



CITY OF POMONA COUNCIL REPORT

May 26, 2026

To: Honorable Mayor and Members of the City Council

From: Anita D. Scott, City Manager

Submitted By: Andrew Mowbray, Finance Director/City Treasurer

SUBJECT: PUBLIC HEARING: ADOPTION OF RESOLUTIONS APPROVING THE FISCAL YEAR (FY) 2026-27 CITY OF POMONA OPERATING BUDGET, HOUSING AUTHORITY BUDGET, FIVE YEAR CAPITAL IMPROVEMENT PROGRAM BUDGET, ESTABLISHING THE FY 2026-27 GANN APPROPRIATIONS LIMIT, AND APPROVE SECTION 115 TRUST PAYMENT

RECOMMENDATION:

It is recommended that the City Council and the City Council sitting as the Commission of the Housing Authority conduct the public hearing and after receiving comments and testimony, adopt respectively the following resolutions:

- 1. RESOLUTION NO. 2026-58 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POMONA, CALIFORNIA ADOPTING THE CITY'S OPERATING BUDGET FOR FISCAL YEAR 2026-27**
- 2. RESOLUTION NO. 2026-59- A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POMONA, CALIFORNIA SITTING AS THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY OF POMONA, ADOPTING THE FISCAL YEAR 2026-27 HOUSING AUTHORITY BUDGET**
- 3. RESOLUTION NO. 2026-60 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POMONA, CALIFORNIA APPROVING THE FISCAL YEAR 2026-27 TO FISCAL YEAR 2030-31 FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM AND ADOPTING A CAPITAL IMPROVEMENT PROGRAM BUDGET FOR FISCAL YEAR 2026-27**
- 4. RESOLUTION NO. 2026-61 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POMONA, CALIFORNIA ESTABLISHING THE GANN APPROPRIATIONS LIMIT OF THE CITY OF POMONA PURSUANT TO ARTICLE XIII OF THE STATE CONSTITUTION FOR FISCAL YEAR 2026-27**

5. Approve a payment from the Section 115 Pension Trust in the amount of \$1.9M for an additional Discretionary Payment to CalPERS to be made on or before June 30, 2026

EXECUTIVE SUMMARY: The Mayor and City Council were presented with the FY 2026-27 Proposed Budget at the May 11, 2026, Special Budget Study Session. Since then, no new information has been added for consideration to this revised report. Revisions are included below.

PUBLIC NOTICING REQUIREMENTS - Pursuant to section 1006 of the City Charter, this item must be noticed in a newspaper of local circulation not less than two (2) weeks prior to the meeting. A notice for this hearing was published on May 8, 2026 in the Inland Valley Daily Bulletin (Attachment No.5)

FISCAL IMPACT - The adoption of the attached resolutions will establish the City’s (Attachment No.1) and Housing Authority’s (Attachment No.2) Fiscal Year 2026-27 Operating and Capital Improvement Program (Attachment No.3) budgets as follows:

Adopted Budget	Revenue Estimates	Appropriations
1) City of Pomona Operating	\$391,607,127	\$385,875,308
2) Housing Authority	\$29,270,951	\$29,504,026
3) Capital Improvement Program *	\$420,878,078	\$21,575,370
	\$420,878,078	\$436,954,704

* Revenue Estimates for CIP are included in the operating budget

PREVIOUS RELATED ACTION: City Council adopted the FY 2025-26 Operating Budget, Housing Authority Budget, and the Five-Year Capital Improvement Program on June 2, 2025. The City Council also approved the Budget Preparation Calendar, Guiding Principles and Process for FY 2026-27 on February 2, 2026. The FY 2025-26 1st Quarter Review report was presented to the City Council on November 17, 2025. The FY 2025-26 Mid-Year Budget Review was presented on March 16, 2026. Community Budget Meetings were held on March 23, 2026, and April 1, 2026, to seek feedback on the FY 2026-27 Preliminary Budget. The FY 2026-27 Budget Study Session was held on May 11, 2026.

DISCUSSION

The FY 2026-27 Budget for Citywide expenditures is proposed at \$437M and is comprised of seven operating fund types: General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds and Housing Authority Funds. Overall, the FY 2026-27 General Fund Proposed Budget anticipates a \$11.4M deficit. Since the May 11, 2026, Budget Study session staff has included no changes.

OPERATING BUDGET

All Funds – The Operating Budget is the City's financial plan and consists of revenues and expenditures to finance the current year operations of the various funds and programs for the fiscal year beginning July 1, 2026 and ending June 30, 2027. It is a flexible spending plan by which the City Council establishes legal authority for departments to commit financial resources for the

provision of services within the City of Pomona. The recommended FY 2026-27 Operating and Capital Improvement Program Budgets total \$437M as follows in Table 1.

Table 1

Fund Type	Revenue Including Transfers In	Appropriations Including Transfers Out
General Fund	\$170,530,134	\$181,904,077
Special Revenue Funds	70,052,086	53,042,671
Debt Service Funds	19,205,573	19,223,932
Capital Project Funds	664,660	250,957
Enterprise Funds	121,390,736	122,775,685
Internal Service Funds	9,763,938	\$8,677,986
City Operating Budget	\$391,607,127	\$385,875,308
Housing Authority	29,270,951	29,504,026
Capital Improvements	-	21,575,370
Total	\$420,878,078	\$436,954,704

General Fund Revenues – The FY 2026-27 General Fund Revenues are estimated at \$170.5M. Overall, the estimates have increased by 4% (\$6M) from last fiscal year. Following Table 2 is a brief discussion of each of these revenue sources.

Table 2

Revenue Category	FY 2025-26 Budget	FY 2025-26 Y/E Est.	FY 2026-27 Proposed	FY 2025-26 Budget vs. FY 2026-27	FY 2025-26 Y/E Est. vs. FY 2026-27
Property Taxes	\$ 53,670,000	\$ 54,357,161	\$ 58,947,500	\$ 5,277,500	\$ 4,590,339
Sales Tax	42,800,000	41,288,610	42,641,000	(159,000)	1,352,390
Utility Users Tax	22,505,000	22,306,789	22,510,000	5,000	203,211
Total - Big "3"	\$ 118,975,000	\$ 117,952,560	\$ 124,098,500	\$ 5,123,500	\$ 6,145,940
Other Taxes	22,403,800	22,428,800	23,023,300	619,500	594,500
Licenses, Permits, & Fees	8,788,534	7,713,096	9,156,340	367,806	1,443,244
Charges for Svc	4,321,744	4,470,399	4,505,784	184,040	35,385
Fines	3,932,721	3,397,297	4,028,221	95,500	630,924
Other Revenues	6,070,342	8,354,791	5,717,989	(352,353)	(2,636,802)
Total - All Sources	\$ 164,492,141	\$ 164,316,943	\$ 170,530,134	\$ 6,037,993	\$ 6,213,191

Property Tax – There is a projected \$5.3M increase over the prior fiscal year in property tax revenues. Property tax revenues are typically received from November through August with the

annual tax roll information being distributed by the Assessor's Office in July. Based on information provided by the Property Tax Consultant, this anticipated increase is based on value gained on all single-family residential sales. Value growth for FY 2025-26 benefited from the substantial growth of Residential values. Residential value growth was \$653.9M (6%). Based on value gained on all SFR sales through August (\$115.5M), value to be added to the 2026-27 tax rolls from sales in 2025 will probably be less than the \$224.5M added to the 2025-26 roll from SFR sales in 2024.

Sales Tax – The Sales Tax category includes both the countywide base for Sales Tax as well as the Transactions and Use Tax at three quarters of one percent (0.75%). Sales Tax is estimated to decrease by less than 1% in FY 2026-27. Per the Sales Tax Consultant, agencies should expect sales taxes to stay flat or decline slightly as sluggish economic conditions leave consumers cautious in their spending patterns, especially for big ticket items and discretionary products. The \$159k decrease is primarily due to a decrease in spending in multiple business groups such as, the Building and Construction sector, Fuel and Service Stations, and Restaurants and Hotels.

Utility User Tax (UUT) – UUT revenues are estimated to increase by less than 1% in FY 2026-27. UUT revenues are expected to remain the same with the exception of those received from participants of our Maximum Utility User Tax Program. That program has seen a decline in participants which resulted in a decrease of \$195k in remittance revenue for that category under UUT.

Other Revenues – This category includes several revenue streams: Transient Occupancy Tax (TOT), Business License, Cannabis Tax, other taxes, licenses, permits, fees, other miscellaneous revenue, transfers-in and other financing sources. Changes in this category from FY 2025-26 to FY 2026-27 are estimated to increase by \$914k overall. The "Other Taxes" section of this category is expected to experience a \$620k increase primarily due to an estimated increase in Franchise Fee revenue. In addition, the "License, Permits and Fees" section will experience a minimal decrease across several fee line items resulting in an overall decrease of \$367k. The "Other Revenue" section will decrease primarily due to an estimated reduction of \$350k in Paramedic Pass Thru revenue.

Measure Y Transfer to Children and Youth Fund – In Section 1802(j) of the City of Pomona Implementation Policy authorized by Section 4 of Measure Y states the City shall set aside a portion of the annual actual unrestricted general-purpose revenues of the City to be transferred to the Children and Youth Fund in the amounts specified in the measure. The annual amount of actual unrestricted general purpose revenues are supposed to be calculated by the City Manager and must include all of the following sources of revenue received by the City: (1) Property Taxes, (2) General Sales and Use Taxes, (3) Utility Users Tax, (4) Property Transfer Tax, (5) Transient Occupancy Tax, (6) Fines, forfeitures and penalties, (7) Interest from general fund reserves, and (8) other revenues the City can use for any lawful, municipal purpose. The City shall not define which revenues are to be considered unrestricted general-purpose revenues in a manner inconsistent with the measure. By law, the City may adopt development impact fees and various user fees, which must reflect the actual costs of services. Proposition 26, Proposition 218, and the Mitigation Fee Act (Government Code Section 66000) all identify various fees and changes for which the City must account for and ensure that they do not exceed the reasonable cost of providing the service or impact, unless approved by the voters as a tax. The user fees are currently in the

General Fund. For tracking purposes, the City will separate accounts for these fees and will not include them in the calculation of the General Fund transfer to Measure Y. Examples of these amounts are: Cost recovery, charges for services, reimbursements, GASB entries, Intergovernmental revenues, permits and fees. Every fiscal year during budget adoption, an estimated amount will be allocated in the budget for the General Fund transfer to the Youth and Children Fund. This amount will be transferred in quarterly installments, each equal to one-fourth of the estimated total, on July 1, October 1, January 1 and April 1. By October 31, amounts will be trued up based on actual unrestricted general fund revenues, excluding any revenues that are classified as cost recovery or those that reimburse the General Fund for the cost of providing services.

General Fund Appropriations – The General Fund is the largest fund in the City and represents about 41% of the City’s total combined Budget (47% of Operating Budget). It covers services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, Finance, and Human Resources.

In FY 2025-26 due to the increase in the General Fund’s allocation to the Pomona Children and Youth Fund (transfer amount was \$7.5M in FY 2025-26), the FY 2025-26 General Fund budget implemented a 5% reduction of all Departments baseline budget equating to about \$6M and included a “freeze” of funding of 32 FTEs (28.85 General Fund), as well as no contributions were made to fund the City’s Consolidated Fiscal Policies which totaled \$2.3M in FY 2024-25. Despite these reductions staying in place in the FY 2026-27 General Fund Budget, the FY 2026-27 budget is estimated to increase \$12.2M when compared to FY 2025-26. This primarily is due to an \$8.2M overall staffing category increase that includes MOU increases in salary and benefits and a \$1.2M increase in Unfunded Accrued Liability (UAL) payments to CalPERS. Additional items added to this figure include \$2M in personnel costs to fund the HEART and Illegal Dumping program, as well as a \$476k placed holder for ARP positions that will need to be funded after December 2026. All of this is offset by \$4.8M for 28.85 full-time frozen positions. Also included in this budget is an increase of \$700k is for the Humane Society and Fire Contract and the transfer of the dumping fees budgets for the HEART and Illegal dumping programs. Allocations in all areas are significantly increasing in the areas of self-insurance claims and support areas, with a rise in Workers Compensation and Liability claims, and the one-time increase for the City’s new Enterprise Resource Planning (ERP) financial and human capital software programs, bringing this category to a total increase of \$3M. The Children and Youth Fund transfer from the General Fund will increase \$1.7M for the required 6% per the City Charter, however, offsetting these increases will be reductions to various controllable contracts throughout the City and no capital expenses budgeted for vehicles and equipment at this time. It should be noted though the City is still funding Youth Services Citywide at approximately \$18M, The FY 2026-27 General Fund budget for the Library and Community Services totals \$9M of that amount. However, the funding allocation for youth commitment was significantly reduced in the FY 2025-26 budget, and this trend continues in FY 2026-27. Table 3 and Table 4 show details of the \$12M increase by Department and Category.

The Police Department's budget increased by \$5.5M compared to FY 2025-26. This increase includes staffing costs increasing by \$4.8M due to the Department's CalPERS UAL and MOU salary and benefit increases. Also included is the \$900k increase as the HEART budget previously funded by various Non-General Funds for the last 8 years. Allocations charged to all City Departments equate to a \$1.5M increase for the largest Department in the City, this includes the

portion the HEART Team needs to support. Offsetting are significant continued decreases with a “freeze” of 24 FTEs positions for only those that are currently vacant totaled \$4M. The frozen positions consist of 3 Jailers, 1 Police Dispatcher, 2 Police Records Specialists, 3 Senior Police Dispatchers, 1 Senior Police Records Specialist, and 14 Police Officers.

According to estimates from the Los Angeles County Fire District (LACFD), the cost of services is expected to rise by \$100k compared to the previous fiscal year’s revised FY 2025-26 contract amount that had savings in employee benefits, primarily for retirement, workers compensation, and retiree health insurance. In the same communication from LACFD, the FY 2026-27 fee has a 5.65% increase over the FY 2025-26 revised amount. This significantly changes things by decreasing the FY 2025-26 amount by \$2.9M. However, with the MOU with the firefighter’s union already expiring in December 2024, it is anticipated the City will get a revised fee amount in either September 2026 or March 2027 which will likely align with projections provided with the adopted interim contract approved by the City Council in March 2026. Staff will be providing an update as soon as that information is received.

The Public Works Department's budget reflects an increase of \$2.9M compared to the prior fiscal year. In FY 2025-26 the Department implemented budget reductions through a \$200k reduction in controllable contracts and by freezing unfilled vacant positions, specifically the Associate Civil Engineer and Graffiti Removal Worker positions, which generated \$116k in savings. The Department also unfunded an Equipment Mechanic in the Fleet division, which contributed to the Equipment (Fleet) fund savings plan. The Department had a significant increase of \$1.7M to fund the HEART and Illegal Dumping programs which were previously funded by Refuse Fund reserves. Allocations also increased by \$700k, mainly in the areas of liability claims, which include portions for these two programs (HEART and Illegal Dumping).

Considering the necessary fiscal adjustments across Departments, the FY 2026-27 budget reflects a continued pause in the General Fund Capital Improvement Project allocation. This effort allows the City to address more immediate priorities while maintaining essential services for residents, as well as to fund the Pomona Children and Youth Fund. The FY 2026-27 CIP Budget includes the use of \$1M of the CIP Project Fund Reserves generated from past General Fund transfers.

Development Services experienced an overall increase of \$415k compared to the last fiscal year. While there was an increase in staffing costs of \$616k, that includes an offset with the continued freeze of the Deputy Development Services Director position (\$250K). Also included is a reduction in the building and services consultant contract in the amount of \$113k and a controllable contract decrease of \$102k. These contract reductions would have been eliminated, but due to a hiring freeze of all General Fund positions, these funds are needed until full-time staff can be hired. as these consultant services are needed for inspections on Development projects throughout the City.

Community Services has an overall budget increase of \$286k in fiscal year 2026-27. Despite this increase, the department realized substantial reductions through the reduction of prior year budgets related to youth commitment programming. This reduction was implemented to align youth services with anticipated funding levels and avoid duplication of services associated with the implementation of Measure Y. The main increase to the Department relates to allocated cost increases for self-insurance funds

The General Government group consists of the Mayor & City Council, City Administration, City Clerk, Finance, and Human Resources Departments. It experienced an increase of \$2.3M compared to FY 2025-26, primarily due to the increased transfer amount of \$1.7M from the General Fund to the Pomona Fund for Children and Youth. This significant change reflects the progression of the program's funding structure – while the FY 2024-25 transfer was calculated at 2% for half of the fiscal year, the FY 2025-26 allocation increased to 5% for the full fiscal year, resulting in a \$7.5M transfer. The FY 2026-27 transfer equates to \$9.2M. Also as part of the vacancy savings, two positions that cost \$214k are budgeted to remain unfilled in the City Clerk's office (Records Management Specialist and Administrative Assistant).

The General Services Department experienced an overall budget increase of \$253k in FY 2026-27. The Department has a \$400k increase in the Humane Society contract as a result standard contract provisions combined with pool adjustments within IVHS service cities. The Department budget also has a place holder of the \$477k in personnel related costs included in the General Fund Budget for 5.45 positions that have been funded by the ARP grant. After December 2026, these positions will need to be allocated to another funding source and a discussion about funding these positions in future budgets will need to occur no later than the fall of 2026. These increases were partially offset by a reduction of a onetime \$418k CIP appropriation for the City Hall Remodel and Flooring project that was a onetime expense, and \$200k in onetime consultant contracts. It should be noted the City has suspended funding for several fiscal policies that were last included in the FY 2024-25 budget, including \$300k for catastrophic events, \$200k for equipment replacement, and \$500k for the Section 115 trust, and set percentage in CIP contributions. This highlights the city's need to reallocate resources in the current budget environment.

The Neighborhood Services budget reflects a \$222k increase compared to the previous fiscal year. This change can be attributed to a \$194k increase in allocations costs, primarily due to Liability and Pension Obligation Bonds (POBs) costs that were previously allocated to certain Housing Grants. There is also a \$22k increase is related to MOU salary and benefit increases.

The Library experienced an overall budget increase of \$216k for FY 2026-27. This increase is related to MOU salary and benefit increases. As implemented in FY 2025-26, the Library was not allocated its previous budget for youth commitment.

Table 3

General Fund Expenditures	FY 2025-26 Budget	FY 2026-27 Proposed	Variance
Police	\$ 81,543,310	\$ 87,028,392	\$ 5,485,082
Fire	37,758,927	37,858,291	99,364
Public Works	14,045,046	16,922,746	2,877,700
CIP	0	0	0
Development Services	7,393,895	7,808,411	414,516
General Government	13,929,078	16,194,719	2,265,641
General Services	5,925,714	6,178,668	252,954
Neighborhood Services	671,813	894,079	222,266
Community Services	6,681,488	6,968,022	286,534
Library	1,835,147	2,050,749	215,602
Total	\$ 169,784,418	\$181,904,077	\$ 12,119,659

Table 4

Expenditures	Amount	Brief Summary
Personnel	\$8,210,483	This increase of \$8.2M staffing (personnel) category increase includes MOU increases in salary and benefits and a \$1.2M increase in Unfunded Accrued Liability (UAL) payments to CalPERS. Additional items added to this figure include \$2M in personnel costs to fund the HEART and Illegal Dumping program, as well as a \$476k place holder for ARP positions that will need to be funded after December 2026. All of this is offset by \$4.8M for 28.85 full time frozen vacant positions.
Controllable Exp	(895,872)	This decrease of \$895k in the controllable category is for \$242k in reductions for Fire related consulting and legal services in the Administration Department; \$10k reduction in Human Resource contracts for Class/Comp study, benefits broker, FLSA audit, and investigators; \$25k reduction for the Master Fee schedule cost study; \$142k reduction in Public Work street contracts; \$110k for building and safety inspection services; \$120k for the mid year appropriation for the compassion fund, and \$235k reduction for Police Vehicle Builds that are not needed with no new vehicle purchase approved at this time.
Required Exp	706,927	Included in this budget category is an increase of \$400k is for the Humane Society and \$100k for the Fire Contract and with the transfer to the General Fund of the dumping fees budgets of \$200k for the HEART and Illegal dumping programs.
Utilities	103,125	The increase represents increases in water, electricity and gas.
Allocated Costs	2,926,649	This \$3M increase will be for the internal service funds allocations that increase each fiscal year to support all Departments citywide. This year overall increase includes \$345k for fleet operations due to increased fuel costs, a \$1.3M increase to Liability claims and administration of which continue to rise due to the increased number of claims which results in higher premiums. The Information systems allocation increase of \$775k is due to the one-time increase related to the City's new Enterprise Resource Planning (ERP) financial and human capital software programs. It should be also noted allocations in all areas are significantly increasing with the transfer of the HEART and Illegal Dumping to the General Fund.
Recovered Costs	268,148	The \$268k change is a result of the CPI adjustment for the Cost Overhead Allocation.
Capital	(453,017)	This decrease of \$453k is related to no General Fund vehicle requests that are included at this time, as the Equipment Replacement Fund that will have a \$960k balance after July 1, 2026 may be utilized to revisit future Department vehicle requests.
Transfers Out	1,253,216	Transfers overall will be higher in FY 2026-27 in an amount of \$1.3M compared to FY 2025-26. This made up of a net increase of \$1.7M for the Children and Youth Fund Transfer (Measure Y), and the reduction of a onetime \$418k CIP appropriation for the City Hall Remodel and Flooring project that was a onetime expense. It should be noted, but not financially reflected, there are no contributions to the CIP budget and the Consolidated Financial Polices will not be funded in the FY 2026-27 budget.
TOTAL CHANGE	\$12,119,659	

Fund Balance History – In a proactive move to strengthen the City's financial foundations, staff collaborated with the City's financial advisor, Urban Futures, Inc. (UFI), to develop updated Consolidated Fiscal Policies and Administrative Procedures. These updated policies were adopted by City Council action on February 6, 2023, with the purpose of establishing comprehensive guidelines for the City's overall fiscal planning and management.

The consolidated policy document is structured to develop principles that guide the City's financial administration. It encompasses crucial areas such as Fund Balances, Reserves & Surplus, Pension and Other Post-Employment Benefit (OPEB) Funding, Budget Adoption and Administration, Fiscal Sustainability Plan Elements, Capital Improvement, Debt Management, Investments, and Economic Development. Any amendments to these City Council Policies require Council approval.

One of the critical components was updating the General Fund Economic Reserve (Fund Balance Policy) to 22% of operating expenses, with a long-term goal of increasing it to 25%. The previous policy goal was 17%. This reserve policy is essential to ensure the City can access financial resources during economic downturns, revenue disruptions, unexpected debt service obligations, or other unforeseen events impacting cash flows.

The City's financial outlook shows projected reductions in the General Fund Balance over two fiscal years. The year-end estimate for FY 2025-26 projects a reduction of \$713k from the fund balance on June 30, 2026. Additionally, FY 2026-27 anticipates using \$11.4M from General Fund reserves by June 30, 2027. It is crucial to note the City's effort towards these proactive measures. However, as stated earlier, there are no contributions for the Consolidated Fiscal Policies included in the FY 2026-27 Budget. In contrast to previous fiscal years, operations resulted in a surplus, which the City utilized \$4.4M of the \$13.2M surplus from FY 2022-23 for long-term financial investments. There was no operating surplus from FY 2023-24, however the City had \$2M available in the Franchise Fee Funded programs fund and distributed this amount in a similar manner to the Section 115 Trust (\$1M), Equipment Replacement Reserves (\$500k), and the CIP (\$500k). Fiscal Year 2024-25 did not have a surplus resulting in no allocations in compliance with the policy.

As a result of implementing the Fiscal Policy, the City started to make strategic contributions to various funding strategies to strengthen its financial position. These contributions spanned multiple fiscal years and utilize General Fund Unassigned Fund Balances from prior years. At this time portions of these "buckets" have been utilized, but unfortunately, no contributions have been made for quite some time as result of the General Fund challenges and the anticipation that a surplus will not be realized for quite some time. First, to date the Section 115 Pension Trust has a fund balance of \$3.8M. Secondly, to prepare for potential catastrophic events, this City bucket has \$600k. Thirdly, recognizing the importance of maintaining and replacing essential equipment, the City has a balance of \$960k in the Equipment Replacement fund. Finally, to address capital improvement needs the Capital Improvement Program (CIP) reserve balance is \$2M (net the \$1M contribution made to CIP projects in the FY 2026-27 budget). Through these strategic contributions, the City has made progress to long-term financial sustainability, addressing critical infrastructure needs, and ensuring the availability of funds for unforeseen events and future obligations. It must be noted these "buckets" are being utilized and will be eventually disappear

without additional inflows, which are not a part of the FY 2026-27 budget. Future surpluses are highly unlikely in the near future and future budgets will have to include less appropriations to secure the current reserves to protect the City’s long-term liabilities and daily operations.

While the projected General Fund \$713k deficit for FY 2025-26 is minimal compared to the original \$5.5M deficit projected in July 2026, this was possible with one-time funding to minimize this deficit. Two one-time events occurred; the first item is the \$2.8M transfer (repayment) from the Development Impact Fees (DIF) Fund for funds borrowed from the General Fund to assist with funding the Civic Center Plaza - New Playground and Amenities CIP Project. The second event was a change with the Los Angeles County Fire Department (LACFD) contract fee amount that was originally budgeted at \$37.8M, but due savings in employee benefits, primarily for retirement, workers compensation and retiree health insurance, the revised contract amount for FY 2025-26 is \$35M, a savings of \$2.8M. These two items alone reduced the anticipated deficit for FY 2025-26. However as noted herein, the FY 2026-27 General Fund budget will utilize existing reserves to cover the deficit of \$11.4M. Available reserves are sufficient to cover this deficit for FY 2026-27 while still maintaining the Policy Goal of having 25% General Fund reserves available. However, as indicated earlier, continuing to utilize reserves for ongoing budgetary deficits will deplete General Fund reserves within the next few years.

Table 5

	FY 2024-25	Est FY 2025-26	Est FY 2026-27
Fund Balance	58,771,856	\$58,058,895	\$46,684,952
Change in Fund Balance	N/A	(\$712,961)	(\$11,373,943)
Expenditures	\$155,027,334	153,280,788	\$167,877,431
Transfers	\$10,489,395	\$12,715,919	\$14,026,646
Total	\$165,516,729	\$165,996,707	\$181,904,077
Percentage	35.5%	35.0%	25.7%
Policy Goal	23.0%	24.0%	25.0%
Difference	12.5%	11.0%	0.7%

Other Funds

Special Revenue Funds – Special Revenue Funds consist of ‘restricted receipts’ which may not be used for general municipal purposes. They are used to account for revenues derived from specific sources, which are required by law or best financial practices to be accounted for in separate funds. The most common Special Revenue Funds are for special taxes, such as Gas Tax, Propositions A and C, Measure R, AQMD, Maintenance Assessment Districts, Vehicle Parking Districts (VPD), and Fairplex Mitigation Funds. The Special Revenue Funds also serve as an accounting mechanism for all grant funds received by the City. It's important to understand that these funds naturally fluctuate throughout the fiscal year based on grant lifecycles. As existing grants reach their conclusion and funds are expended, the total Special Revenue Funds decrease. Conversely, as the city secures additional grant funding, the total increases. A key consideration

for budget planning is that the amounts allocated for grant funds in the Special Revenue Funds represent estimates for awarded grants rather than grants being pursued. To ensure accuracy in financial reporting, staff will adjust the carryover grant balances at the beginning of the new fiscal year, once ending balances for FY 2025-26 have been determined. This adjustment process allows for better alignment between actual grant fund availability and budgetary allocations. As part of the new ERP software implementation, many individual grant funds were combined into Fund 215 Grants. The Budget Guide descriptions of funds indicate which funds were combined. Overall, total Special Revenue Fund revenues are estimated at \$70M, a decrease of \$27M from the prior year. This is primarily due to the American Rescue Plan (ARP) funding that is no longer available for future budgets. Total Special Revenue Fund expenditures are budgeted at \$53M, a decrease of \$46M of which half is related to ARP funding no longer available for future budgets. Other areas of decrease reflect funding that ended for housing or homelessness initiatives (highlighted in other parts of the budget message) and changes in funding for capital projects. Capital Improvement Projects (CIP) also fluctuate from year to year based on available funding. Many special tax funds provide funding for CIP through a transfer to the Capital Project Funds group of funds. Special Revenue Funds have not changed since the FY 2026-27 proposed publication on May 11, 2026.

Enterprise Funds – Enterprise Funds account for operations that are financed and operated similarly to private business enterprises. The City of Pomona has three utilities that comprise the enterprise operations: Water, Sewer, and Pomona Choice Energy Authority. Enterprise Funds reflect a decrease in revenues of \$19M compared to FY 2025-26 primarily due to a change in how capital projects are tracked in the new ERP software and also due to reductions in estimated revenues for the Pomona Choice Energy Authority. Expenditures decreased by \$30.6M primarily due to a reduction in proposed CIP. In FY 2025-26, a significant investment was made in CIP which are ongoing projects that will be carried forward into FY 2026-27. The City's utilities are experiencing various increases in operational costs, such as, gas/energy, purchased water, staffing, maintenance and required. The Enterprise Fund Budgets have not changed since the FY 2026-27 proposed publication on May 11, 2026.

Capital Projects - The Capital Improvement Project (CIP) grouping of funds account for all construction projects that ultimately qualify for capitalization. Funding for these projects follow a specific budgetary approach – allocations are established at the time of project initiation or when supplementary funding is designated for an existing project. Importantly, unused budget allocations from previous fiscal years are not re-budgeted in the current cycle, as these funds automatically carry forward until project completion or reallocation. New CIP projects of \$21.6 million have been included in the budget. This includes \$12.6M in Special Revenue Funds representing mostly street related projects, \$6.1M in Enterprise Fund projects related to water and sewer, and \$2.9M in Capital Projects funds. Details are included in the Capital Improvement Program section of the budget document. The Capital Fund Budgets have not changed since the FY 2026-27 proposed publication on May 11, 2026.

Debt Service Funds – The Debt Service funds serve as the dedicated accounting mechanism for all the City's long-term financial obligations, including bonds, certificates of participation, and leases. For FY 2026-27, the budgeted amount increased \$35k from the prior fiscal year. This stability reflects the absence of any new bond issuances during the period, as well as the fact that no existing bonds have reached their maturity date and been paid off. Debt Service Funds have not changed since the FY 2026-27 proposed publication on May 11, 2026.

Internal Service Funds– Internal Service Funds (ISF) include Self-Insurance Services, Equipment Maintenance, Innovation and Technology, Pension Obligation Bonds, and Printing/Mail Services. The Self-Insurance Fund includes General Liability, Workers’ Compensation, and Unemployment. Each Internal Service Fund allocates costs to other city departments that benefit from their services. Allocations are typically a cost recovery which offset the expenditures completely. For some funds, recovery of costs or funding that comes from third parties are reflected as revenue. Allocations are based on various factors that may include each Department’s number of employees, or number of equipment or actual claims experience. The Internal Service Funds have not changed since the FY 2026-27 proposed publication on May 11, 2026.

The Housing Authority Budgets – The Housing Authority reflects an increase in revenue budgets to better represent actual revenues that are anticipated and necessary to pay for actual expenditures. The FY 2026-27 Housing Authority Budget is \$29.5M. The Housing Authority Budgets have not changed since the FY 2026-27 proposed publication on May 11, 2026.

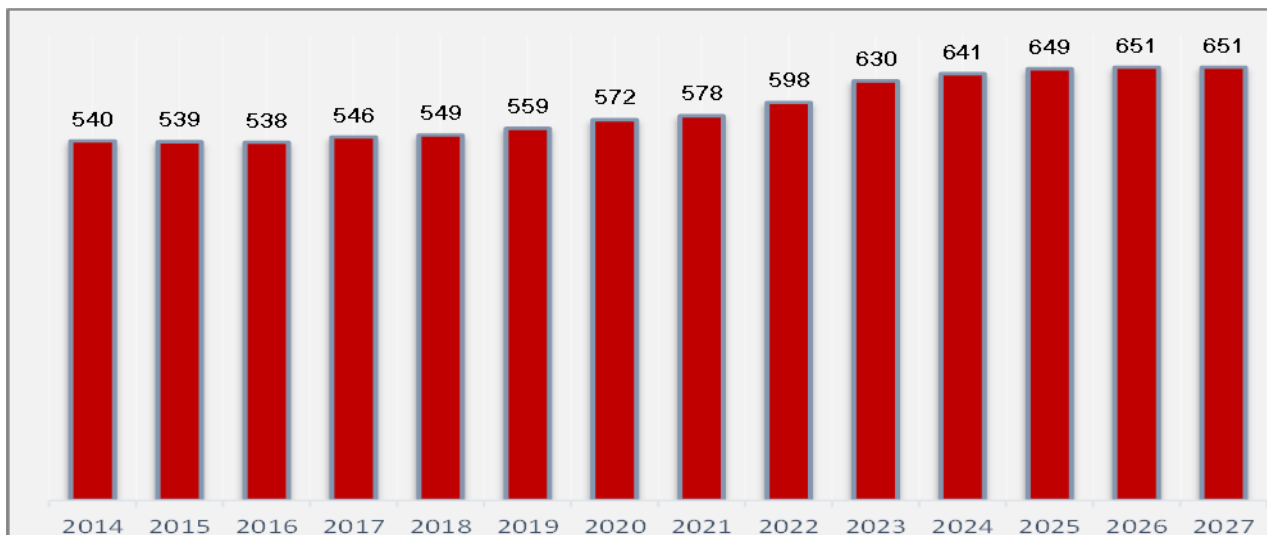
Supplemental Budget Requests

Each year, the budget includes supplemental budget recommendations for staffing, services, and equipment requests. With the limited resources available and to fund the contractual obligations in place, at this time staff is proposing no supplemental increases within the FY 2026-27 Operating Budget for General Fund and all Non-General Funds.

CITYWIDE PROPOSED STAFFING –

Staffing cost for the FY 2026-27 Budget is calculated using the current approved labor contract provisions, increases in the City’s retirement contribution rates (PERS), step increases for staff, overtime, and hourly staff. Personnel history and funding allocations by Department are shown in the Authorized Staffing section of this document and include the proposed authorized staffing level of 650.55 full-time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. There are no changes in the number of FTEs and reclassifications of positions in the FY 2026-27 budget.

Table 6



CAPITAL IMPROVEMENT BUDGET

CIP projects include building, upgrading, or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks, and public facilities. The separate five-year CIP document addresses, in greater detail, specific projects to be undertaken both short and long term. The capital plan includes a total of 221 projects, totaling approximately \$723.4M, of which approximately \$327.7M is funded. The \$327.7M will be funded from prior year appropriations totaling \$306.1M of which approximately \$141.5M remains unspent, and approximately \$21.6M of proposed new funding. The approved prior funding for projects within this document reflects City Council approvals through April 20, 2026. This information is detailed in Table 7 below.

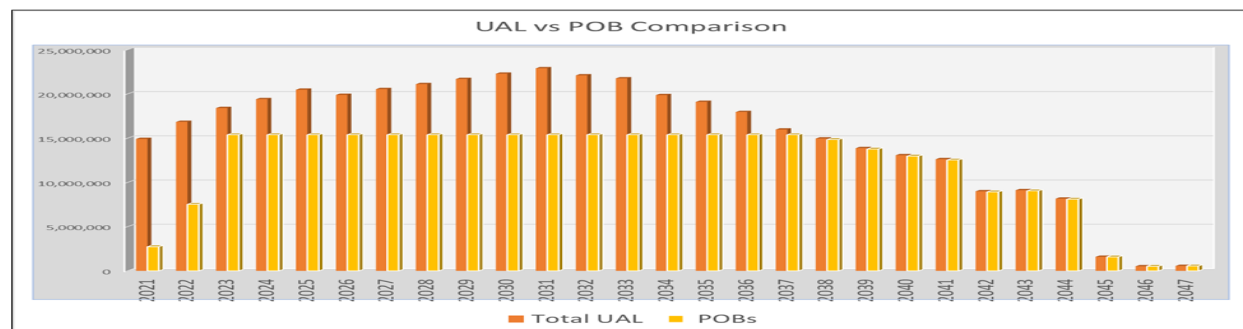
Table 7

Category	Estimated Prior Year Expenses	Estimated Prior Year Carryover	Proposed for Adoption	Following Four Years+	Total Projects in CIP Plan
Streets	63,229,575	26,137,538	6,416,530	200,963,020	296,746,663
Traffic	4,435,249	19,205,649	5,151,677	49,623,232	78,415,807
Parks & Facilities	75,195,173	33,170,525	1,921,144	80,862,893	191,149,735
Water	2,849,677	32,637,972	4,506,543	41,368,767	81,362,959
Sewer	4,867,332	3,087,605	1,500,000	2,419,855	11,874,792
Storm Drains	3,028,369	10,240,571	1,679,476	17,949,524	32,897,940
Miscellaneous	10,958,335	17,057,895	400,000	2,500,000	30,916,230
Total	164,563,710	141,537,755	21,575,370	395,687,291	723,364,126

UNFUNDED ACCRUED LIABILITY (UAL) VS. PENSION OBLIGATION BOND (POB)

In July 2020, the City implemented Pension Obligation Bonds (POB) to address the City’s Unfunded Accrued Liability (UAL) for miscellaneous and safety employee pensions provided through the California Public Employees’ Retirement System (CalPERS). The amount authorized at that time was the City’s current liability of \$220M. A strategy was developed to exclude principal payments to FY 2020-21 and FY 2021-22 to preserve General Fund reserves during the pandemic. If the City had not issued POBs, it would have resulted in fiscal challenges to the General Fund. Issuance of POBs has significantly restructured the City’s ongoing long-term pension obligations. The total savings realized is estimated at \$95M over the next 27 fiscal years.

Table 8



Youth Funding

Over the last few fiscal years, a comprehensive table has been created of the City of Pomona’s combined efforts displaying each department's appropriations towards youth programming and related services. It is important to note that of the \$40.9M budgeted for FY 2026-27, that \$18.7M is related to programming and the remainder of \$22.2M is for infrastructure and CIP investment youth funding.

Table 9

CITY YOUTH RELATED BUDGET FUNDS	FY 24-25 BUDGET	FY 25-26 BUDGET	FY 26-27 BUDGET
LIBRARY SERVICES			
Library Operation	-	1,927,183	2,020,749
Library Facility Improvements	1,000,000	5,491,483	-
Library Youth Commitment - ARP	500,002	-	-
	<u>1,500,002</u>	<u>7,418,666</u>	<u>2,020,749</u>
COMMUNITY SERVICES			
Afterschool Recreation (Youth)	865,401	1,250,193	1,049,300
Athletic Fields	576,486	432,461	305,775
Community Services Admin	2,050,522	1,601,650	2,013,189
Ganesha and Washington Pools	537,071	409,520	554,215
Prop A - Youth Trip Transportation	65,000	65,000	65,000
Recreation Facility Custodial	947,390	1,143,192	1,386,090
Special Youth Programs	304,503	390,810	183,635
Outdoor & Active (PUSD)	926,294	676,100	665,367
Community Services - Youth Commitment	1,500,000	1,080,830	817,078
	<u>7,772,667</u>	<u>7,049,756</u>	<u>7,039,649</u>
NEIGHBORHOOD SERVICES			
ARP Funds for Youth Related Programming	-	33,941	92,471
Neighborhood Services Admin	646,072	838,045	894,079
CDBG - Community Organization Youth Services	23,508	19,235	TBD June 2026
CDBG - City Youth Services	28,741	102,535	TBD June 2026
PHA - Households w/Children Rental Assistance	6,371,460	7,955,460	7,987,260
Lead and Healthy Homes Program	434,418	6,462,262	4,947,433
Keeping Pomona Homes Healthy Program	38,975	562,132	-
CoC - OPL - Households w/ Children	-	-	1,224,723
Family Self Sufficiency Coordinator	-	-	143,813
Pomona Family Sanctuary (Family Interim Housing)	-	-	306,600
	<u>7,543,174</u>	<u>15,973,610</u>	<u>15,596,379</u>
POLICE SERVICES			
Every 15 Minutes	2,000	2,000	2,000
Summer Day Camp	15,000	15,000	15,000
National Night Out	5,000	5,000	5,000
Santa Cop	10,000	10,000	10,000
Halloween Safety	600	600	600
Cops 4 Kids	18,000	18,000	18,000
Explorer Program	13,880	13,880	13,880
School Crossing Guard Contract	505,682	505,682	523,055
School Resource Officers	530,207	530,207	538,749
Public Safety Fair	-	-	-
Cadet Program	15,000	15,000	15,000
	<u>1,115,769</u>	<u>1,115,369</u>	<u>1,141,284</u>

Table 9 (Continued)

PUBLIC WORKS			
Park Facility Maintenance	1,162,416	1,271,409	1,444,505
Park Landscape Maintenance	4,273,076	4,535,632	4,613,865
Park Light Pole Replacements	11,094	3,227	3,304
Memorial Park Bldg Reno/Retro	507,215	-	-
Holt Ave. Corridor Improvements (Garfield Park)	-	449,284	-
Civic Center Plaza Rehabilitation (Kid's World)	5,165,322	5,946,540	1,003,674
ADA Rubberized Playground Surfacing Replacement	-	-	-
Ralph Welch Park Playground	153,661	-	-
Small Playground at Washington Park and Baseball Fields	295,000	-	-
Country Crossing Park Playground Resurfacing and Equip	350,000	-	-
Ted Greene Park Playground Upgrade	360,000	-	-
Jaycee Park Playground Upgrade	350,000	-	-
MLK Park Playground Equip Replacement	503,000	-	-
Renovation of La Casita Teen Center at Palomares Park	4,000,000	4,000,000	3,997,252
Park Restroom Replacement	2,310,451	3,000,000	409,718
Garfield Park Renovation	50,000	20,000	100,000
MLK Skate Park Expansion/Lights	347,767	-	-
Washington Park Comm Center Rehab	200,000	-	-
Pedestrian and Bicycle Lane Improvements	6,000,000	5,000,000	1,451,825
Ted Greene Restrooms	160,000	-	-
Palm Lake Golf Course Master Plan	-	-	500,000
Measure A Park Improvements - Citywide	-	-	1,164,263
	26,199,002	24,226,092	14,688,406
ADMINISTRATION			
Youth Public Art Projects	450,000	350,000	200,000
Public Art Coordinator	62,230	26,169	50,000
AIPP Program Manager	26,858	53,165	156,596
Art Activity Program Supplies for Chalk Art Festival, WaterColor Contest	-	10,000	10,000
Prop 64 Grant	103,628	-	-
	642,716	439,334	416,596
TOTAL YOUTH RELATED BUDGET	44,773,330	56,222,827	40,903,063

GANN APPROPRIATIONS LIMIT

In November 1979, California voters approved Proposition 4 commonly known as the Gann Initiative. The Proposition created Article XIII B of the State Constitution placing limits on the amount of revenue, which can be spent by all entities of government from the proceeds of taxes. Pursuant to California Government Code, the City is required annually to adopt the adjustment factors and the appropriations limit by resolution. The appropriations limit for any fiscal year is equal to the previous fiscal years limit adjusted for population growth in Los Angeles County or the City of Pomona and the State per capita income as supplied by the State of California Department of Finance and reflected in Schedule A (Exhibit A of Attachment No.4). The Calculation of Proceeds of Taxes is shown in Schedule B (Exhibit B of Attachment No.4). The FY 2026-27 appropriations limit, based on the proposed General Fund budget, is calculated at \$358.7M. The City's FY 2026-27 General Fund budget "Appropriations Subject to Limitation" is \$143.4M, which is \$215.3M below the allowable limitation. As always, the numbers reflected herein and, in the attachments, will be changed to reflect any changes made to the operating budget prior to its adoption.

CONCLUSION

The FY 2026–27 Proposed Operating Budget has been developed in response to current fiscal conditions and reflects careful planning, prioritization, and disciplined decision-making. Alternative revenue sources were explored, community input was solicited, and departmental budgets were refined to align with community needs while maintaining fiscal responsibility and long-term sustainability.

The broader economic environment continues to present challenges, including elevated fuel costs, ongoing efforts by the Federal Reserve to curb inflation through interest rate increases, potential softening in the labor market, and a slower housing sector. In light of these factors, it is essential to approach the estimation of program costs and available revenues with prudence. While revenues have remained relatively flat, historical trends demonstrate their cyclical nature and the potential for future declines. This underscores the importance of a balanced and measured approach to budgeting.

Accordingly, the FY 2026–27 Proposed Budget seeks to balance the delivery of essential services with the need to preserve the City's long-term fiscal health. The second full year of Measure Y includes a \$9.2M General Fund contribution that was not required in prior years. This obligation will continue to grow annually, placing additional pressure on the General Fund and likely necessitating reductions or reallocations in core City services in future budget cycles.

The FY 2026–27 General Fund Budget reflects a projected deficit of \$11.4M. The General Fund balance is projected to total \$46.8M by June 30, 2027, driven in part by approximately \$712k in reserves in FY 2025–26 and an additional \$11.4M in FY 2026–27. Continued reliance on reserves is not sustainable. The City proposed ballot Measure Z is the proposed solution to address major budget shortfalls. If the Measure fails to pass, significant corrective actions will need to be

developed later in the fiscal year, and opportunities for immediate cost savings will be pursued as they arise.

Prepared by:

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Joan Kingston, Budget Officer

ATTACHMENT(S):

- Attachment No. 1 – Resolution No. 2026-58
Exhibit A – FY 2026-27 Operating Budget
- Attachment No. 2 – Resolution No. 2026-59 Housing Authority
- Attachment No. 3 – Resolution No. 2026-60 Capital Improvement Program
Exhibit A – FY 2026-27 CIP Budget by Category
- Attachment No. 4 – Resolution No. 2026-61 GANN LIMIT
Exhibit A - GANN LIMIT Appropriations Limit
Exhibit B – Calculation of Proceeds of Taxes
- Attachment No. 5 – Public Hearing Notice
- Attachment No. 6 – FY 2026-27 Proposed for Adoption Presentation