

City of Moreno Valley Fiscal Year 2025/26 Mid-Year Operating Budget Review

TO: Mayor and City Council
FROM: Felicia London, Chief Financial Officer/City Treasurer
DATE: February 17, 2026

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 Mid-Year of FY 2025/26 (July 2025 – December 2025, 50% of the fiscal year).

CITYWIDE OPERATING EXPENDITURE SUMMARY

The following table contains a summary of the adopted budget, amended budget and expenditures through the Mid-Year. 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 12/31/25 (unaudited)	% of Amended Budget
Fund/Component Unit				
General Fund	\$ 178,370,713	\$ 167,811,446	\$ 79,467,002	47.4%
Measure U	25,796,078	25,796,078	731,474	2.8%
Community Services District (CSD)	29,269,773	29,578,052	13,098,158	44.3%
Successor Agency	3,586,544	2,191,544	1,125,643	51.4%
Housing Fund	266,750	1,176,750	191,741	16.3%
Special Revenue Funds	48,094,713	96,473,043	38,959,184	40.4%
Capital Projects Funds	13,831,000	87,402,420	14,036,133	16.1%
Electric Utility Funds	87,933,297	120,523,402	30,072,583	25.0%
Internal Service Funds	27,299,221	31,424,951	20,044,790	63.8%
Debt Service Funds	3,549,303	3,549,303	1,932,939	54.5%
Total	\$ 417,997,392	\$ 565,926,989	\$ 199,659,648	35.3%

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 Mid-Year 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 12/31/25 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 36,000,000	\$ 22,500,000	\$ 8,294,805	36.9%
Property Tax in-lieu	34,321,793	36,851,939	-	0.0%
Utility Users Tax	20,000,000	20,000,000	9,986,736	49.9%
Sales Tax	60,546,078	60,546,078	21,912,750	36.2%
Other Taxes	22,000,000	22,000,000	6,049,876	27.5%
Licenses & Permits	6,552,550	6,552,550	2,585,123	39.5%
Intergovernmental	390,000	390,000	827,797	212.3%
Charges for Services	15,699,054	15,699,054	8,070,964	51.4%
Use of Money & Property	7,533,000	7,533,000	5,755,344	76.4%
Fines & Forfeitures	544,500	544,500	127,741	23.5%
Miscellaneous	168,000	168,000	444,695	264.7%
Total Revenues	\$ 203,754,975	\$ 192,785,121	\$ 64,055,831	33.2%
Expenditures:				
Personnel Services	\$ 38,648,804	\$ 39,261,109	\$ 20,022,646	51.0%
Contractual Services	148,064,761	134,827,394	51,488,285	38.2%
Material & Supplies	7,183,533	7,612,658	1,106,409	14.5%
General Government	-	-	-	-
Debt Service	-	-	-	-
Micellaneous	-	-	20	-
Fixed Charges	5,447,166	5,447,166	2,565,111	47.1%
Fixed Assets	400,000	-	-	-
Total Expenditures	\$ 199,744,264	\$ 187,148,327	\$ 75,182,471	40.2%
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	\$ 4,010,711	\$ 5,636,794	\$ (11,126,640)	
Transfers:				
Transfers In	\$ 418,816	\$ 829,403	\$ 325,959	39.3%
Transfers Out	4,422,527	6,459,197	5,016,006	77.7%
Net Transfers	\$ (4,003,711)	\$ (5,629,794)	\$ (4,690,047)	
Total Revenues & Transfers In	\$ 204,173,791	\$ 193,614,524	\$ 64,381,790	33.3%
Total Expenditures & Transfers Out	204,166,791	193,607,524	80,198,477	41.4%
Net Change of Fund Balance	\$ 7,000	\$ 7,000	\$ (15,816,687)	

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

	FY 2025/26 Adopted Budget	FY 2025/26 Amended Budget	Actuals as of 12/31/25 (unaudited)	% of Amended Budget
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Use of Money & Property	7,533,000	7,533,000	5,755,344	76.4%
Fines & Forfeitures	544,500	544,500	127,741	23.5%
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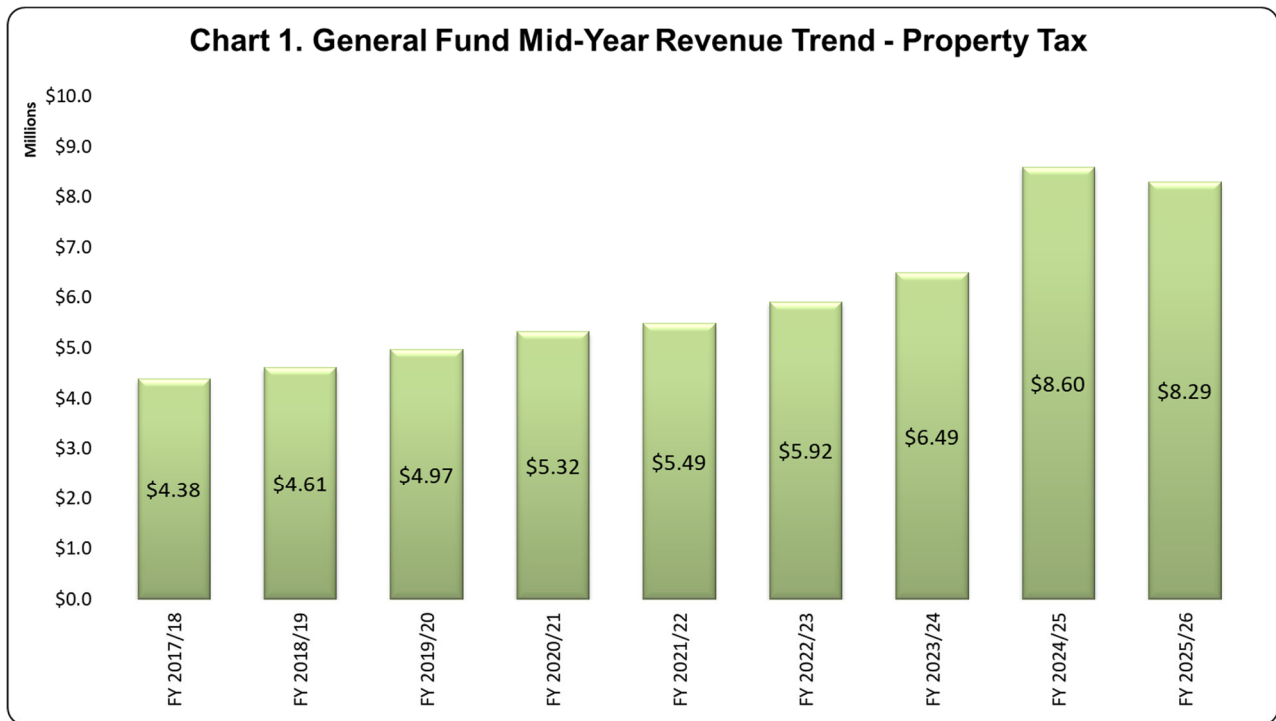
Property Taxes/Property Taxes In-Lieu

Property taxes were budgeted to increase by 11% 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

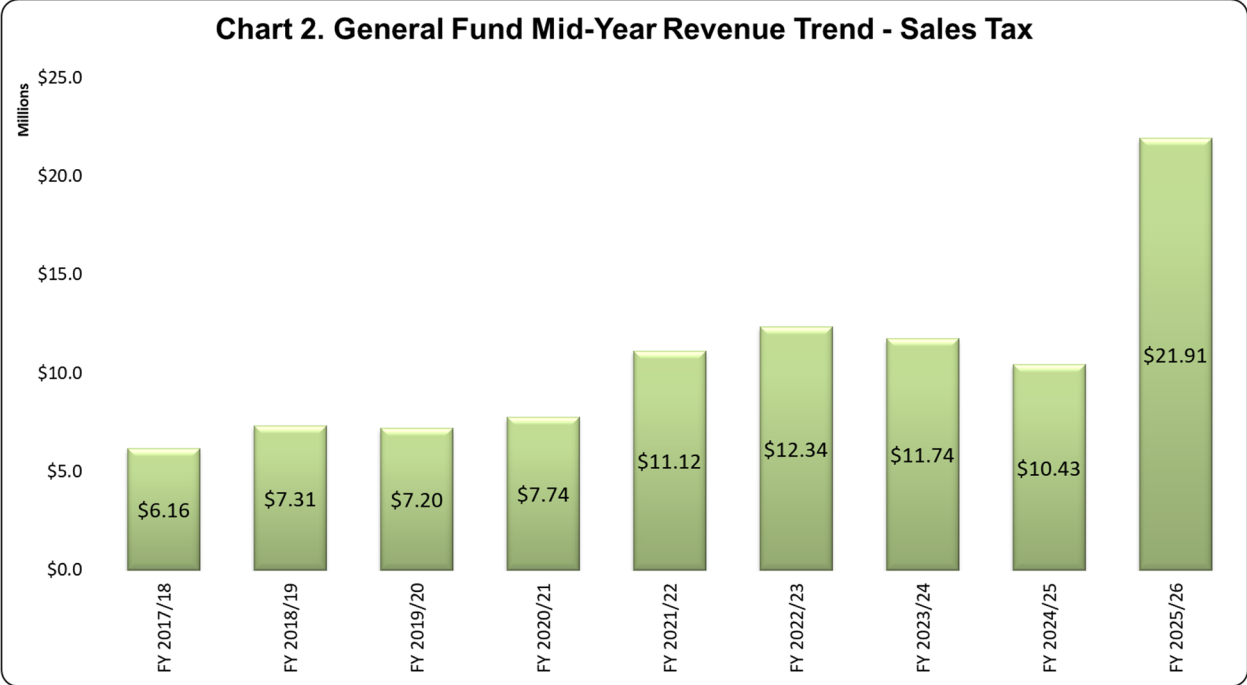
Based on historical averages of actual receipts, the City is estimated to receive less than 14% of the budgeted property tax revenue through the Mid-Year. The City has currently received 14% through the Mid-Year. Property taxes will continue to be monitored as property valuations may adjust throughout the year based on property sales and assessment appeals filed with the County.



Sales Taxes

Sales taxes were budgeted to increase by 60% as compared to the FY 2024/25 Amended Budget due to implementing Measure U. On November 5, 2024, residents of Moreno Valley passed Measure U - Moreno Valley Essential Services Reauthorization Measure. Priorities for this funding source is to maintain critical Moreno Valley services, including 911 response times, robbery/burglary prevention, neighborhood police patrols/fire service levels; address homelessness; repair streets/potholes; keep public areas safe/clean; help retain businesses; and for general government use. Sales tax receipt trends will need to be continually monitored throughout the year for possible future budget adjustments.

Historical averages were at 36% budgeted sales tax revenue through Mid-Year of actual receipts. The City has currently received 36% through Mid-Year.

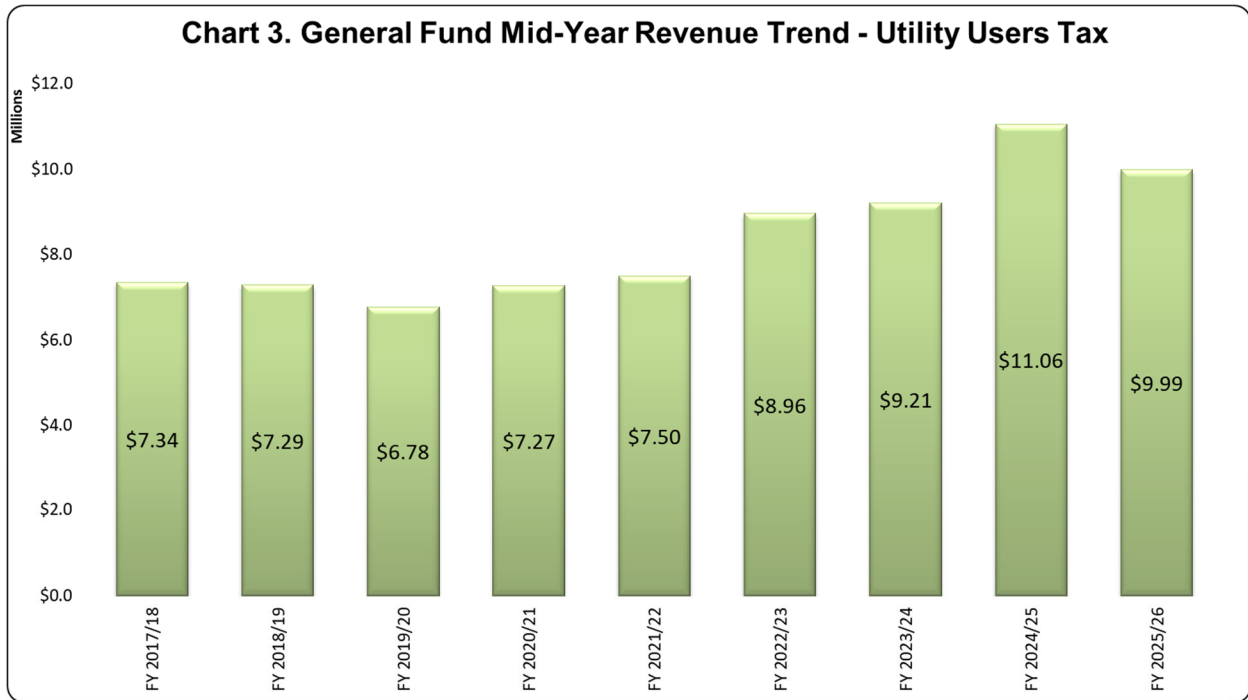


Note: For FY 2017/18, the reversal of revenues accrued to the prior fiscal year in accordance with the Government Accounting Standards Board (GASB) did not occur until the second quarter.

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.

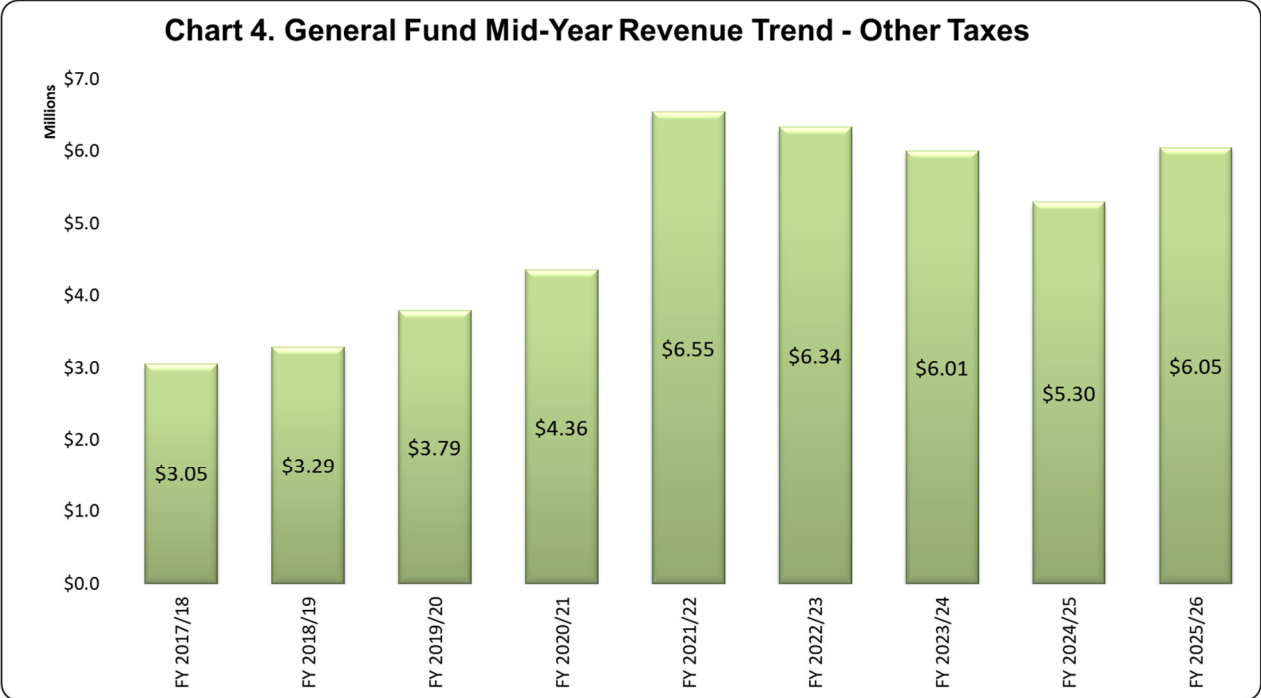
Based on historical averages of actual receipts, the City is estimated to receive 50% of the budgeted utility users tax revenue through the Mid-Year. The City has currently received 50% through the Mid-Year.



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% Transient Occupancy and Franchise Fees from the FY 2024/25 Amended Budget.

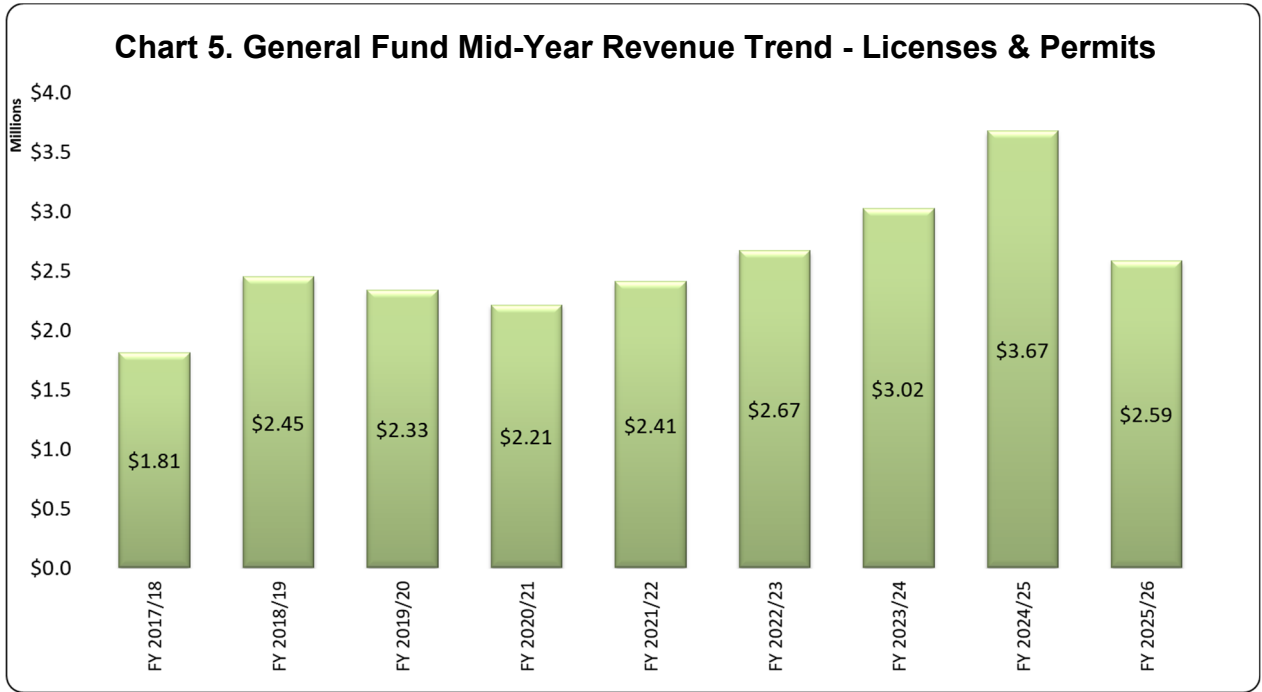
Based on historical averages of actual receipts, the City is expected to receive 32% of the budgeted Other Taxes revenue through Mid-Year. The City has currently received 27% through the Mid-Year.



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.

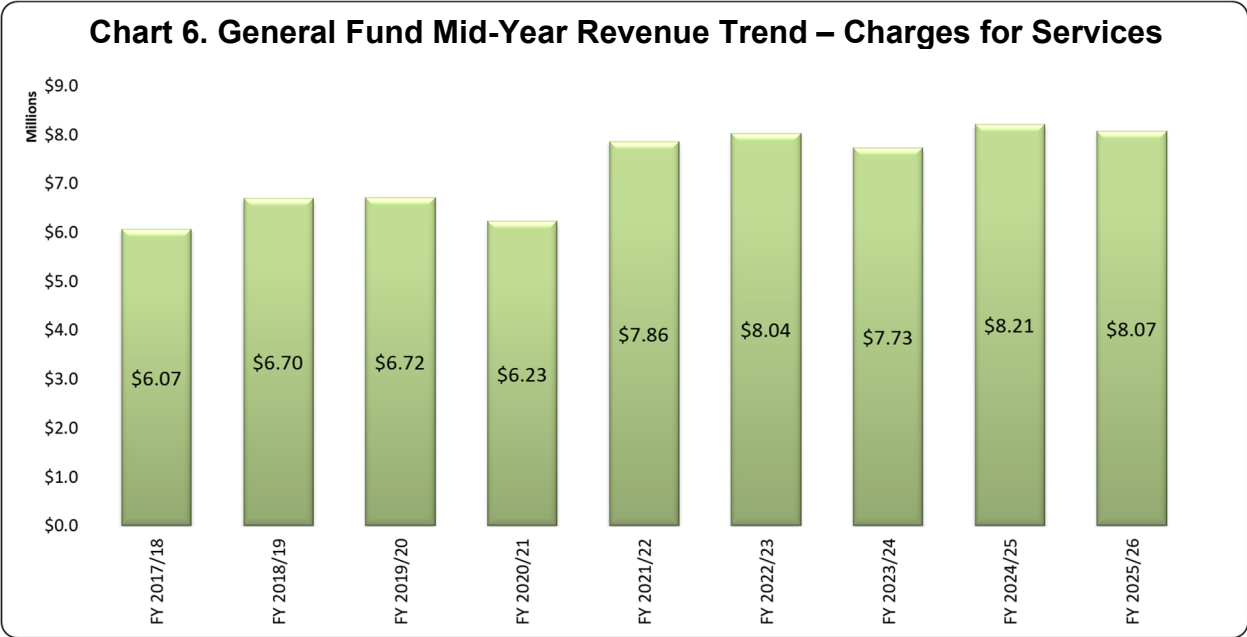
Based on historical averages of actual receipts, the City is expected to receive 50% of the budgeted Licenses & Permits revenue through the Mid-Year. The City has received 39% through the Mid-Year. The collection rate is related primarily to building and business license permit activities.



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 54% of the budgeted Charges for Services revenue through Mid-Year. The City has currently received 51% through the Mid-Year.



Use of Money and Property

Investment income modestly improved during the period as interest rate conditions continued to evolve. The City’s investment portfolio achieved a Yield to Maturity (YTM) of 3.877% as of December 2025, while funds invested in the State Local Agency Investment Fund (LAIF) earned a YTM of 4.025%. At its December 2025 meeting, the Federal Open Market Committee (FOMC) lowered the federal funds target range to 3.50%–3.75% following its third 25-basis-point rate cut of the year, contributing to a modest steepening of the yield curve. Staff will continue to monitor market conditions to maximize investment income while maintaining a prudent risk profile.

[*Federal Reserve Board - Federal Reserve issues Federal Open Market Committee \(FOMC\) statement \(12/10/2025\)](#)

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 12/31/25 (unaudited)	% of Amended Budget
Department				
City Council	\$ 1,154,214	\$ 1,161,642	\$ 493,290	42.5%
City Clerk	1,415,128	1,415,128	426,315	30.1%
City Manager	14,679,197	15,244,842	7,039,862	46.2%
City Attorney	2,083,694	2,083,694	735,280	35.3%
Community Development	17,810,499	17,882,499	7,762,119	43.4%
Economic Development	3,491,219	3,318,047	983,985	29.7%
Financial & Management Services	9,784,806	10,147,821	3,825,016	37.7%
Human Resources	4,160,174	4,160,174	1,319,321	31.7%
Public Works	19,335,879	19,222,051	6,429,696	33.4%
Non-Departmental	2,044,289	4,080,959	6,338,757	155.3%
Non-Public Safety Subtotal	\$ 75,959,099	\$ 78,716,857	\$ 35,353,641	44.9%
Public Safety				
Police	\$ 86,874,769	\$ 77,607,744	\$ 28,965,367	37.3%
Fire	41,332,923	37,282,923	15,879,469	42.6%
Public Safety Subtotal	\$ 128,207,692	\$ 114,890,667	\$ 44,844,836	39.0%
Total	\$ 204,166,791	\$ 193,607,524	\$ 80,198,477	

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 12/31/25 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 6,694,252	\$ 6,694,252	\$ 2,500,519	37.4%
Other Taxes	7,427,900	8,021,976	87,618	1.1%
Intergovernmental	-	-	36,410	0.0%
Charges for Services	4,167,834	4,199,984	767,136	18.3%
Use of Money & Property	1,292,001	1,292,001	625,008	48.4%
Fines & Forfeitures	3,500	3,500	2,091	59.7%
Miscellaneous	16,180	16,180	7,033	43.5%
Transfers In	2,068,733	2,070,516	1,050,103	50.7%
Total Revenues	\$ 21,670,400	\$ 22,298,409	\$ 5,075,918	22.8%
Expenditures:				
Library Services Fund (5010)	\$ 4,530,031	\$ 4,530,031	\$ 1,861,834	41.1%
Zone A Parks Fund (5011)	13,296,555	13,296,555	7,073,312	53.2%
LMD 2014-01 Residential Street Lighting Fund (5012)	1,588,549	1,588,549	681,965	42.9%
Zone C Arterial Street Lighting Fund (5110)	912,213	912,213	409,938	44.9%
Zone D Standard Landscaping Fund (5111)	1,715,790	1,715,790	491,521	28.6%
Zone E Extensive Landscaping Fund (5013)	699,906	701,211	149,775	21.4%
Zone M Median Fund (5112)	476,335	476,335	112,976	23.7%
CFD No. 1 (5113)	1,965,636	2,272,610	1,068,439	47.0%
Zone S Financial & Management Svcs (5114)	76,786	76,786	23,591	30.7%
Total Expenditures	\$ 25,261,801	\$ 25,570,080	\$ 11,873,349	46.4%
Net Change or Adopted Use of Fund Balance	\$ (3,591,401)	\$ (3,271,671)	\$ (6,797,431)	

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 12/31/25 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Property Tax	\$ 2,979,205	\$ 2,979,205	\$ 1,297,738	44%
Other Taxes	5,282,900	5,293,488	81,499	1.5%
Charges for Services	1,350,234	1,350,234	659,297	48.8%
Use of Money & Property	1,283,001	1,283,001	525,628	41.0%
Miscellaneous	4,650	4,650	3,013	64.8%
Total Revenues	\$ 10,899,990	\$ 10,910,578	\$ 2,567,175	23.5%
Expenditures:				
35010 Parks & Comm Svcs - Admin	\$ 1,216,179	\$ 1,216,179	\$ 510,664	42.0%
35210 Park Maintenance - General	5,450,540	5,450,540	2,746,043	50.4%
35211 Contract Park Maintenance	490,295	490,295	297,804	60.7%
35213 Golf Course Program	559,845	559,845	322,780	57.7%
35214 Parks Projects	265,097	265,097	137,768	52.0%
35310 Senior Program	851,210	851,210	468,965	55.1%
35311 Community Services	-	-	216	0.0%
35312 Community Events	1,171,411	1,171,411	786,105	67.1%
35313 Conf & Rec Cntr	597,448	597,448	297,408	49.8%
35314 Conf & Rec Cntr - Banquet	273,240	273,240	151,250	55.4%
35315 Recreation Programs	1,514,069	1,514,069	762,603	50.4%
35318 Sports Programs	786,548	786,548	403,459	51.3%
35319 Towngate Community Center	37,083	37,083	11,384	30.7%
35320 Amphitheater	7,940.00	7,940	481	6.1%
35321 March Annex	5,650.00	5,650	7,095	125.6%
35324 Aquatics Programs	70,000.00	70,000	40,981	58.5%
95011 Non-Dept Zone A Parks	-	-	128,306	0.0%
Total Expenditures	\$ 13,296,555	\$ 13,296,555	\$ 7,073,312	53.2%
Net Change or Adopted Use of Fund Balance	\$ (2,396,565)	\$ (2,385,977)	\$ (4,506,137)	

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 9,661 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 12/31/25 (unaudited)	% of Amended Budget
Revenues:				
Taxes:				
Charges for Services	\$ 57,409,981	\$ 57,409,981	37,368,175	65.1%
Use of Money & Property	1,607,000	1,607,000	2,113,730	131.5%
Miscellaneous	100,000	100,000	248,555	248.6%
Total Revenues	\$ 59,116,981	\$ 59,116,981	\$ 39,730,459	67.2%
Expenditures:				
45510 Electric Utility - General	\$ 53,411,908	\$ 53,122,209	\$ 19,982,345	37.6%
45511 Public Purpose Program	3,346,196	3,416,196	814,582	23.8%
45512 SCE Served Street Lights	750,000	750,000	382,584	51.0%
80005 CIP - Electric Utility	24,818,501	57,628,305	6,293,430	10.9%
96010 Non-Dept Electric	-	-	23,404	0.0%
96030 Non-Dept 2005 Lease Revenue Bonds	3,857,477	3,857,477	1,535,910	39.8%
96030 Non-Dept 2005 Lease Revenue Bonds	200,000	200,000	95,000	47.5%
96036 Non-Dept 2024 Refund 2014 LRB	104,815	104,815	186,108	177.6%
96041 Non-Dept 2021 LRB Refinance	609,785	609,785	205,393	33.7%
96051 Non-Dept 2021 Streetlight Refin.	185,410	185,410	340,404	183.6%
96060 Non-Dept 2019 Taxable LRB	649,205	649,205	213,423	32.9%
Total Expenditures	\$ 87,933,297	\$ 120,523,402	\$ 30,072,583	25.0%
Net Change or Adopted Use of Fund Balance	\$ (28,816,316)	\$ (61,406,421)	\$ 9,657,876	

*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.