

# City of Moreno Valley Fiscal Year 2025/26 First Quarter Operating Budget Review

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**TO:** Mayor and City Council  
**FROM:** Dena Heald, Chief Financial Officer/City Treasurer  
**DATE:** November 18, 2025

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## INTRODUCTION

On May 6, 2025, the City Council adopted the Two-Year Operating Budget for Fiscal Years (FY) 2025/26 – 2026/27. During the two-year budget period, the City Council will be kept apprised of the City's financial condition through the process of First Quarter, Mid-Year, and Third Quarter Reviews. This ongoing process ensures a forum to look at expenditure and revenue deviations from the estimates made in the budget document. Additionally, any significant changes in projected revenue or unanticipated expenditure that may occur will be shared with the City Council.

This report provides a review of the unaudited financial results for the First Quarter of FY 2025/26 (July 2025 – September 2025, 25% of the fiscal year).

## CITYWIDE OPERATING EXPENDITURE SUMMARY

The following table contains a summary of the adopted budget, amended budget and expenditures through the First Quarter. The totals represent each major fund type and component unit of the City.

**Table 1. Citywide Operating Expenditures**

	FY 2025/26 Adopted Budget	FY 2025/26 Amended Budget	Actuals as of 09/30/25 (unaudited)	% of Amended Budget
<b>Fund/Component Unit</b>				
General Fund	\$ 179,170,713	\$ 180,091,999	\$ 37,857,589	21.0%
Measure U	25,796,078	25,796,078	203,772	0.8%
Community Services District (CSD)	29,269,773	29,576,747	6,434,380	21.8%
Successor Agency	3,586,544	3,586,544	781,014	21.8%
Housing Fund	266,750	1,176,750	68,755	5.8%
Special Revenue Funds	48,094,713	87,299,303	18,496,459	21.2%
Capital Projects Funds	13,831,000	76,297,015	4,324,271	5.7%
Electric Utility Funds	87,933,297	114,658,101	15,392,171	13.4%
Internal Service Funds	27,299,221	30,234,863	13,629,672	45.1%
Debt Service Funds	3,549,303	3,549,303	1,789	0.1%
<b>Total</b>	<b>\$ 418,797,392</b>	<b>\$ 552,266,703</b>	<b>\$ 97,189,872</b>	<b>17.6%</b>

Actions taken by the City Council after the May 6, 2025 adoption of the two-year budget and included in the Amended Budget are:

- Throughout the fiscal year, there are also budget amendments to reflect the acceptance of grants and adjustments to contractual services and material/supplies. The individual amendments are reviewed as part of separate City Council agenda items.
- Much of this First Quarter update will focus on the General Fund, as it supports all basic services provided to City residents. Highlights for other key component funds will be discussed at a summary level as well.

GENERAL FUND OPERATING

**Table 2. General Fund Operations**

	FY 2025/26 Adopted Budget	FY 2025/26 Amended Budget	Actuals as of 09/30/25 (unaudited)	% of Amended Budget
<b>Revenues:</b>				
Taxes:				
Property Tax	\$ 36,000,000	\$ 36,000,000	\$ 888,972	2.5%
Property Tax in-lieu	34,321,793	34,321,793	-	0.0%
Utility Users Tax	20,000,000	20,000,000	4,354,815	21.8%
Sales Tax	60,546,078	60,546,078	5,235,833	8.6%
Other Taxes	22,000,000	22,000,000	2,232,016	10.1%
Licenses & Permits	6,552,550	6,552,550	1,171,498	17.9%
Intergovernmental	390,000	390,000	488,818	125.3%
Charges for Services	15,699,054	15,699,054	4,213,112	26.8%
Use of Money & Property	7,533,000	7,533,000	3,236,771	43.0%
Fines & Forfeitures	544,500	544,500	62,622	11.5%
Miscellaneous	168,000	168,000	39,302	23.4%
<b>Total Revenues</b>	<b>\$ 203,754,975</b>	<b>\$ 203,754,975</b>	<b>\$ 21,923,759</b>	<b>10.8%</b>
<b>Expenditures:</b>				
Personnel Services	\$ 38,648,804	\$ 38,648,804	\$ 8,504,778	22.0%
Contractual Services	148,064,761	148,130,839	25,687,075	17.3%
Material & Supplies	7,183,533	7,202,071	514,886	7.1%
General Government	-	-	-	-
Debt Service	-	-	-	-
Fixed Charges	-	-	-	-
Fixed Charges	5,447,166	5,447,166	1,292,470	23.7%
Fixed Assets	1,200,000	2,036,670	-	0.0%
<b>Total Expenditures</b>	<b>\$ 200,544,264</b>	<b>\$ 201,465,550</b>	<b>\$ 35,999,209</b>	<b>17.9%</b>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	\$ 3,210,711	\$ 2,289,425	\$ (14,075,450)	
<b>Transfers:</b>				
Transfers In	\$ 418,816	\$ 418,816	\$ -	0.0%
Transfers Out	4,422,527	4,422,527	2,062,153	46.6%
<b>Net Transfers</b>	<b>\$ (4,003,711)</b>	<b>\$ (4,003,711)</b>	<b>\$ (2,062,153)</b>	
Total Revenues & Transfers In	\$ 204,173,791	\$ 204,173,791	\$ 21,923,759	10.7%
Total Expenditures & Transfers Out	204,166,791	205,888,077	38,061,361	18.5%
<b>Net Change of Fund Balance</b>	<b>\$ 7,000</b>	<b>\$ (1,714,286)</b>	<b>\$ (16,137,602)</b>	

**Fund Operating Revenues**

The General Fund is comprised of several revenue types. However, the main sources include property tax, sales tax, and utility user’s tax. Each of these is affected by different economic activity cycles and pressures. Miscellaneous revenue consists of claims, donations, business license report fees, business fees for events, etc.

**Table 3. General Fund Operating Revenues**

	<b>FY 2025/26 Adopted Budget</b>	<b>FY 2025/26 Amended Budget</b>	<b>Actuals as of 09/30/25 (unaudited)</b>	<b>% of Amended Budget</b>
<b>Revenues:</b>				
Taxes:				
Property Tax	\$ 36,000,000	\$ 36,000,000	\$ 888,972	2.5%
Property Tax in-lieu	34,321,793	34,321,793	-	0.0%
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<b>Total Revenues</b>	<b>\$ 203,754,975</b>	<b>\$ 203,754,975</b>	<b>\$ 21,923,759</b>	<b>10.8%</b>

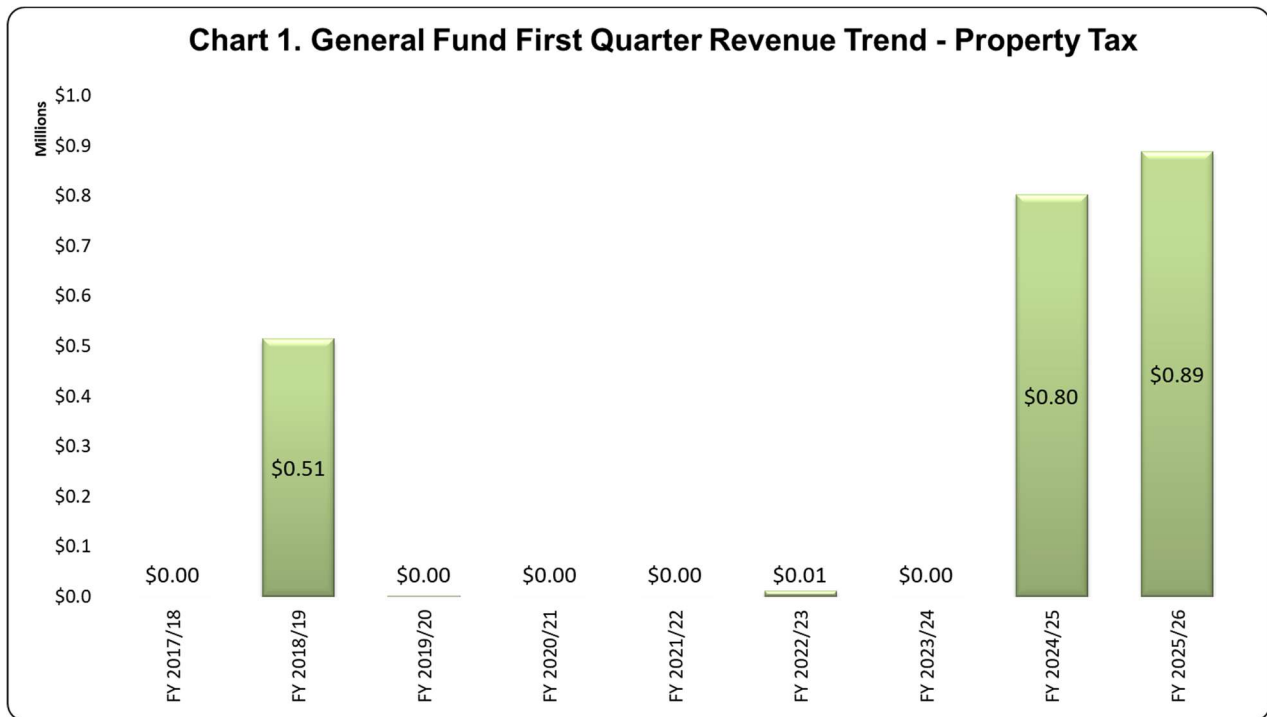
## Property Taxes/Property Taxes In-Lieu

Property taxes were budgeted to increase by 31% from the FY 2024/25 Amended Budget. The annual schedule of property tax payments from the County of Riverside will provide payments to the City based on the following estimated schedule:

### Secured Property Tax Payment Dates

Settlement 1	January
Settlement 2	May
Settlement 3	August
Teeter Settlement	October

Based on historical averages of actual receipts, the City is estimated to receive less than 1% of the budgeted property tax revenue through the First Quarter. The City has currently received 1% through the First Quarter. Property taxes will continue to be monitored as property valuations may adjust throughout the year based on property sales and assessment appeals filed with the County.



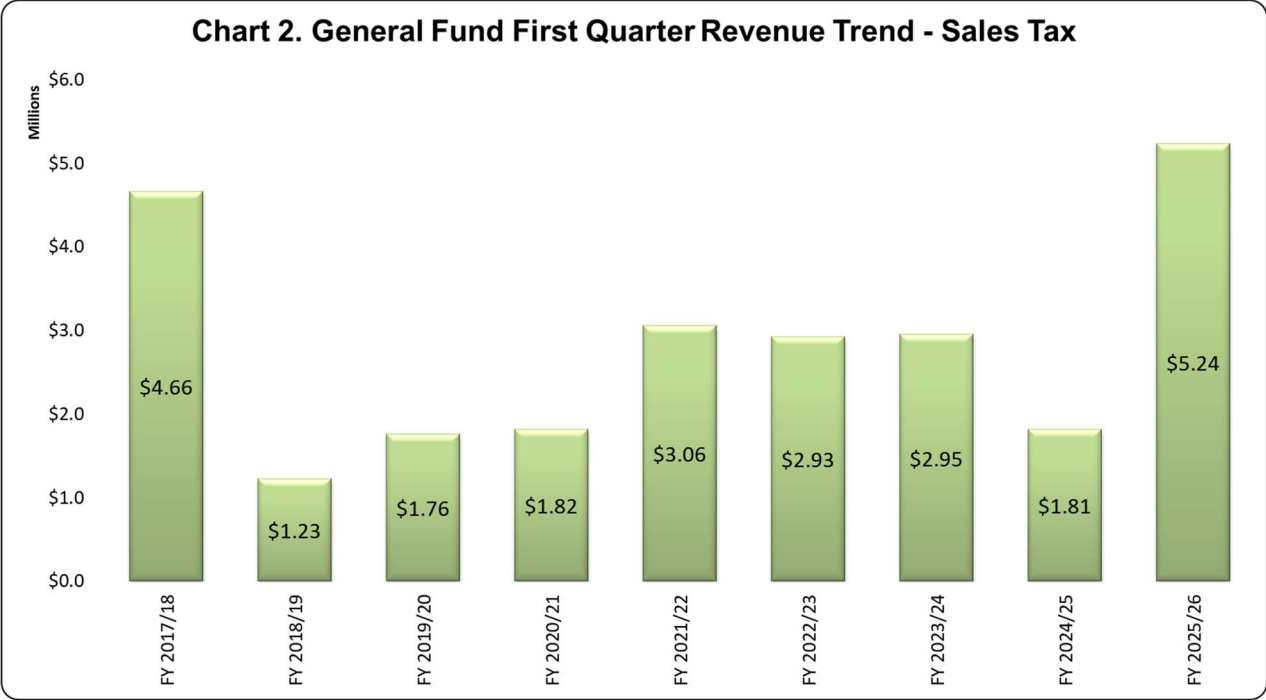
Note: Property tax revenues are generally not received during the first quarter.

**Sales Taxes**

Sales tax collections for FY 2025/26 are projected to increase by 60% compared to the FY 2024/25 Amended Budget, following the voter-approved Measure U—Moreno Valley Essential Services Reauthorization Measure. Passed on November 5, 2024, Measure U authorized a one-cent (1¢) increase in the local sales tax rate, raising it from 7.75% to 8.75%, effective April 1, 2025.

Funding from Measure U is prioritized to sustain and enhance essential public services, to include Emergency response times (911), crime prevention and neighborhood policing, fire protection and service levels, homelessness intervention, street and pothole repairs, clean and safe public spaces, business retention, and general government operations.

Historically, the City has received approximately 10% of budgeted sales tax revenue by the end of the first quarter. The City currently received 5% through First Quarter. Ongoing analysis of sales tax receipts will inform Council of any future budgetary changes associated with Measure U.

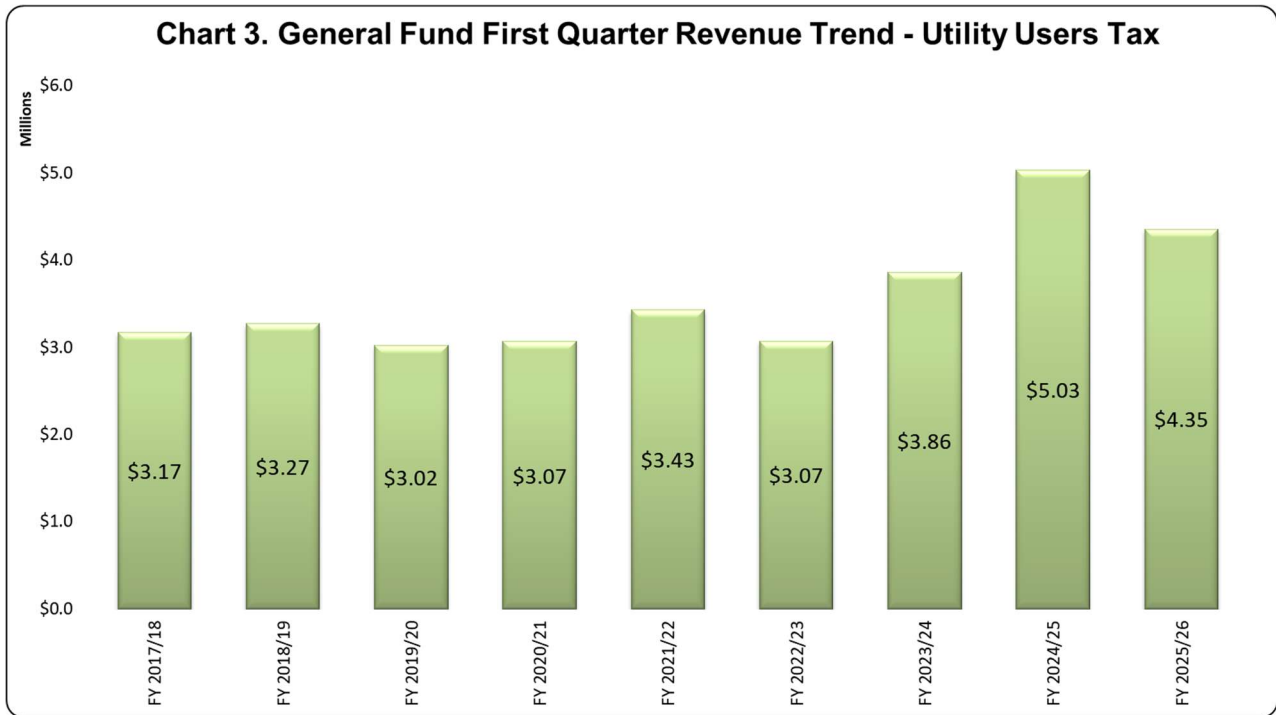


Note: For FY 2017/18, the reversal of revenues accrued to the prior fiscal year in accordance with the Government Accounting Standards Board (GASB) did not occur until the second quarter.

### Utility Users Tax Utility

Utility Users Tax were budgeted to increase by 11% as compared to FY 2024/25 Amended Budget. This projection is primarily due to competitive forces within the communications markets.

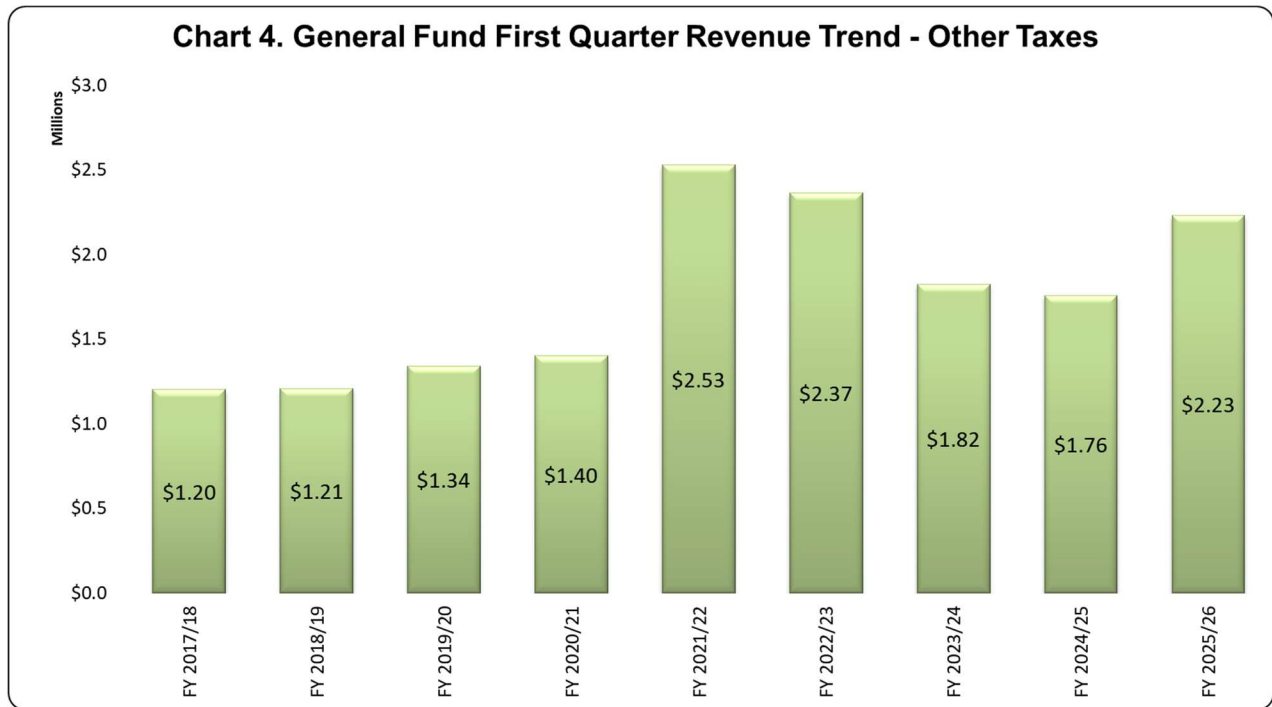
Based on historical averages of actual receipts, the City is estimated to receive 21% of the budgeted utility users tax revenue through the First Quarter. The City has currently received 22% through the First Quarter.



## Other Taxes

Other taxes are primarily composed of Business Gross Receipts, Transient Occupancy Tax, Documentary Transfer Tax, and Franchise Fees. Collectively, other taxes were budgeted to increase 10% from the FY 2024/25 Amended Budget.

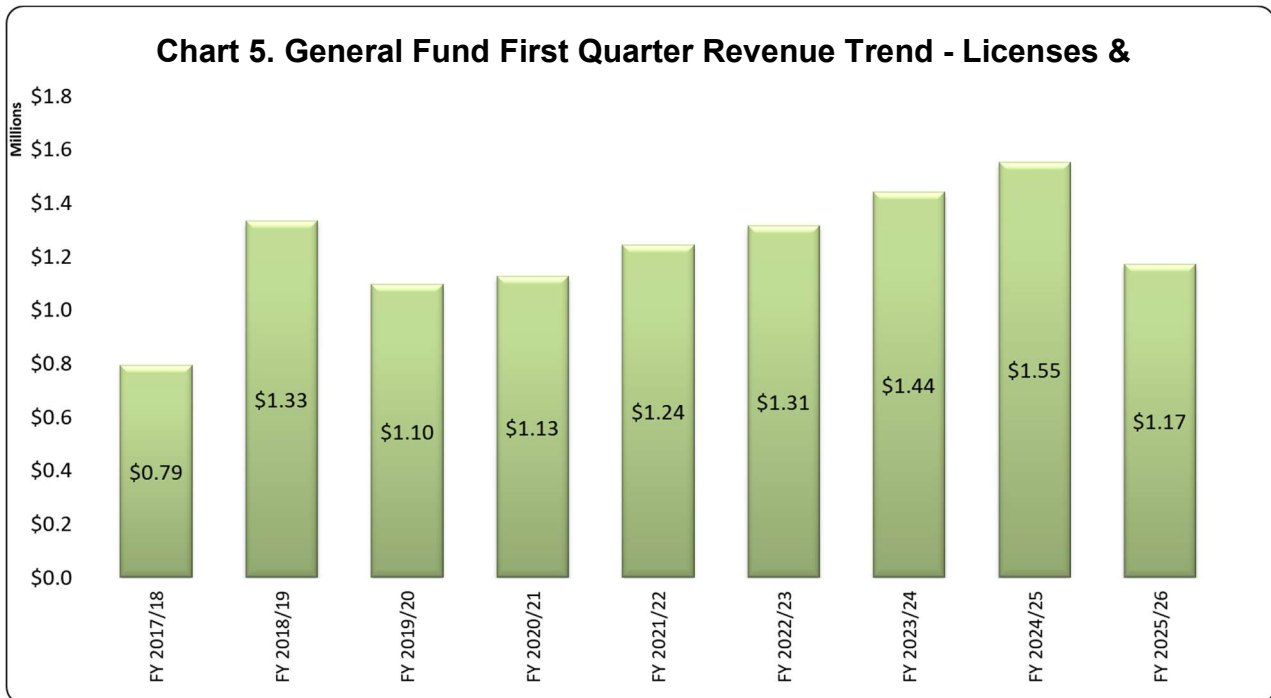
Based on historical averages of actual receipts, the City is expected to receive 11% of the budgeted Other Taxes revenue through First Quarter. The City has currently received 10% through the First Quarter.



## Licenses & Permits

Licenses & Permits are primarily composed of Business Permits, to include Cannabis Business Permits, as well as Animal Licenses, Building, Electrical, Mechanical, Plumbing and other permits. Collectively, Licenses & Permits were conservatively budgeted to increase by 16% as compared to the FY 2024/25 Amended Budget.

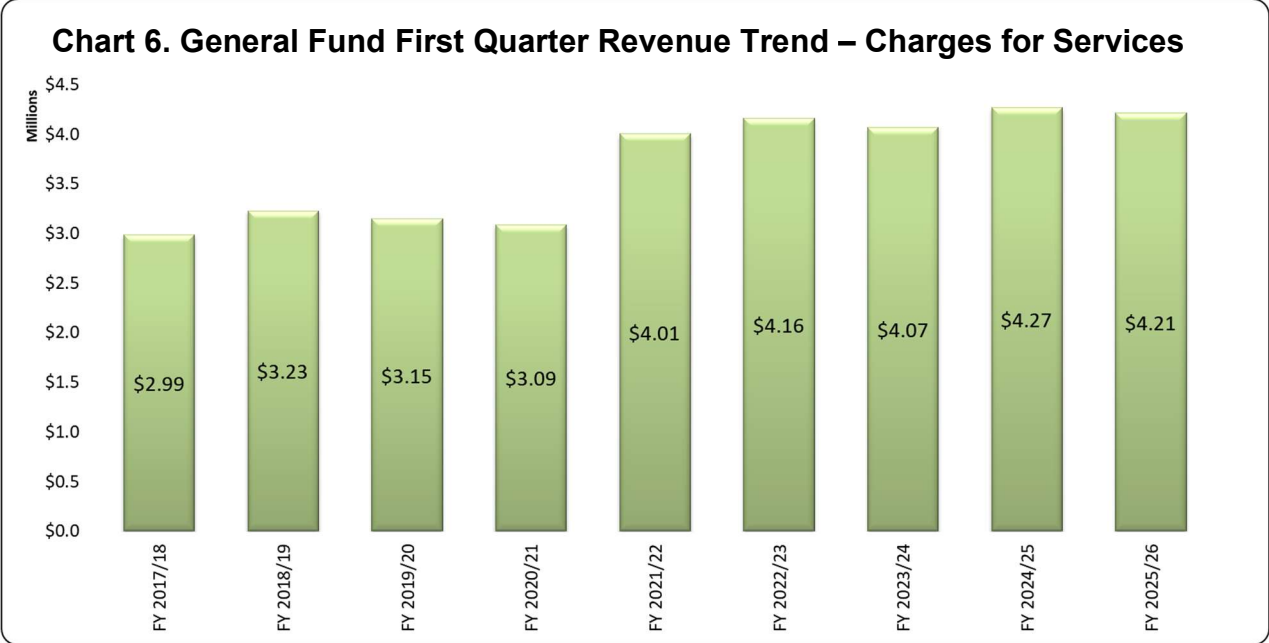
Based on historical averages of actual receipts, the City is expected to receive 24% of the budgeted Licenses & Permits revenue through the First Quarter. The City has received 18% through the First Quarter. The collection rate is related primarily to building and business license permit activities.



**Charges for Services**

Charges for services are primarily composed of Plan Check Fees, Inspection Fees, Administrative Charges to other funds, and Parking Control Fines. Collectively, Charges for Services were conservatively budgeted to increase by 8% as compared to the FY 2024/25 Amended Budget.

Based on historical averages of actual receipts, the City is expected to receive 27% of the budgeted Charges for Services revenue through First Quarter. The City has currently received 27% through the First Quarter.



## Use of Money and Property

Investment income continues to remain low due to extremely low rates of return for fixed income investments but have increased over the last year due to actions taken by the Federal Open Markets Committee (FOMC). The investments achieved a Yield to Maturity (YTM) for September 2025 of 4.273%. In addition, the City maintained funds in the State Local Agency Investment Fund Pool (LAIF) with a YTM of 4.212%. LAIF is realizing a slight investment decrease based on the Federal Funds target rate increase as stated in the September FOMC meeting. Reflecting a reassessment of risk balance and in pursuit of its policy goals, the FOMC opted to lower the federal funds rate by .25% to 4.00–4.25%. Staff will continue to monitor closely to ensure we maximize our investment income going forward.

· [Federal Reserve Board - Federal Reserve issues FOMC statement](#)

## General Fund Expenditures

Expenditures are being spent in-line with prior year expenditures. Each Department's activities will be monitored throughout the year as they may be impacted by different operational activities and project timelines.

**Table 4. General Fund Expenditures**

	FY 2025/26 Adopted Budget	FY 2025/26 Amended Budget	Actuals as of 09/30/25 (unaudited)	% of Amended Budget
<b>Department</b>				
City Council	\$ 1,154,214	\$ 1,161,642	\$ 211,539	18.2%
City Clerk	1,415,128	1,415,128	189,133	13.4%
City Manager	14,679,197	14,489,354	4,004,232	27.6%
City Attorney	2,083,694	2,083,694	179,270	8.6%
Community Development	17,810,499	17,810,499	3,360,623	18.9%
Economic Development	3,491,219	3,318,047	431,058	13.0%
Financial & Management Services	9,784,806	10,147,821	1,764,940	17.4%
Human Resources	4,160,174	4,160,174	616,576	14.8%
Public Works	20,135,879	21,031,199	2,624,900	12.5%
Non-Departmental	2,044,289	2,044,289	2,630,373	128.7%
<b>Non-Public Safety Subtotal</b>	<b>\$ 76,759,099</b>	<b>\$ 77,661,847</b>	<b>\$ 16,012,645</b>	<b>20.6%</b>
<b>Public Safety</b>				
Police	\$ 86,874,769	\$ 86,893,307	\$ 14,266,393	16.4%
Fire	41,332,923	41,332,923	7,782,323	18.8%
<b>Public Safety Subtotal</b>	<b>\$ 128,207,692</b>	<b>\$ 128,226,230</b>	<b>\$ 22,048,716</b>	<b>17.2%</b>
<b>Total</b>	<b>\$ 204,166,791</b>	<b>\$ 205,888,077</b>	<b>\$ 38,061,361</b>	

## OTHER KEY FUNDS

The following summaries describe other major funds in the City.

### **Moreno Valley Community Services District**

The Moreno Valley Community Services District (CSD) was formed by the voters in 1984 to collect fees and certain taxes to provide an array of services including parks, recreation and community services, streetlights, landscaping and ongoing maintenance. The CSD provides these services through separate “zones” that define the services that are provided.

For certain zones, the primary revenue source used to provide services to properties is parcel fees or taxes levied on properties via their annual tax bill. Proposition 218, passed by California voters in November 1996, and has posed a serious challenge to managing the future operation of the CSD zones. Prop. 218 requires any revenue increase to be addressed through a voting process by affected property owners. For the period following the initial implementation of Prop. 218, the CSD was successful in receiving approval for some new or increased revenues. There were also revenue increases due to the growth of developed parcels within the zones.

**Table 5. CSD Operations**

	FY 2025/26 Adopted Budget	FY 2025/26 Amended Budget	Actuals as of 09/30/25 (unaudited)	% of Amended Budget
<b>Revenues:</b>				
Taxes:				
Property Tax	\$ 6,694,252	\$ 6,694,252	\$ 62	0.0%
Other Taxes	7,741,645	7,741,645	-	0.0%
Charges for Services	6,954,834	6,954,834	321,705	4.6%
Use of Money & Property	1,292,001	1,292,001	306,014	23.7%
Fines & Forfeitures	3,500	3,500	1,063	30.4%
Miscellaneous	16,180	16,180	3,563	22.0%
Transfers In	2,301,203	2,301,203	430,406	18.7%
<b>Total Revenues</b>	<b>\$ 25,003,615</b>	<b>\$ 25,003,615</b>	<b>\$ 1,062,813</b>	<b>4.3%</b>
<b>Expenditures:</b>				
Library Services Fund (5010)	\$ 4,530,031	\$ 4,530,031	\$ 935,220	20.6%
Zone A Parks Fund (5011)	13,296,555	13,296,555	3,430,966	25.8%
LMD 2014-01 Residential Street Lighting Fund (5012)	1,588,549	1,588,549	294,226	18.5%
Zone C Arterial Street Lighting Fund (5110)	912,213	912,213	197,734	21.7%
Zone D Standard Landscaping Fund (5111)	1,715,790	1,715,790	229,143	13.4%
Zone E Extensive Landscaping Fund (5013)	699,906	699,906	56,288	8.0%
5014 LMD 2014-02	3,437,472	3,437,472	489,162	14.2%
5016 CFD 2021-01 Parks Fac Maint	570,500	570,500	52,618	9.2%
Zone M Median Fund (5112)	476,335	476,335	50,958	10.7%
CFD No. 1 (5113)	1,965,636	2,272,610	688,397	30.3%
Zone S Financial & Management Svcs (5114)	76,786	76,786	9,669	12.6%
<b>Total Expenditures</b>	<b>\$ 29,269,773</b>	<b>\$ 29,576,747</b>	<b>\$ 6,434,380</b>	<b>21.8%</b>
<b>Net Change or Adopted Use of Fund Balance</b>	<b>\$ (4,266,158)</b>	<b>\$ (4,573,132)</b>	<b>\$ (5,371,567)</b>	

**Community Services District Zone A – Parks & Community Services**

The largest Zone within the CSD is Zone A. It accounts for the administration and maintenance of the Parks & Community Services facilities and programs. Funding sources for these services come from a combination of property taxes, fees for service, and smaller amounts from other City funds.

**Table 6. CSD Zone A Operations**

	FY 2025/26 Adopted Budget	FY 2025/26 Amended Budget	Actuals as of 09/30/25 (unaudited)	% of Amended Budget
<b>Revenues:</b>				
Taxes:				
Property Tax	\$ 2,979,205	\$ 2,979,205	\$ 32	0%
Other Taxes	5,282,900	5,282,900	-	0.0%
Charges for Services	1,350,234	1,350,234	304,141	22.5%
Use of Money & Property	1,283,001	1,283,001	221,029	17.2%
Miscellaneous	4,650	4,650	1,338	28.8%
<b>Total Revenues</b>	<b>\$ 10,899,990</b>	<b>\$ 10,899,990</b>	<b>\$ 526,540</b>	<b>4.8%</b>
<b>Expenditures:</b>				
35010 Parks & Comm Svcs - Admin	\$ 1,216,179	\$ 1,216,179	\$ 223,722	18.4%
35210 Park Maintenance - General	5,450,540	5,450,540	1,351,519	24.8%
35211 Contract Park Maintenance	490,295	490,295	117,161	23.9%
35213 Golf Course Program	559,845	559,845	151,205	27.0%
35214 Parks Projects	265,097	265,097	57,990	21.9%
35310 Senior Program	851,210	851,210	215,069	25.3%
35311 Community Services	-	-	(204)	0.0%
35312 Community Events	1,171,411	1,171,411	399,329	34.1%
35313 Conf & Rec Cntr	597,448	597,448	137,384	23.0%
35314 Conf & Rec Cntr - Banquet	273,240	273,240	60,814	22.3%
35315 Recreation Programs	1,514,069	1,514,069	380,522	25.1%
35318 Sports Programs	786,548	786,548	183,010	23.3%
35319 Towngate Community Center	37,083	37,083	4,456	12.0%
35320 Amphitheater	7,940.00	7,940	241	3.0%
35321 March Annex	5,650.00	5,650	5,779	102.3%
35324 Aquatics Programs	70,000.00	70,000	40,981	58.5%
95011 Non-Dept Zone A Parks	-	-	101,989	0.0%
<b>Total Expenditures</b>	<b>\$ 13,296,555</b>	<b>\$ 13,296,555</b>	<b>\$ 3,430,966</b>	<b>25.8%</b>
<b>Net Change or Adopted Use of Fund Balance</b>	<b>\$ (2,396,565)</b>	<b>\$ (2,396,565)</b>	<b>\$ (2,904,426)</b>	

## Electric Utility

The Moreno Valley Utility (MVU) manages the operation, maintenance, and business planning of the City's electric utility. MVU's basic purpose is to purchase and distribute electricity to customers in newly developed areas of the City. The City began serving new customers in February 2004, and now serves 9,551 customers. As it reaches fiscal and operational maturity, MVU will continue to be a key component of the City's economic development strategy. The City Council has established special tiered rates for electric utility customers based upon factors such as the number of jobs created.

The main source of revenue for this fund is derived from charges for services. The customer base includes residential, commercial, and industrial customers. The growth in the customer base will continue to provide for the ability to create rate stabilization and replacement reserve funding.

**Table 7. MVU Operations**

	FY 2025/26 Adopted Budget	FY 2025/26 Amended Budget	Actuals as of 09/30/25 (unaudited)	% of Amended Budget
<b>Revenues:</b>				
Taxes:				
Charges for Services	\$ 57,409,981	\$ 57,409,981	21,819,806	38.0%
Use of Money & Property	1,607,000	1,607,000	942,507	58.7%
Miscellaneous	100,000	100,000	130,302	130.3%
<b>Total Revenues</b>	<b>\$ 59,116,981</b>	<b>\$ 59,116,981</b>	<b>\$ 22,892,614</b>	<b>38.7%</b>
<b>Expenditures:</b>				
45510 Electric Utility - General	\$ 53,411,908	\$ 53,411,908	\$ 10,999,299	20.6%
45511 Public Purpose Program	3,346,196	3,346,196	228,762	6.8%
45512 SCE Served Street Lights	750,000	750,000	194,339	25.9%
80005 CIP - Electric Utility	24,818,501	51,543,305	3,417,059	6.6%
96030 Non-Dept 2005 Lease Revenue Bonds	3,857,477	3,857,477	767,955	19.9%
96030 Non-Dept 2005 Lease Revenue Bonds	200,000	200,000	-	0.0%
96036 Non-Dept 2024 Refund 2014 LRB	104,815	104,815	(17,540)	-16.7%
96041 Non-Dept 2021 LRB Refinance	609,785	609,785	(100,722)	-16.5%
96051 Non-Dept 2021 Streetlight Refin.	185,410	185,410	(15,704)	-8.5%
96060 Non-Dept 2019 Taxable LRB	649,205	649,205	(104,680)	-16.1%
<b>Total Expenditures</b>	<b>\$ 87,933,297</b>	<b>\$ 114,658,101</b>	<b>\$ 15,392,171</b>	<b>13.4%</b>
<b>Net Change or Adopted Use of Fund Balance</b>	<b>\$ (28,816,316)</b>	<b>\$ (55,541,120)</b>	<b>\$ 7,500,443</b>	

\*MVU's revenues and expenses will fluctuate annually based on energy demand.

## SUMMARY

The City of Moreno Valley has experienced certain levels of growth and continued to maintain a structurally balanced Budget without the use of reserves.

The economic climate is ever changing and for these reasons the City must remain optimistically cautious and only increase revenues when they are received. Staff will continue to monitor and request quarterly revenue adjustments based on this approach. These revenue adjustments will be offset by replenishing our expenditure levels accordingly.