11,584,289
Budget Stabilization Reserve	5,000,000	5,000,000
Emergency Disaster Reserve	1,000,000	1,000,000
Assigned Reserves	-	2,025,457
Unassigned Fund Balance	26,893,313	28,451,368
	44,477,602	48,061,114

Long-Term Fiscal Forecast

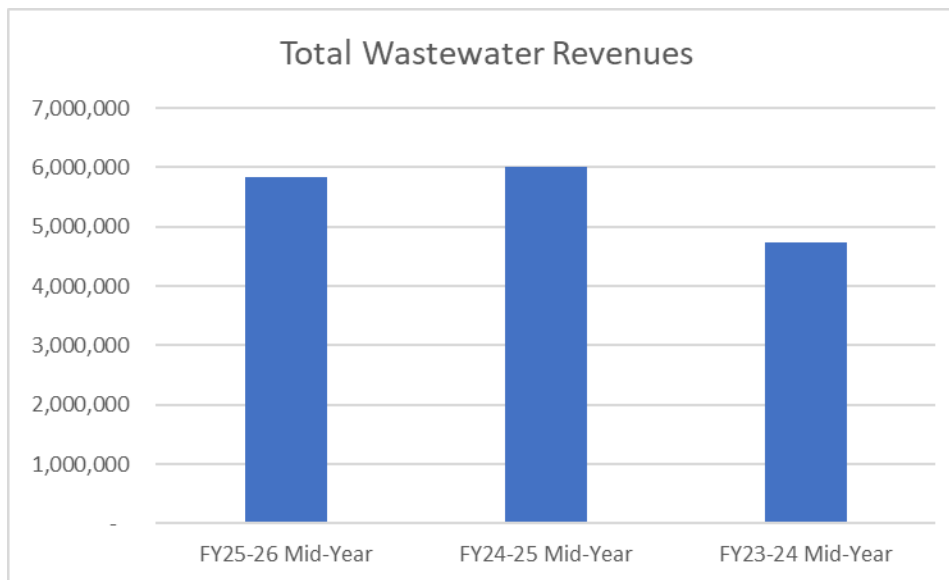
If conditions remain exactly as they are today, the General Fund begins to experience structural deficits starting in **FY 2033**. Under this scenario, revenues do not keep pace with growth and inflation, resulting in declining service levels over time.



Wastewater Fund

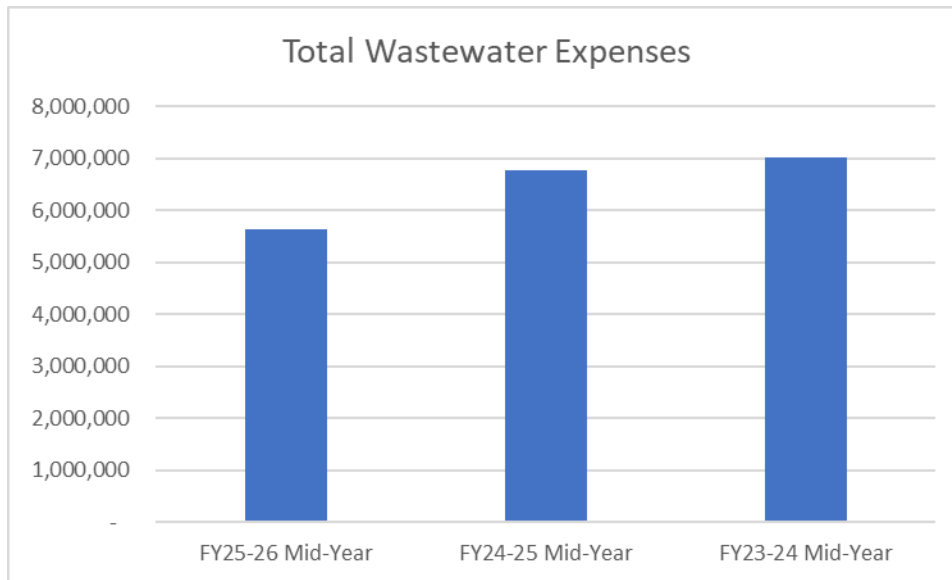
As of December 31, 2025, Wastewater Revenues and Sources of Funds totaled \$5.8M, a decrease of 3% (\$180K) from the same point last year. Expenses and Uses of Funds totaled \$5.6M, which is approximately a decrease of 16.8% (\$1.1M) from last year's midway point.

Revenues – Sewer service charge fees are billed bi-monthly, and the mid-year report represents two billings. The following table details the mid-year performance of each category for the current year, as well as the two most recent years.



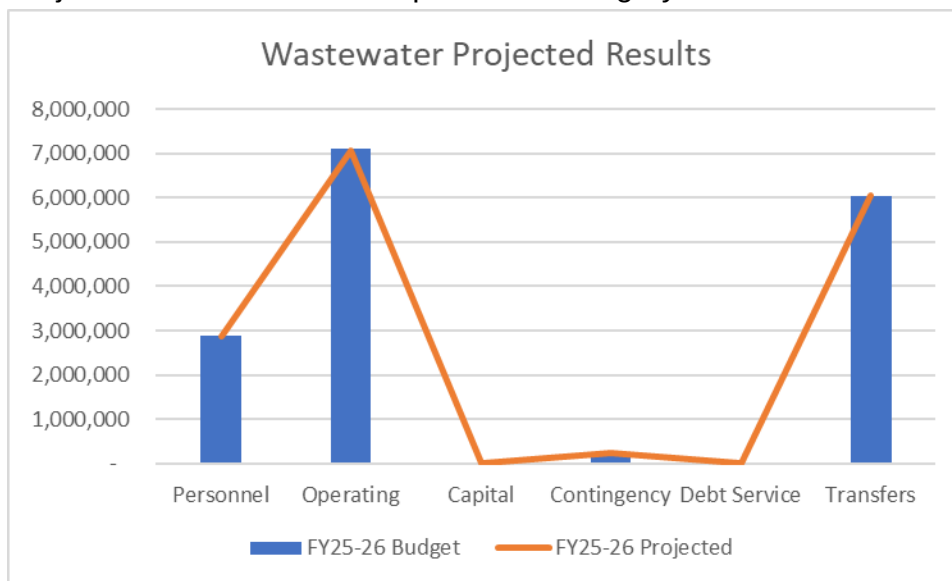
	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Fines and Forfeitures	-	44,830	0%	43,658	-
Cost Recovery	8,053	-	0%	167,304	-
Miscellaneous	138,851	177,115	128%	258,210	123,134
Proprietary Revenues	16,099,013	5,612,885	35%	5,545,758	4,616,793
Other Financing Sources	-	-	0%	162	2,660
Transfers	-	-	0%	-	-
Total Wastewater Revenues	16,245,917	5,834,829		6,015,092	4,742,588

Expenses - Expenses and Uses of Funds are \$5.6M or 35% at midyear. This represents a 16.8% (\$1.1M) decrease from the same point last year. The following table shows mid-year expenditures organized by department for the current year, as well as the two preceding years.



	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Personnel	2,888,418	1,318,446	46%	1,221,172	1,178,467
Operating	7,111,697	2,201,623	31%	2,256,300	2,046,388
Capital	-	1,832	#DIV/0!	-	36,410
Contingency	229,320	46,479	20%	-	203,896
Debt Service	-	-	#DIV/0!	-	-
Transfers	6,035,631	2,071,897	34%	3,301,544	3,547,609
Total Wastewater Expenses	16,265,066	5,640,276	35%	6,779,015	7,012,770

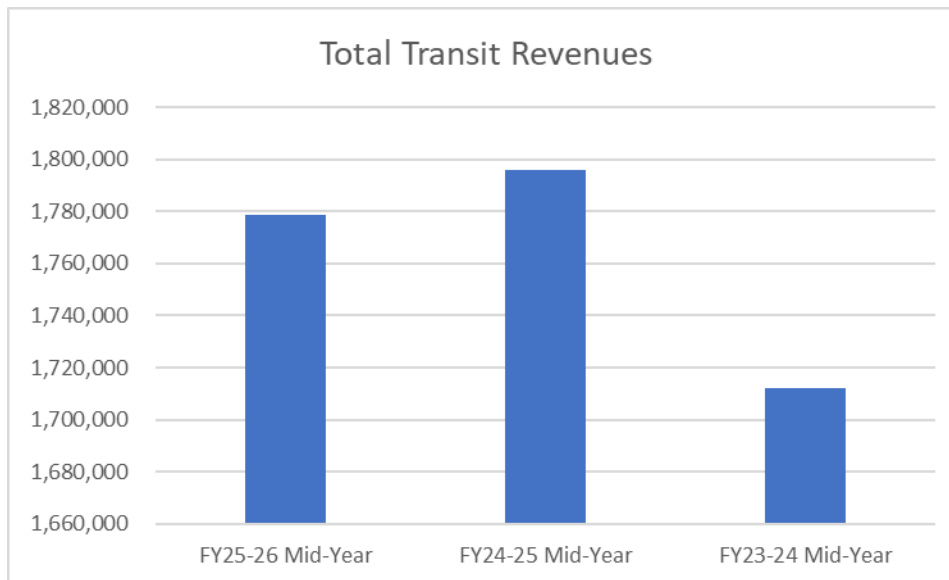
By year end, these categories in total are projected to total less than budgeted amounts. Projected results for each expenditure category are shown in the following table.



Transit Fund

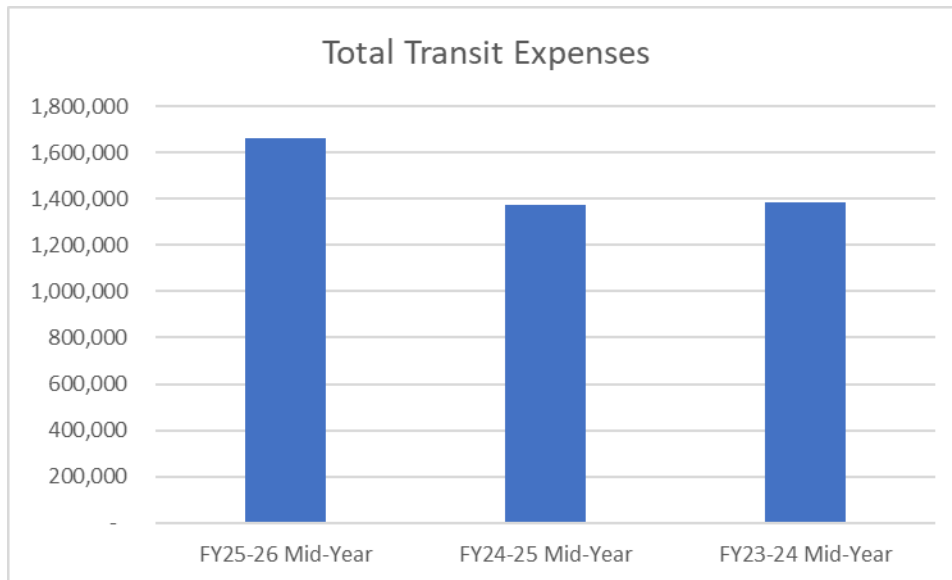
As of December 31, 2025, Transit Revenues and Sources of Funds totaled \$1.8M, a decrease of less than 1% (\$17k) from the same point last year. Expenses and Uses of Funds totaled \$1.7M, which is approximately an increase of 21% (\$287k) from last year's midway point.

Revenues – EV Charging station revenues are journaled monthly, and the route fees are received daily. The following table provides details.



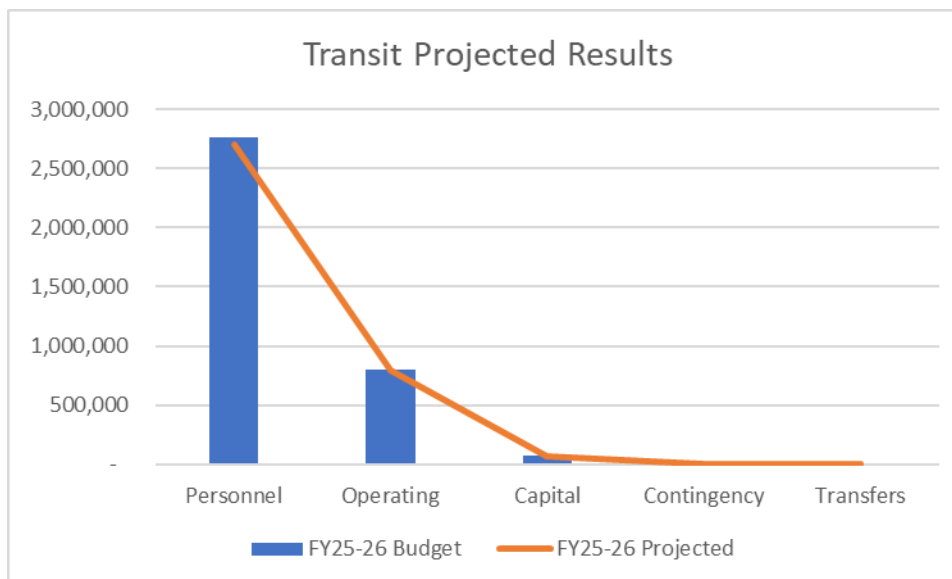
	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
	-	-	0%	-	-
Taxes	206,123	51,531	0%	99,500	84,500
Intergovernmental	3,247,289	1,648,939	51%	1,557,830	1,633,616
Miscellaneous	46,699	14,670	31%	75,347	(51,874)
Proprietary Revenues	40,616	19,301	48%	29,100	30,980
Other Financing Sources	85,638	44,178	0%	33,959	15,037
Transfers	-	-	0%	-	-
Total Transit Revenues	3,626,365	1,778,618		1,795,735	1,712,259

Expenses - Expenses and Uses of Funds are \$1.7M or 46% at midyear. This represents a 21% (\$288k) increase from the same point last year. The following table shows mid-year expenditures organized by department for the current year, as well as the two preceding years.



	FY25-26 Budget*	FY25-26 Mid- Year	% of Budget	FY24-25 Mid- Year	FY23-24 Mid- Year
Personnel	2,762,054	1,348,468	49%	1,158,667	1,105,049
Operating	794,969	288,734	36%	212,789	278,891
Capital	69,342	25,844	37%	3,848	3,103
Contingency	-	-	0%	-	-
Transfers	-	-	0%	-	-
Total Transit Expenses	3,626,365	1,663,046	46%	1,375,304	1,387,044

By year end, these categories are projected to total slightly less than the budgeted amounts. Projected results for each expenditure category are shown in the following table.



	<u>FY25-26 Budget</u>	<u>FY25-26 Projected</u>	<u>% of Budget</u>
Personnel	2,762,054	2,700,006	98%
Operating	794,969	794,969	100%
Capital	69,342	69,342	100%
Contingency	-	-	0%
Transfers	-	-	0%
Total Transit Expenses	<u>3,626,365</u>	<u>3,564,317</u>	<u>98%</u>

Recommended Budget Adjustments

General Fund

As the year progresses, certain items and issues arise that are unforeseen in the budget process. These items are brought forth to Council in requested budget amendments. The following are recommended budget amendments for the General Funds.

Per the City's MOUs, if the City's general fund revenues exceed the budgeted general fund revenues by 10% for any fiscal year, as determined by the City's annual financial audit, the City will offer a one-time 2.5% of base salary, lump sum, with the first payroll distribution in the calendar month beginning after publication of the City's audited financial statements. This clause was triggered with the release of the FY2025 Annual Comprehensive Financial Report in December 2025 with the total bonus cost of \$607,888. This amount will come out of fund balance and includes transfers to both Wastewater and Transit for their portions.

Community Enhancement is requesting additional funds for increased weed abatement and vector control costs in the amount of \$75,337.

Building is requesting additional funds for several large development commercial project plan reviews in the amount of \$70,000.

Wastewater Fund

Wastewater is requesting a budget increase to their contingency fund to cover the cost of repairs and protection of city sewer mainline within Ephemeral Drainage Ditch in the amount of \$356,197.

Self-Insurance Fund

The Self-Insurance Fund is used for settlements and claims arising from litigation activity within the City. The self-insurance fund requires a budget amendment for settlement and claims costs in the amount of \$1,317,253.

Other Funds

Other funds of the City are used to segregate resources that are for a specific purpose. A budget amendment in the amount of \$45,000 is required for professional services agreement to provide care coordination services from mental health providers and community social services for all residents utilizing funds received from the national Opioid Settlement agreement.

Police K-9 is requesting a budget amendment for the purchase of a K9 dog with the offset of a donation in the same amount.

Capital Improvement Program Mid-Year Updates

The Capital Improvement Plan (CIP) outlines a schedule of public service expenditures. The CIP does not address all of the capital expenditures for the City, but provides for large, physical improvements which are permanent, including the basic facilities, services and installations needed for the functioning of the community. The CIP also includes major contractual contracts that can stem over multiple years or use funds that have been provided through development. Budget amendments have been attached to this report to include the CIP item presented at the public hearing of this meeting.

Fiscal Impact:

The estimated cost to prepare this report is \$848.

Recommended Action:

Receive and file the FY2025-26 mid-year budget report and approve the attached budget adjustments.

Attachments:

- A. General Fund Balance Cheat Sheet
- B. Operating Budget Adjustments
- C. CIP Budget Adjustments