Mid Year Budget Report

FY 2025-2026

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Introduction

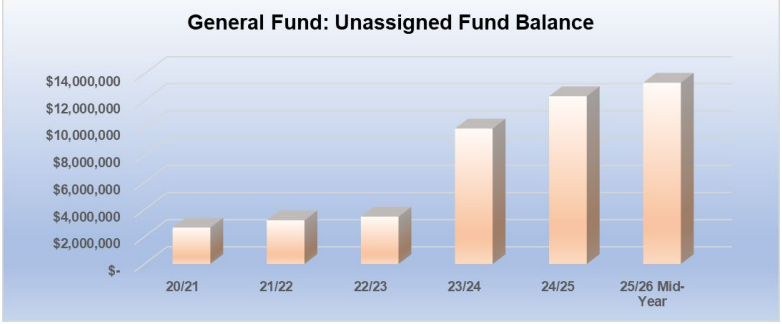
The City Council adopted the FY2025/26 Budget at its June 16, 2025, meeting. This mid-year financial report provides an analysis of the City's General Fund, Special Revenue Funds, and Capital Improvement Program revenues and expenditures for the first half of FY2025/26, covering the six-month period ending December 31, 2025. Recommended adjustments are included to ensure the budget continues to reflect the City's current revenue outlook and remains responsive to the evolving financial landscape and City priorities.

The mid-year budget update serves two important purposes. First, it provides the City Council with regular updates on revenue and expenditure trends, ensuring a clear understanding of the City's current financial condition. This allows the Council to proactively respond to unanticipated changes or emerging fiscal trends. Second, and equally important, these reports strengthen transparency in City finances. The City remains accountable to its residents to use public revenues efficiently and effectively while delivering high-quality services. Ongoing financial reporting gives taxpayers the information they need to evaluate the City's stewardship of public funds.

With respect to revenues: City staff continuously monitor revenue collections and updates year-end projections based on actual performance and forecasting models. This approach provides a more accurate estimate of the City's anticipated year-end financial position.

With respect to expenditures: The expenditure figures presented in this report are drawn directly from the City's financial management system. Adjustments are made to account for known payments, reimbursements, or interfund transfers that have not yet been processed as of the reporting date. The data presented represents a snapshot in time and does not reflect final FY2025/26 year-end adjustments.

With respect to fund balance: The City's General Fund balance has grown in recent years following the passage of Measure Y, strengthening the City's overall financial position and improving its ability to plan for future needs. This increase in reserves has allowed the City to proactively set aside resources for key priorities, including a fleet reserve, labor reserve, risk management reserve, capital replacement reserve, and General Plan reserves. Maintaining these designated reserves supports long-term fiscal stability, enhances the City's capacity to address unforeseen costs, and ensures that essential infrastructure and operational needs can be met in a sustainable manner.



Timeframe and Limitations

The information presented in this report reflects the most current financial data available at the time of publication and is intended for budget monitoring and policy decision-making purposes. It should be noted that this document is not an audited financial statement. The figures included herein are preliminary, budget-based estimates and may be subject to revision as additional information becomes available or as the fiscal year progresses.

Unlike the City's Annual Comprehensive Financial Report (ACFR), which is prepared in accordance with generally accepted accounting principles (GAAP), this mid-year report is presented on a budgetary basis. The annual audit incorporates accruals, year-end adjustments, receivables, payables, depreciation, and other accounting entries that are not reflected in budget monitoring reports. As a result, final audited results may differ from the budgetary figures presented in this document.

The City's independent annual financial audit, issued each year for the preceding fiscal year, provides formal verification of financial statements, internal controls, and compliance with applicable standards. That audit ensures the City Council and the public can rely on the accuracy, completeness, and integrity of the City's financial reporting.

Executive Summary

The City of Sonora has made meaningful progress in advancing the goals established in its Strategic Plan, originally adopted in 2024 and refreshed in 2025 as part of the annual budget process. During the first half of the fiscal year, departments have continued aligning operations and investments with these strategic priorities. Departmental updates beginning on page 32 highlight key accomplishments and demonstrate continued progress in infrastructure improvements, public safety, and service delivery to the community.

The financial results for the first half of FY2025/26 are based on the most current financial data and economic indicators available. Recommended budget adjustments reflect updated revenue projections and expenditure trends to ensure the City remains structurally balanced through the end of the fiscal year.

At the midpoint of the year, it is important to consider the broader economic environment. National economic growth has moderated, and inflation remains elevated, creating uncertainty for sales-tax-dependent communities such as Sonora.

For the City, sales tax remains the most significant revenue sensitivity within the General Fund. Moderation in consumer spending could affect revenues generated through both Measure Y and the other sales and use taxes. While lower interest rates may eventually support economic stability, the timing and magnitude of recovery remain uncertain.

In response, the City continues to emphasize conservative forecasting, ongoing monitoring of economic indicators, and disciplined expenditure management. Maintaining fiscal flexibility is essential to preserving service levels and responding appropriately to changing conditions.

As part of the recommended mid-year adjustments, staff have also reviewed the scope and timing of planned Capital Improvement Projects (CIP). Other than the specific CIP modifications presented as part of the mid-year adjustments, it is anticipated that all projects included in the originally adopted budget will continue to move forward as planned. These refinements reflect a prudent and measured approach to ensure fiscal stability while maintaining progress on the City's infrastructure priorities.

This strategy allows the City to preserve long-term financial balance while continuing to invest in essential capital improvements in a responsible and sustainable manner.

Looking ahead the City remains committed to sustaining investments in public safety, infrastructure, and service delivery. By connecting budgetary adjustments to strategic priorities, the City ensures continued progress while maintaining the financial resilience necessary to adapt to evolving economic conditions.

Key Takeaways – Mid-Year FY2025/26

- **Strategic Progress**: The City continues advancing 2024 Strategic Plan priorities, with notable improvements in infrastructure and service delivery.
- **Revenue Outlook**: Sales tax collections remain the most significant source of General Fund revenue. Slowing consumer spending poses risks to both Measure Y and Bradley-Burns revenues.
- **Economic Context**: The national economy is slowing. The Federal Reserve has begun cutting interest rates to encourage growth, but the timing and strength of recovery remain uncertain.
- **Budget Adjustments**: Recommended changes on page 25 align the budget with current revenue and expenditure trends to maintain financial stability.
- **Fiscal Stewardship**: Vigilant monitoring, prudent adjustments, and alignment with the Strategic Plan will ensure the City continues to deliver essential services while protecting long-term financial resilience.

Key Accomplishments in the First Half of FY25/26

Despite the potential economic headwinds, the City of Sonora has made significant progress in the first half of the fiscal year, achieving milestones that reflect the City's dedication to enhancing infrastructure, supporting public safety, and strengthening the workforce.

- **Snell Street Reconstruction Progress:** The City's engineering team has made substantial progress advancing the design phase of the Snell Street (Phase 1) reconstruction, positioning the project for implementation when funding becomes available. This project remains a top infrastructure priority and is critical to improving circulation, safety, and long-term roadway reliability within the City. Staff continue to actively pursue grant opportunities and identify sustainable funding sources to advance the project toward construction.

- **Rotary Park Pickleball Court:** The addition of a new pickleball court at Rotary Park has provided a valuable recreational amenity, supporting healthy lifestyles and community engagement.

- **Support for Public Safety:** The City allocated resources to support recruitment efforts within the police department, bringing the department to full authorized staffing levels, with nine sworn officers in service and one recruit enrolled in the academy. This achievement not only strengthens public safety but also reflects the City's commitment to maintaining a highly qualified workforce. The City also completed the Police Department facility needs assessment, outlining the need for a replacement Police Department facility.

- **Labor Negotiations and Workforce Investment**: The City has successfully concluded productive negotiations with all employee associations, including the Sonora Police Officers Association (SPOA), the Sonora Employees Association (SEA), the Sonora Firefighters Association (SFFA), the Sonora Confidential Employees Association (SCEA), and the Sonora Management Employees Association (SMEA). With these agreements finalized, the City now has multi-year labor contracts in place with all bargaining groups, providing stability and cost predictability for the next three years. These negotiations focused on maintaining competitive wages, addressing recruitment and retention challenges, and supporting the workforce that delivers essential public services. To fund these commitments responsibly, the City allocated unassigned Measure Y revenues from FY2023/24 into a dedicated Labor Reserve Fund. The reserve is designed to cover the additional labor costs associated with the new agreements for approximately eight years, with a goal of extending the horizon to ten years through future budget allocations. By prefunding these obligations, the City protects future Measure Y revenues for infrastructure and other community priorities while reinforcing its commitment to fiscal responsibility and long-term planning. (Council Priorities #51, 56, 60)

Challenges and Resource Demands

While the accomplishments of the first half of the year are noteworthy, the City continues to face substantial resource demands that will require careful planning and prioritization. Key unfunded infrastructure needs include:

Road Maintenance: The City of Sonora faces a significant and growing challenge in maintaining its approximately 30 miles of roadway, which are essential to mobility, public safety, and economic activity. As pavement conditions decline, repair costs increase, and deferred maintenance often turns manageable resurfacing projects into far more expensive full reconstructions. While proactive maintenance extends roadway life and reduces long-term costs, available funding remains insufficient to address system-wide needs.

The City receives approximately $290,000 annually in gas tax revenue, its primary dedicated source for road maintenance. This revenue is expected to decline over time as fuel efficiency improves and electric vehicle use increases. By comparison, reconstructing just one mile of roadway costs more than $1 million, excluding drainage improvements, striping, and ADA compliance.

At current funding levels, it would take approximately 100 years of gas tax revenue alone to fully reconstruct the City's roadway network.

In July 2024, the City completed a pavement condition assessment through its IWorq asset management system to estimate the Remaining Service Life of each roadway segment. While this provides a useful planning baseline, continued aging and field conditions suggest some estimates may be optimistic. Given these constraints, the City must continue pursuing state and federal grant funding while strategically prioritizing limited resources to preserve roadways before they deteriorate into full reconstruction needs.

City of Sonora
Pavement Condition Assessment

Remaining Service Life (RSL) in Years	City Roadways (Miles)
0 Years	1.22
2 Years	0.07
4 Years	5.70
6 Years	16.47
8 Years	3.23
10 Years	3.06
20 Years	0.32
Total Road Miles	**30.07**

- **Sidewalk Repairs:** Sidewalk maintenance and repair are essential to the City's infrastructure strategy, supporting mobility, public safety, and accessibility. Aging infrastructure, tree root intrusion, soil movement, and normal wear have created uneven surfaces and trip hazards, and portions of the network do not meet current ADA standards. Barriers such as elevation changes and utility obstructions further limit accessibility. Deferred maintenance increases injury risk and potential legal exposure. Addressing these deficiencies in a prioritized and strategic manner is necessary to improve safety, enhance accessibility, and reduce long-term liability.

- **Main Drain Restoration:** The City of Sonora's Main Drain system, located in the heart of the community, is a critical piece of infrastructure that manages stormwater runoff and protects public and private property from flooding. The system requires substantial restoration, with total repair costs estimated at more than $10 million. Failure to address these deficiencies could result in infrastructure failure, localized flooding, environmental damage, and increased liability exposure.

  In 2023, the City commissioned the Main Drain Field Inspection and Condition Report to assess the system's condition, capacity constraints, and structural vulnerabilities. The study confirmed significant deterioration, with several segments estimated to have less than two years of remaining service life. Delayed action increases the likelihood of emergency repairs and substantially higher long-term costs.

  Given the scope and expense of the required improvements, the City has developed a phased restoration strategy to address the most critical needs in a fiscally responsible manner. However, the magnitude of the project exceeds available local resources, and securing state and federal grant funding will be essential to advancing this critical infrastructure investment.

- **Building Maintenance:** The City of Sonora faces ongoing challenges in maintaining and strategically managing its aging facilities. Years of limited resources and competing priorities have resulted in deferred maintenance across the City's thirteen buildings, restrooms, cemeteries, and parks, creating a growing backlog of needed repairs and upgrades. In addition, several City-owned properties are currently vacant or underutilized. While these assets have potential value, they also present liability exposure, ongoing maintenance costs, and inefficiencies in resource allocation. As part of a long-term facilities strategy, the City Council should evaluate options for these properties, including the sale of surplus buildings to generate funding for higher-priority infrastructure needs.

  One of the most pressing facility concerns is the Police Department building, which no longer meets the operational, security, or space requirements of modern law enforcement. The facility is undersized, lacks critical security features, and contains outdated systems that limit efficiency and service delivery. Given the significant cost of constructing a replacement facility, leveraging proceeds from surplus property sales should be considered as part of a comprehensive funding strategy.

Addressing these needs will require a balanced approach that prioritizes critical infrastructure improvements while maintaining fiscal sustainability.

Planning for Financial Stability

The total budget for FY25/26 is $18.8 million, which included several budgeted transfers out of the General Fund and into specific reserve funds. Reserve funds are designated funds where unspent resources are saved to ensure financial stability and flexibility for a city. These funds act as a safeguard, allowing the City to address unforeseen expenses, economic downturns, or

specific future needs without disrupting essential services or increasing taxes. By establishing reserves, the City is proactively planning for long-term sustainability. The reserves include:

→	Economic Uncertainty Reserves	Balance @ Dec. 31, 2025	$2,191,897
→	Emergency Reserves	Balance @ Dec. 31, 2025	$663,966
→	Fleet Replacement Reserve	Balance @ Dec. 31, 2025	$403,416
→	Risk Management Reserve	Balance @ Dec. 31, 2025	$266,377
→	Capital Replacement Reserve	Balance @ Dec. 31, 2025	$482,534
→	Labor Reserve	Balance @ Dec. 31, 2025	$4,047,361
→	General Plan Reserve	Balance @ Dec. 31, 2025	$319,644

Mid-Year Budget

Salaries and benefits comprise approximately 64% of General Fund expenditures and 47% of the City's total operating budget. General Fund expenditures for the first half of the fiscal year are trending slightly below projected levels, with salaries and benefits currently at approximately 47.4% of budget. Higher personnel costs are anticipated in the second half of the year due to the implementation of newly negotiated Memorandums of Understanding and the start of planned capital projects in the third quarter. City staff continue to exercise disciplined expenditure management, with overall first-half spending at approximately 39% of the adopted budget.

Despite a slowing economy, revenue performance has remained stronger than originally projected. Total sales tax revenues are at 53.5% of budget through mid-year and are currently 6.8% above the prior year. Based on this performance, staff recommend a revenue increase of $75,000 in Bradley-Burns Sales Tax and $75,000 in Measure Y revenues. Transient Occupancy Tax (TOT) revenues are being adjusted to reflect the collection of previously unpaid balances, clearing all past-due amounts. Public Benefit Fees from cannabis dispensaries remain consistent with budgeted projections.

The relative strength in local revenues reflects several stabilizing factors within Sonora's economy. As a regional service and retail hub for surrounding foothill communities, the City benefits from consistent consumer draw beyond its resident population. Essential retail sectors such as grocery, dining, and general services have remained stable, supporting sales tax performance. Continued tourism activity, public safety stability, and ongoing infrastructure investment also contribute to sustained economic activity. While broader economic risks remain, these local characteristics position the City to potentially outperform more conservative revenue projections if current trends continue.

Collectively, the recommended adjustments reflect a net revenue increase of $323,500 and expenditure adjustments of $21,049, including $300,000 in additional reserve contributions, resulting in a projected net increase of approximately $300,000 to the General Fund. The City

remains committed to funding ongoing operations with recurring revenues, thereby maintaining structural balance in the General Fund. With the noted budget adjustments and six months of data available, the City is on budget for the second half of the year.

FY25/26 Recommended Budget Adjustments

The recommended budget adjustments for the mid-year update appear on page 25.

GENERAL FUND – KEY REVENUE ANALYSIS

The following discussion provides a status of significant General Fund revenue sources as of the first half of FY25/26, ending December 31, 2025. Staff monitors each revenue source closely and may recommend certain revenue adjustments based on revenue actuals or State and Federal budget actions.

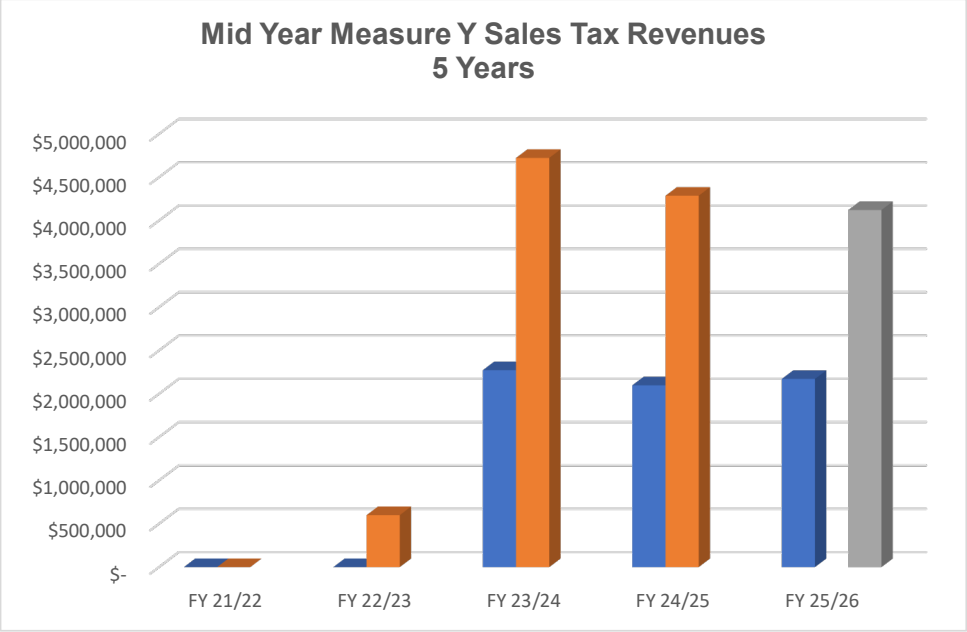
Measure Y

Fiscal Year 2025/26 marks the third full year of Measure Y revenues for the City, which has emerged as the largest single revenue source for the General Fund. Measure Y is projected to generate $4.2 million representing 29% of the City's budgeted General Fund revenues for the fiscal year. Under Measure Y, the City's General Fund receives 1% of taxable sales, equating to 1 cent for every $1 of retail sales occurring within the City limits of Sonora.

Analysis – Measure Y sales tax receipts for the first half of FY25/26 are 2.7% higher than budgeted and 3.5% higher compared to the same period last year. Measure Y revenues continue to benefit from a resilient local economy and the steady performance of major big-box retailers, which remain a significant contributor to overall sales tax generation.

Given the current trends, sales tax estimates for the second half of FY25/26 have been revised upward by $75,000, or 1.8%. Staff remain committed to maintaining fiscal flexibility and will provide updated projections as new data becomes available.

MEASURE Y - 1% Sales Tax



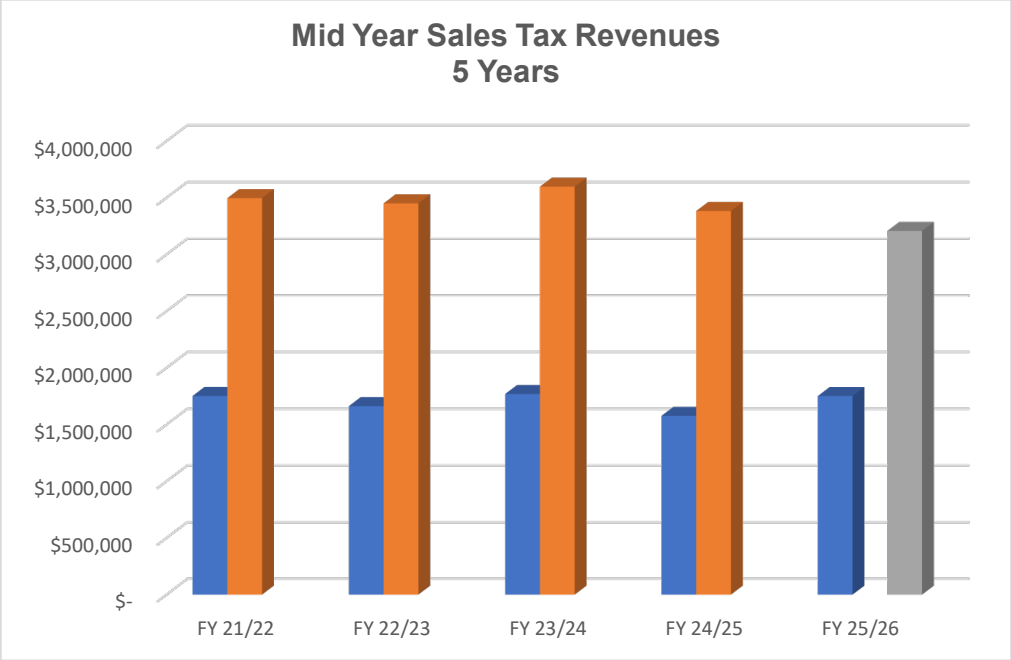
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Revenues	$ -	$ -	$ 2,273,214	$ 2,098,915	$ 2,172,577
Fiscal Year Total Actual Revenues	$ -	$ 600,163	$ 4,723,683	$ 4,287,435	
Fiscal Year Budgeted Revenues					$ 4,121,700
% of Total	0.0%	0.0%	0.0%	49.0%	52.7%

Bradley Burns Sales Tax

Bradley Burns Local Sales and Use tax is the second largest revenue source for the City's General Fund, accounting for 23% of budgeted General Fund revenues for FY25/26, a projected $3,206,900. Of the 1% Bradley-Burns local sales tax, the City receives 87% and Tuolumne County receives 13%.

Analysis – First half sales tax receipts are trending 4.6% higher than the original budget estimate and higher than those in the same period last fiscal year. The increase is primarily attributed to a State of California processing delay that occurred last fiscal year and a resilient local economy. Staff will continue to monitor sales tax receipts and meet with the City's sales tax consultant to analyze trends. For the second half of FY25/26 sales tax estimates have increased requiring a budget adjustment in the amount of $75,000, or 2.3%.

SALES TAX



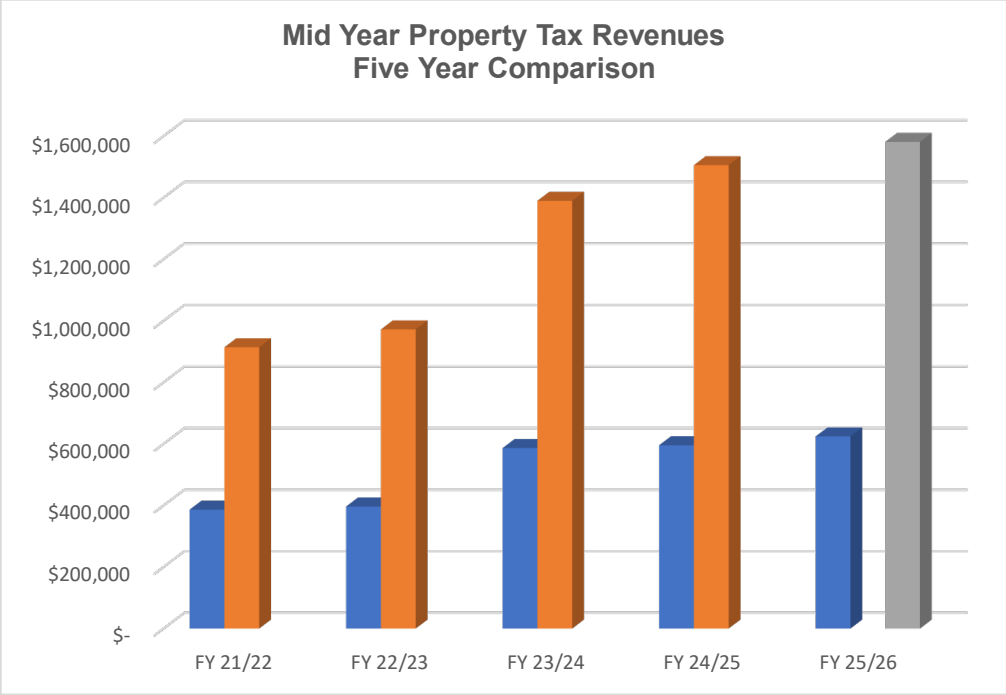
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Revenues	$ 1,752,041	$ 1,662,290	$ 1,769,196	$ 1,576,555	$ 1,751,394
Fiscal Year Total Actual Revenues	$ 3,496,261	$ 3,450,446	$ 3,597,709	$ 3,383,381	
Fiscal Year Budgeted Revenues					$ 3,206,900
% of Total	50.1%	48.2%	49.2%	46.6%	54.6%

Property Tax

Property tax is the third largest revenue source for the City's General Fund, accounting for 11% of budgeted General Fund revenues in FY25/26. Property tax is levied by the Tuolumne County Assessor's Office at 1% of a property's assessed value, of which the City receives approximately 12.6 cents per dollar paid on property located within the municipal limits of Sonora.

Analysis – Property tax distributions are primarily received in the second and fourth quarters; however, the chart below illustrates first-half receipts over the past four years compared to the current fiscal year. Mid-year receipts are trending consistent with prior years. For FY25/26, property tax revenue was budgeted with a projected growth of 5% over the prior year's actuals, reflecting anticipated increases in property values driven by real estate transactions.

PROPERTY TAX



	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Revenues	$ 386,390	$ 396,616	$ 586,572	$ 595,607	$ 624,314
Fiscal Year Total Actual Revenues	$ 913,849	$ 971,890	$ 1,389,748	$ 1,505,542	
Fiscal Year Budgeted Revenues					$ 1,581,100
% of Total	42.3%	40.8%	42.2%	39.6%	39.5%

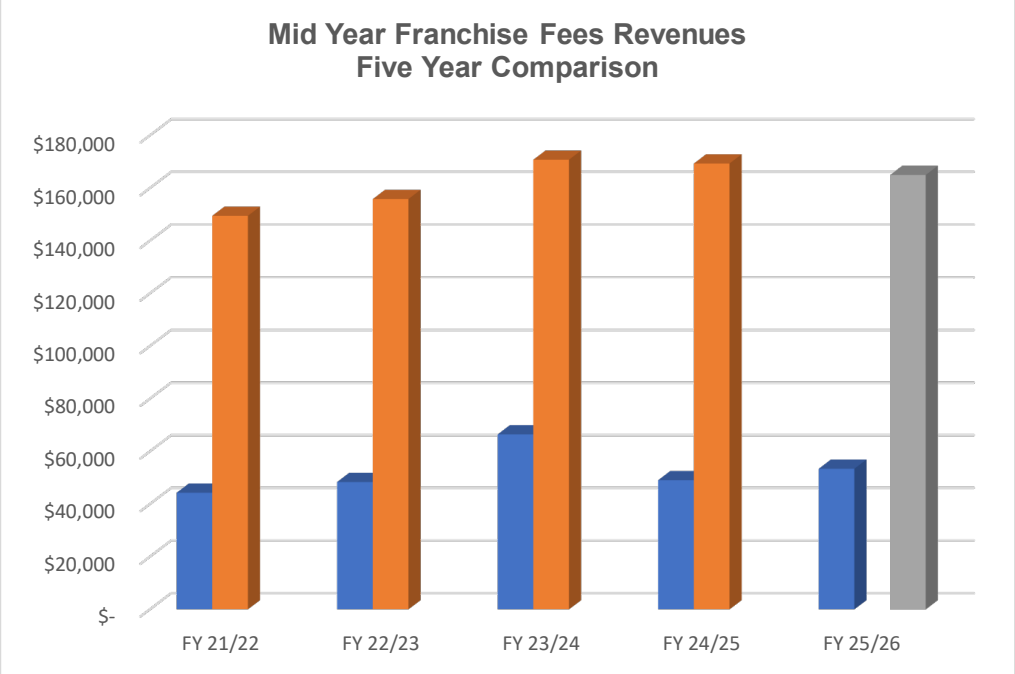
Franchise Fees

Franchise fees are payments made to the City for the privilege of operating utility services within the City of Sonora's public rights-of-way. These agreements allow private service providers to use City infrastructure and property to deliver essential services to the community. The City currently receives franchise fee revenues from Comcast (cable television services), PG&E (electric services), and Cal-Waste (solid waste collection services effective after November 1, 2025). In FY 2025/26, franchise fees accounted for approximately 1.1% of total budgeted General Fund revenues.

Analysis – Franchise fee revenues are not received evenly throughout the fiscal year, as payments are typically remitted on varying schedules depending on the provider. As a result, second-quarter receipts are not necessarily indicative of full-year performance.

The franchise fee rate has recently increased, and the City anticipates higher revenues during the second half of the fiscal year. Any franchise fee revenues received in excess of General Fund budgeted amounts will be deposited into a newly established Solid Waste Fund. These funds will be appropriated by the City Council through the annual budget process to support services and Council priorities.

FRANCHISE FEES



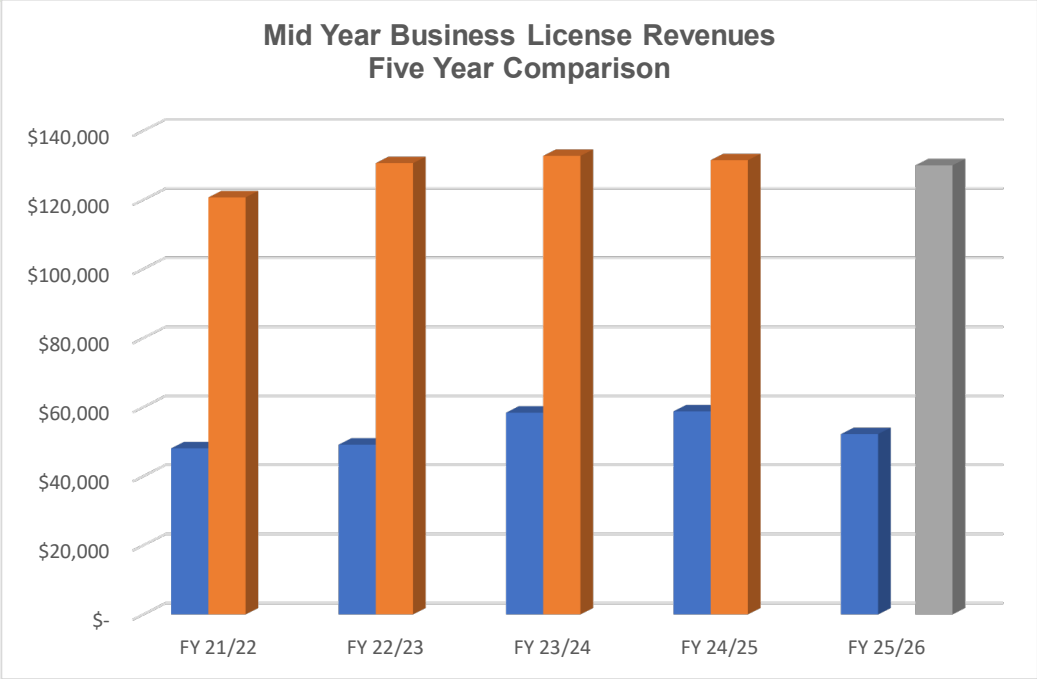
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Revenues	$ 44,303	$ 48,393	$ 66,465	$ 49,082	$ 53,418
Fiscal Year Total Actual Revenues	$ 149,478	$ 155,854	$ 170,797	$ 169,355	
Fiscal Year Budgeted Revenues					$ 165,000
% of Total	29.6%	31.1%	38.9%	29.0%	32.4%

Business License

The City requires all businesses located within Sonora, or those that operate within Sonora, to obtain a business license. The amount of business license paid by each business is based on the type of business and designated zone the business is in, or operating in, and the number of business employees. These activities account for approximately 1% of annual General Fund operating revenues. Approximately 1,100 annual renewals and associated payments are processed each year and are due in January.

Analysis – Business license revenue is trending slightly below the prior year, reflecting softer activity among smaller local businesses. Staff will continue to monitor this revenue source throughout the second half of the fiscal year.

Business License Revenues



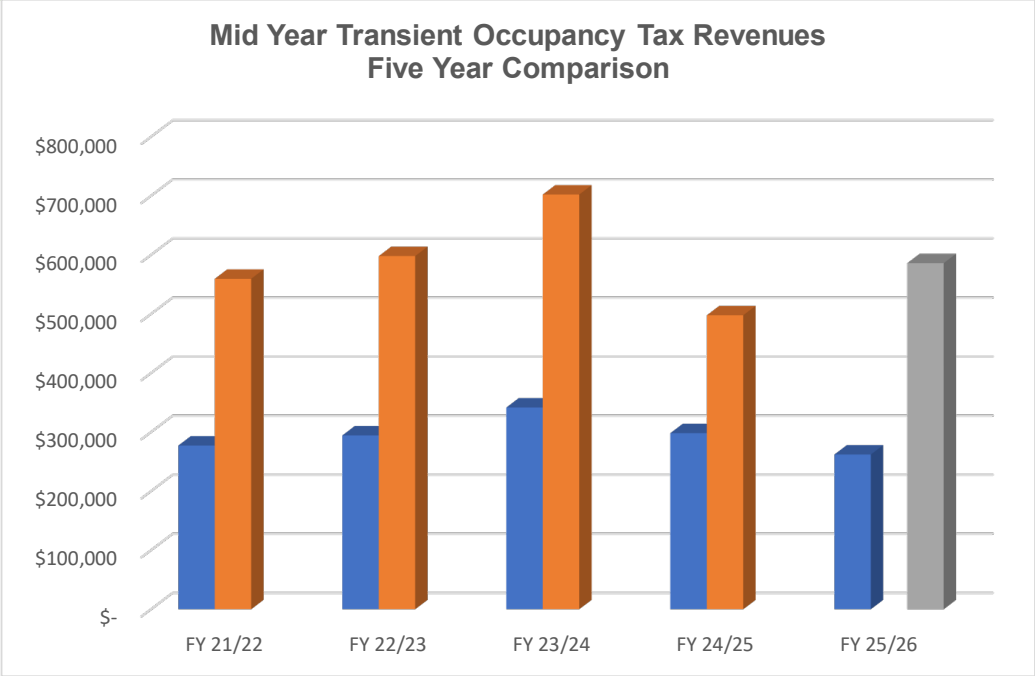
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Revenues	$ 48,078	$ 49,146	$ 58,406	$ 58,780	$ 52,205
Fiscal Year Total Actual Revenues	$ 120,719	$ 130,638	$ 132,741	$ 131,486	
Fiscal Year Budgeted Revenues					$ 130,000
% of Total	39.8%	37.6%	44.0%	44.7%	40.2%

Transient Occupancy Tax

The City levies a 12% Transient Occupancy Tax (TOT) on the seven (7) hotels and motels and the approximately thirty (30) other transient rentals within the municipal limits of Sonora. This tax helps to fund City services provided to transitory visitors to Sonora and is shared with Visit Tuolumne County, the official Tuolumne County tourism bureau. Of these funds, the Visitors Bureau will receive up to $150,000 annually. TOT revenues for FY25/26 are approximately 4.1% of General Fund revenues.

Analysis – TOT revenues peaked in FY23/24 and have moderated as economic activity has softened. During the year, the City received previously outstanding TOT payments, bringing all accounts current. As a result, staff recommends increasing the budget by $125,000. Staff will continue to monitor revenues throughout the second half of the fiscal year to ensure projections remain aligned with actual performance.

Transient Occupancy Tax



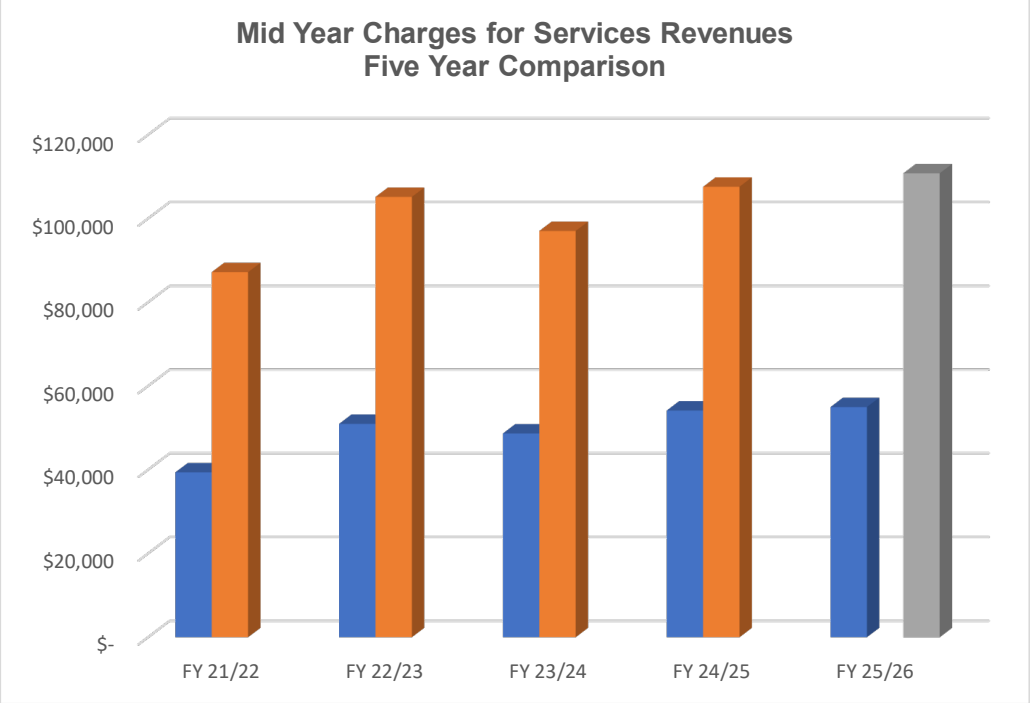
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Revenues	$ 277,274	$ 294,437	$ 341,671	$ 298,276	$ 262,038
Fiscal Year Total Actual Revenues	$ 559,545	$ 598,065	$ 702,269	$ 497,753	
Fiscal Year Budgeted Revenues					$ 586,000
% of Total	49.6%	49.2%	48.7%	59.9%	44.7%

Charges for Services

City service revenues consist primarily of services provided by City Departments, including zoning and subdivision fees, Police and Fire Department services, street sweeping, debris removal and banner installation fees. A fee study was implemented on November 1, 2024, updating user fees to reflect 2024 cost-of-service calculations. The adopted fees do not incorporate inflationary or operational cost changes occurring after that analysis.

Analysis – Charges for Services have trended slightly below projections during the first half of the fiscal year, reflecting broader economic softness. A budget adjustment of ($9,000) is recommended to align projected revenues with year-to-date actuals for the remainder of the fiscal year.

Charges for Services



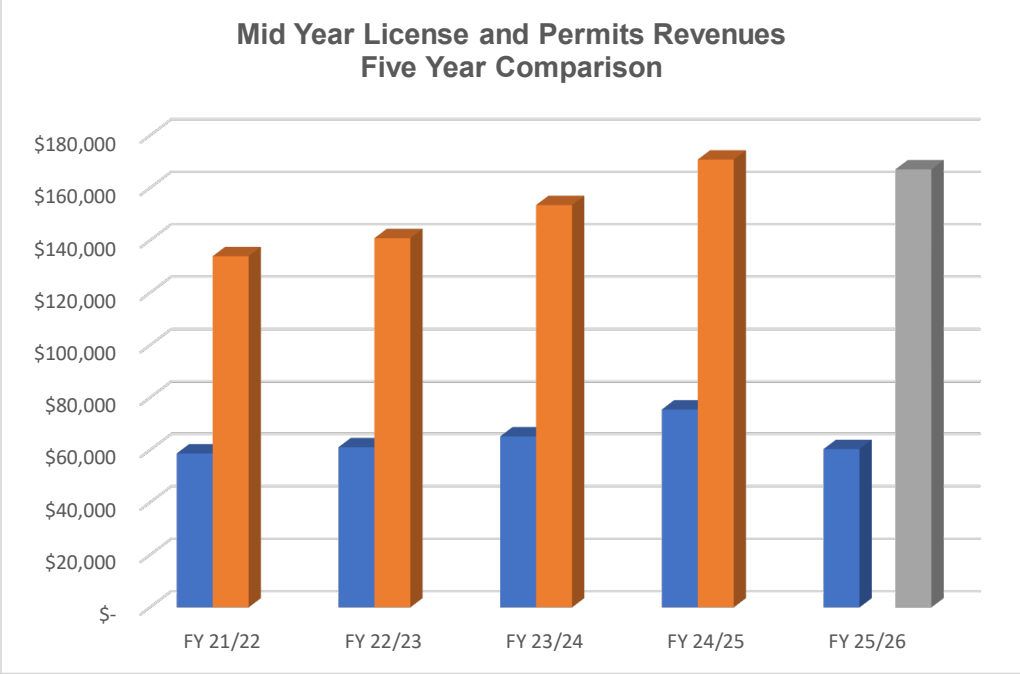
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Revenues	$ 39,381	$ 50,969	$ 48,679	$ 54,152	$ 54,983
Fiscal Year Total Actual Revenues	$ 87,195	$ 105,166	$ 97,038	$ 107,591	
Fiscal Year Budgeted Revenues					$ 110,800
% of Total	45.2%	48.5%	50.2%	50.3%	49.6%

Licenses and Permits

Licenses and permits consist mainly of Building permits and encroachment permits which are collected by the City to offset administrative costs associated with overseeing the proper permitting aspects of development and City activities. These revenues were budgeted to be approximately 1% of General Fund revenues.

Analysis – First half licenses and permit revenue are lower than anticipated due to less building department activity than the prior year. Staff recommend a decrease in budgeted revenues by ($20,000) to reflect the actual revenues going forward.

License and Permits



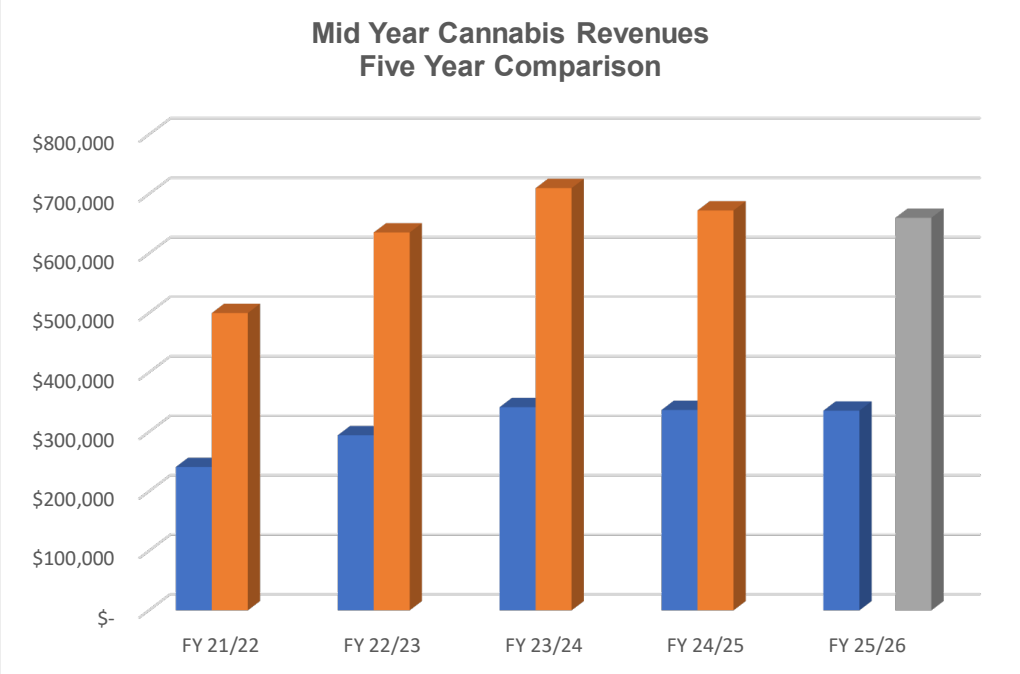
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Revenues	$ 58,744	$ 61,101	$ 65,239	$ 75,511	$ 60,409
Fiscal Year Total Actual Revenues	$ 133,963	$ 140,850	$ 153,479	$ 170,835	
Fiscal Year Budgeted Revenues					$ 167,100
% of Total	43.9%	43.4%	42.5%	44.2%	36.2%

Cannabis Dispensary Revenues

This program was created after voters approved Proposition 64, entitled the 'Control, Regulate and Tax Adult Use Marijuana Act' (AUMA), legalizing the adult use and possession of cannabis by persons 21 years of age and older. On January 16, 2018, the Sonora City Council adopted Ordinance No. 848 to regulate the operation of commercial cannabis businesses within the City of Sonora. Currently the City has two operating dispensaries, with the current ordinance allowing up to three dispensaries. This revenue source was budgeted to be approximately 4.6% of General Fund revenues and is now the fourth largest revenue source for the City, with only Measure Y, Bradley Burns Local Sales Tax and Property Tax contributing more.

Analysis – First half revenues are similar to the prior year. The City also receives sales tax on recreational cannabis sales. Staff will continue to monitor public benefit fee revenues in the second half of the year.

Cannabis Revenues



	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Revenues	$ 241,064	$ 294,437	$ 341,671	$ 336,965	$ 335,766
Fiscal Year Total Actual Revenues	$ 499,977	$ 635,347	$ 710,000	$ 672,431	
Fiscal Year Budgeted Revenues					$ 660,000
% of Total	48.2%	46.3%	48.1%	50.1%	50.9%

GENERAL FUND – KEY EXPENDITURE ANALYSIS

The following discussion provides a summary and status update of significant General Fund expenditures for the first half of FY 2025/26, for the period ending December 31, 2025.

The General Fund is the City's primary operating fund and supports core municipal services, including administration, public safety, public works, community development, and general government operations. Expenditures within the General Fund generally fall into several major categories.

Salaries and Benefits represent the largest share of General Fund expenditures and include compensation for full-time employees, elected officials, volunteer stipends, temporary and relief employees, overtime, and all associated payroll-related costs. Payroll-related costs include employer-paid taxes and employee benefits such as health insurance and CalPERS retirement contributions.

Operating Expenditures include routine departmental expenses, including office supplies, postage, printing, memberships, training, small equipment, maintenance supplies, and other administrative support expenses. Utilities and Facility Costs consist of expenses required to operate and maintain City facilities and infrastructure, including electricity, water, propane, telecommunications, internet services, and facility maintenance-related expenditures. Contractual and Professional Services encompass agreements for outside services that support City operations and supplement in-house expertise. These include professional services such as engineering, the City Attorney, planning and consulting services, auditing, and other technical services. This category also includes contracts for business software systems, technology support services, and facility or equipment leases.

Capital Improvement Expenditures include investments in infrastructure, facilities, equipment, and other long-term assets that provide multi-year benefits to the City. These expenditures support the maintenance, rehabilitation, and improvement of public assets and infrastructure.

Examples of capital improvement projects include roadway construction and road rehabilitation projects, pavement restoration, street striping, sidewalk repair and replacement, parking lot rehabilitation and restoration, facility renovations, major equipment and vehicle purchases, and technology system upgrades. These projects help preserve public infrastructure, enhance safety, and maintain service levels for the community.

Capital Improvement expenditures do not typically occur evenly throughout the fiscal year. Project costs are often dependent on bid timing, construction schedules, weather conditions, procurement timelines, grant requirements, and City Council authorization. As a result, expenditures may be concentrated in specific quarters rather than evenly distributed across the fiscal year.

The analysis that follows highlights expenditure trends within these categories, compares year-to-date spending to the adopted budget, and identifies any variances or notable items affecting the City's fiscal position at mid-year.

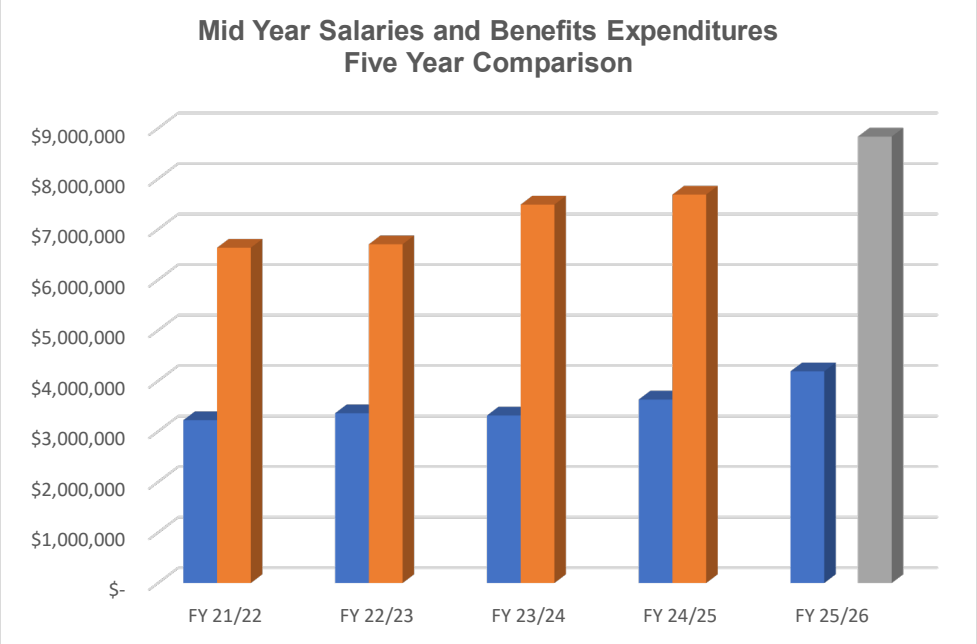
Salaries and Benefits

Salaries and Benefits comprise approximately 64% of the General Fund budget, totaling $8.8 million. This category includes compensation for full-time employees, elected officials, volunteer stipends, temporary and relief staff, overtime costs, and all associated payroll-related expenses. Payroll-related expenses include employer-paid taxes and employee benefits such as health insurance and CalPERS retirement contributions.

Under typical circumstances, expenditures for Salaries and Benefits would be expected to be below 50% of the annual budget at the end of the second quarter. Personnel costs tend to increase over the course of the fiscal year due to factors such as step increases, negotiated adjustments, overtime variability, and benefit cost fluctuations.

Analysis – First half results for salaries and benefits are trending in line with periods in prior years, at approximately 47% of budgeted totals.

Salaries and Benefits



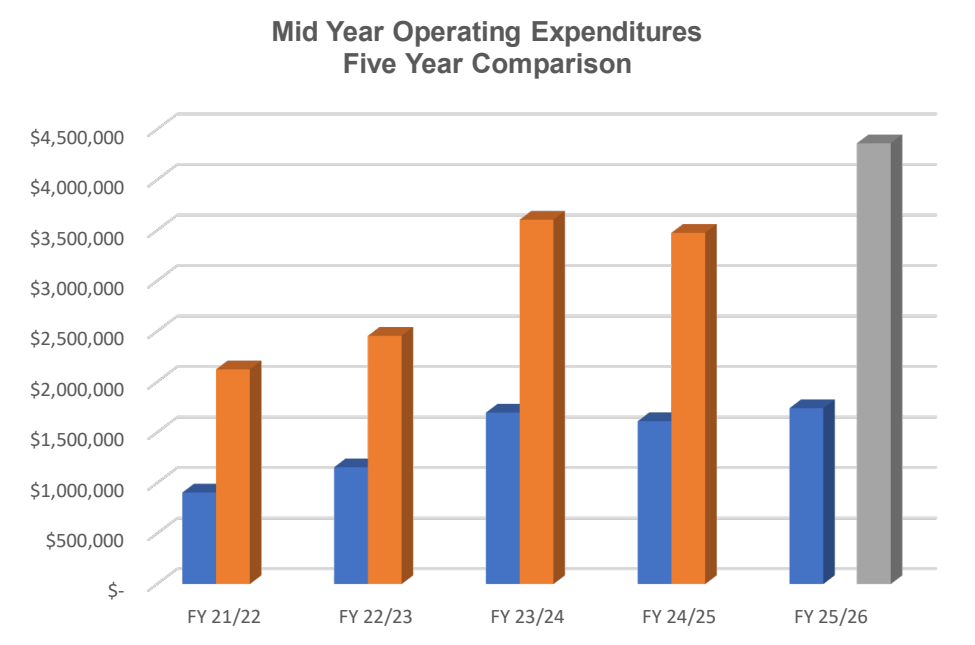
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Expenditures	$ 3,223,593	$ 3,359,836	$ 3,314,850	$ 3,631,348	$ 4,189,225
Fiscal Year Total Actual Expenditures	$ 6,635,823	$ 6,704,725	$ 7,489,225	$ 7,687,351	
Fiscal Year Budgeted Expenditures					$ 8,835,100
% of Total	48.6%	50.1%	44.3%	47.2%	47.4%

Operating Expenditures

Operating expenditures consist of all General Fund costs to provide services, including supplies, materials, utilities, contracted services and are budgeted at $4.36 million for the fiscal year. The categories of supplies, materials and non-capital equipment, the most controllable expenditure category, is approximately 40% expended, as several projects were anticipated for the latter half of the fiscal year.

Analysis – First half results are trending under budget as some projects have been planned in the second half of the year or will be moved to FY26/27. Utilities are trending slightly above budget, at 52% of budget. There are miscellaneous adjustments, increases and decreases, as needed, for the balance of the year, as detailed on page 25.

Operating Expenditures



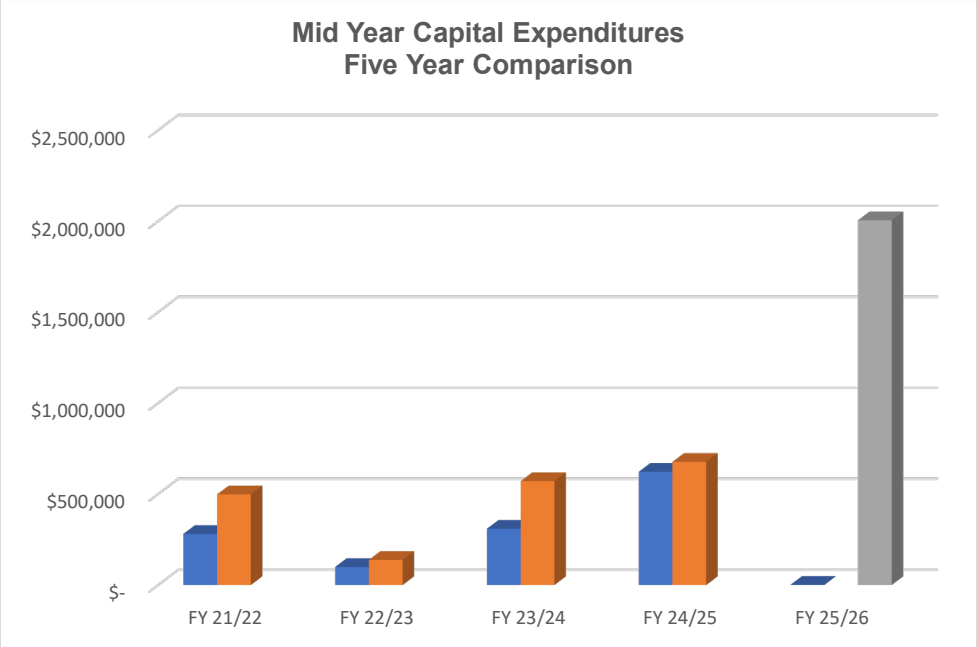
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Expenditures	$ 904,941	$ 1,155,468	$ 1,695,863	$ 1,611,072	$ 1,739,480
Fiscal Year Total Actual Expenditures	$ 2,123,844	$ 2,455,448	$ 3,604,583	$ 3,475,128	
Fiscal Year Budgeted Expenditures					$ 4,360,715
% of Total	42.6%	47.1%	47.0%	46.4%	39.9%

Capital Improvements

Capital improvements refer to long-term investments in the physical infrastructure and assets of a city. These projects are designed to enhance the quality of life for residents, support economic growth, and ensure the sustainability of essential services. Capital improvements typically include upgrades, repairs, or new construction of facilities such as roads, bridges, parks, and public buildings. These investments are often funded through a combination of local revenues, state and federal grants, and special funding sources.

Analysis – First-half capital improvement expenditures totaled $1,247 - primarily related to preliminary design work for the Lyons Street and Church–Stewart Street parking lot projects. The majority of capital improvement expenditures are anticipated to occur in the second half of the fiscal year as projects move from design into construction. Related budget adjustments are detailed on page 25.

Capital Improvements



	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
First Half Actual Expenditures	$ 280,894	$ 99,085	$ 309,379	$ 622,183	$ 1,247
Fiscal Year Total Actual Expenditures	$ 498,032	$ 138,163	$ 570,916	$ 676,949	
Fiscal Year Budgeted Expenditures					$ 2,004,851
% of Total	56.4%	71.7%	54.2%	91.9%	0.1%

FY25/26 RECOMMENDED FIRST HALF BUDGET ADJUSTMENTS

	FUND	-	DEPARTMENT	-	ACCOUNT		DESCRIPTION		BUDGET CHANGE
Revenues:									
1.	001	-	4000	-	40215	-	Sales Tax Measure Y	$	75,000
	001	-	4000	-	40210	-	Sales Tax Measure Bradley Burns	$	75,000
2.	001	-	4000	-	40220	-	Transient Occupancy Tax	$	125,000
3.	001	-	XXXX	-	41550	-	Services Revenues	$	(9,000)
	001	-	2000	-	41250	-	Building Permits	$	(20,000)
4.	001	-	4000	-	48310	-	Insurance Recoveries	$	77,500
	TOTAL NET CHANGE TO REVENUES							$	323,500
Expenditures:									
5.	001	-	XXXX	-	50110	-	Salaries and Wages	$	(394,750)
6.	001	-	XXXX	-	5XXXX	-	Miscellaneous Supplies	$	20,250
7.	001	-	1100	-	54010	-	Legal Services	$	50,000
8.	001	-	XXXX	-	55030	-	Vehicle Lease	$	125,000
9.	001	-	4900	-	54020	-	Settlements - Legal	$	25,000
10.	001	-	2200	-	53250	-	City Fee Update	$	(10,000)
	001	-	4000	-	53080	-	Special Studies - Bldg Assessment + Sunrise Hill Planning	$	(195,000)
11.	001	-	2200	-	53010	-	Mobil Lidar Inspections	$	86,000
12.	001	-	3900	-	55130	-	Church St. - Stewart St. Parking Lot Project	$	355,000
	001	-	3900	-	50130	-	Lyons Street Parking Lot Project	$	175,000
	001	-	3900	-	55120	-	Road Reconstruction	$	(401,451)
	001	-	2200	-	55100	-	Sidewalk Repair and Maintenance	$	(55,000)
	001	-	7000	-	55080	-	Elk Drive Maintenance	$	(90,000)
13.	001	-	7000	-	55120	-	Washington-Mono Striping Project	$	31,000
14.	001	-	4900		59999	-	Capital Improvement Reserve	$	150,000
15.	001	-	4900	-	59999	-	CEPPT (CalPERS Prefunding Trust)	$	150,000
	TOTAL NET CHANGE TO EXPENDITURES							$	21,049
	NET CHANGE TO FY25/26 General Fund Budget							**$**	**(302,451)**

Summary of Recommended Budget Adjustments

- **Revenues:**
  - 1. Sales Tax Budget Increase of $75,000 for Bradley Burns and $75,000 for Measure Y: This reflects stronger-than-anticipated sales tax revenues received during the first half of the fiscal year. Staff will continue to monitor collections throughout the second half of the year.
  - 2. Transient Occupancy Tax Increase of $125,000: This results from the receipt of past-due Transient Occupancy Tax (TOT) payments collected in February 2026.
  - 3. Services and building permits reduced by ($29,000): Revenue activity across multiple categories is lower than original projections.
  - 4. Insurance Claim Settlement Proceeds increase by $77,500: The City received a reimbursement for a vehicle accident. The City will be replacing the vehicle with the proceeds in the 2nd half of the year.

- **Expenditures:**
  - 5. Salaries and Benefits ($394,750): This action recognizes expenditure savings attributable to position vacancies and timing of hires during the first half of the fiscal year.
  - 6. Misc. Operating Expenditures $20,250: This action recognizes additional expenditures for statutory public notice requirements and printing costs are higher than originally budgeted.

- 7. Legal Services $50,000: This amendment increases appropriations to cover unanticipated professional service costs related to employee negotiations and a higher-than-expected number of Public Records Act (PRA) requests.
- 8. Vehicle Lease $125,000: This action increases appropriations to address a budgetary oversight in the original adoption and to fund the acquisition of a necessary replacement vehicle.
- 9. Settlements Legal $25,000: This amendment increases appropriations to cover legal settlement expenses incurred during the first half of the fiscal year that exceeded original budget estimates.
- 10. Special Studies and City Fee Update ($205,000): The City does not have the capacity to complete these projects during the current fiscal year. They may be reintroduced in a future budget, if priorities and resources allow.
- 11. Mobile Lidar $86,000: This amendment reflects a change in funding source, as the project will no longer receive anticipated grant funding and will instead be fully funded by the General Fund.
- 12. This amendment of ($16,451) reallocates funding to complete the Church Street–Stewart Street and Lyons Street–Stewart Street parking lot projects. Funding will be sourced from previously budgeted Street and Sidewalk Repair appropriations, along with cost savings realized from the Elk Drive Project, which was completed under budget.
- 13. This reflects $31,000 additional funding needed to complete the FY25/26 Striping Project.
- 14. General Plan Reserve $150,000: This amendment sets aside additional funding to prepare for the City's required General Plan Update in the coming years, allowing the City to plan proactively and avoid future budget impacts.
- 15. CalPERS Pension Prefunding Trust (CEPPT) $150,000: This budget adjustment increases contributions to the CalPERS Employer Prefunding Trust as part of the City's strategy to manage the anticipated peak in unfunded pension liability payments and smooth future rate volatility.

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the first half of FY25/26, which includes comparison information from the prior year's first half.

	FY24/25 Actual	FY24/25 Mid-Year	FY24/25 % YTD	FY25/26 Adopted Budget	FY25/26 Mid-Year	FY25/26 % YTD
Revenues						
Sales and Use Tax	3,383,381	1,576,555	46.6%	3,206,900	1,751,394	54.6%
Measure Y	4,287,435	2,098,915	49.0%	4,121,700	2,172,577	52.7%
Property Tax	1,505,542	595,607	39.6%	1,581,100	624,314	39.5%
VLF Backfill Property Tax	-	-	0.0%	-	-	0.0%
Franchise Fees	169,355	49,082	29.0%	165,000	53,418	32.4%
Business Licenses	131,486	58,780	44.7%	130,000	52,205	40.2%
Transient Occupancy Tax	497,753	298,276	59.9%	586,000	262,038	44.7%
Licenses and Permits	170,835	75,511	44.2%	167,100	60,409	36.2%
Cannabis Public Benefit Fees	672,431	336,965	50.1%	660,000	335,766	50.9%
Intergovernmental	129,235	39,091	30.2%	89,140	-	0.0%
Charges for Services	107,591	54,152	50.3%	110,800	54,983	49.6%
Fines and Forfeitures	25,825	16,283	63.1%	31,700	13,725	43.3%
Rental Income	51,040	31,937	62.6%	34,100	-	0.0%
Interest	189,181	87,766	46.4%	275,000	116,009	42.2%
Other Sources	168,087	39,976	23.8%	196,800	28,688	14.6%
Total Revenues	11,489,177	5,358,896	46.6%	11,355,340	5,525,525	48.7%
Transfers In						
Tranfers In	3,222,480	1,816,041	56.4%	3,007,800	1,527,800	50.8%
Total Transfers	3,222,480	1,816,041	56.4%	3,007,800	1,527,800	50.8%
Total Revenues	14,711,657	7,174,937	48.8%	14,363,140	7,053,325	49.1%
Expenditures						
Salaries and Benefits	7,687,351	3,631,348	47.2%	8,835,100	4,189,225	47.4%
Services, Supplies and Materials	3,093,872	1,418,654	45.9%	3,969,215	1,536,060	38.7%
Utilities	381,256	192,418	50.5%	391,500	203,420	52.0%
Capital Improvements	676,949	621,155	91.8%	2,004,851	1,247	0.1%
Total Expenditures	11,839,428	5,863,575	49.5%	15,200,666	5,929,952	39.0%
Transfers Out						
Transfers Out:						
Self Insured Dental	23,219	10,629	45.8%	33,000	12,884	39.0%
CalPERS Prefunding Trust	300,000	150,000	50.0%	150,000	150,000	100.0%
Fleet Replacement Reserve	75,000	75,000	100.0%	100,000	100,000	100.0%
Labor Reserve	4,015,000	4,015,000	100.0%	150,000	150,000	100.0%
Capital Improvement Reserve	215,000	215,000	100.0%	250,000	250,000	100.0%
Risk Mitigation Reserve	250,000	250,000	100.0%	-	-	0.0%
General Plan Reserve	300,000	300,000	100.0%	-	-	0.0%
Compensated Absences Reserve	142,354	-	0.0%	-	-	0.0%
Total Transfers	5,320,573	5,015,629	94.3%	683,000	662,884	97.1%
Total Expenditures	17,160,001	10,879,204	63.4%	15,883,666	6,592,836	41.5%

The groups of financial summaries on the following pages present data by governmental fund type: For purposes of this first half report, we have focused on the Measure I Special Revenue Fund. The fund information starts with a beginning fund balance, adds current year revenues, and subtracts current year expenditures, resulting in an ending fund balance. Adopted budget amounts are provided as a basis for comparison of actuals to date.

Special Revenue Fund: Measure I

Special Revenue Funds account for the proceeds derived from specific revenue sources that are legally restricted or assigned to special purposes. The City's Special Revenue Funds include the Measure I Fund which is the focus of the information provided in this first half report. The Measure I Fund was established as a result of a 2004 voter approved ½% increase to sales tax within the City limits. With approval of the ballot measure, the sales tax increase took effect January 1, 2005. The purpose of the initiative was to improve city services for residents, businesses, and visitors to the City of Sonora. Measure I revenues for the first half are trending at approximately 52% of total budgeted revenues and across the three Departments, including Police, Fire and Public Works Departments, expenditures are programmed to be 50% of budget. Nearly all Measure I funds collected are now fully expended on ongoing fixed costs.

Measure I

	Police	%	Fire	%	Public Works	%
Beginning Fund Balance @ July 1, 2025	898,423		307,756		241,357	
Budgeted Revenues	1,279,800		530,500		321,100	
Actual Revenues - First Half	668,021	52.2%	276,906	52.2%	167,465	52.2%
Budgeted Expenditures	1,420,000		600,000		330,000	
Actual Expenditures - First Half	710,000	50.0%	300,000	50.0%	165,000	50.0%
Ending Fund Balance @ December 31, 2025	856,444		284,662		243,822	

Measure I: Police Department

The Police Department receives 60% of Measure I revenue for the support of the Sonora Police Department for personnel, updating safety equipment and supplies, providing educational funding, replacing expired vehicles, and expanding facilities. FY25/26 first half results are trending consistent with the same period in prior years as illustrated in the chart below. There are no budget recommendations at this time.

Police Measure I					
Revenues					
	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26
First Half Actual Revenues	681,859	704,141	675,215	651,526	668,021
Fiscal Year Total Actual Revenues	1,411,325	1,410,102	1,321,500	1,450,300	
Fiscal Year Total Budgeted Revenues					1,279,800
First Half - Percent of Total	48.3%	49.9%	51.1%	44.9%	52.2%
Expenditures					
First Half Actual Expenditures	650,000	650,000	750,000	740,000	710,000
Fiscal Year Total Actual Expenditures	1,300,000	1,300,000	1,500,000	1,480,000	
Fiscal Year Total Budgeted Expenditures					1,420,000
First Half - Percent of Total	50.0%	50.0%	50.0%	50.0%	50.0%

Measure I: Fire Department

The Fire Department receives 25% of the Measure I revenue for the support of the Sonora Fire Department for personnel, updating equipment and supplies, and providing educational funding. FY25/26 first half revenues are trending consistent with the same period in prior years as illustrated in the chart below. There are no budget recommendations at this time.

Fire Measure I

	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26
Revenues					
First Half Actual Revenues	284,007	292,890	281,340	270,124	276,906
Fiscal Year Total Actual Revenues	587,825	586,244	550,625	602,200	
Fiscal Year Total Budgeted Revenues					530,500
First Half - Percent of Total	48.3%	50.0%	51.1%	44.9%	52.2%
Expenditures					
First Half Actual Expenditures	250,000	275,000	300,000	312,500	300,000
Fiscal Year Total Actual Expenditures	500,000	550,000	600,000	625,000	
Fiscal Year Total Budgeted Expenditures					600,000
First Half - Percent of Total	50.0%	50.0%	50.0%	50.0%	50.0%

Measure I: Public Works

The Public Works Department receives 15% of the Measure I generated revenue for the purpose of personnel, equipment and facility enhancements and infrastructure improvements. FY25/26 first half revenues are trending consistent with the same period in prior years as illustrated in the chart below. There are no budget recommendations at this time.

Public Works Measure I					
Revenues					
	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26
First Half Actual Revenues	170,742	178,081	168,804	163,077	167,465
Fiscal Year Total Actual Revenues	353,654	358,320	330,375	360,000	
Fiscal Year Total Budgeted Revenues					321,100
First Half - Percent of Total	48.3%	49.7%	51.1%	45.3%	52.2%
Expenditures					
First Half Actual Expenditures	157,500	162,500	180,000	180,000	165,000
Fiscal Year Total Actual Expenditures	315,000	325,000	669,400	360,000	
Fiscal Year Total Budgeted Expenditures					330,000
First Half - Percent of Total	50.0%	50.0%	26.9%	50.0%	50.0%

DEPARTMENT UPDATES

COMMUNITY DEVELOPMENT

Mid-Year Goals and Accomplishments

- **Commitment to Professional and Responsive Customer Service:** Delivering professional, courteous, and efficient service remains a core priority of the Community Development Department. Staff are committed to providing clear, timely, and solution-oriented assistance to every individual who visits, calls, or contacts the office electronically. Maintaining a welcoming and responsive environment is central to our daily operations and reflects the City's broader commitment to high-quality public service. (Council Priorities #42, 43, 44)
    - Examples of projects and CDD efforts to support them:
        - A propane distribution facility was fully approved and permitted.
        - Although not in the City, Staff worked closely with the developer of Dutch Bros and Take 5 to help create confidence in doing business locally. This included joint review and response to a traffic impact study, encroachment permit questions and prioritizing tax share discussions with the County.
        - Staff worked closely with a local lodging establishment in the City to help facilitate additional rooms for the facility.
        - Community Development staff regularly meet property owners and the Builder community on site for project review and discussion.
- **Grant funded projects Include:** (Council Priorities #1, 5, 10, 16, 25)
    - The Public Works storage building, which will house fire apparatus, community decorations and equipment, was completed in December 2025. This project was completed within the State delivery period and within budget.
    - The construction of a new Pickleball Court at Woods Creek Park was completed in November 2025. The City delivered this project with funds from Proposition 84, within the delivery window and budget.
- **Support Economic Development:** In partnership with a consultant, local businesses, Visit Tuolumne County and engaged stakeholders are developing an inventory of vacant properties; business incentive program(s), evaluating ordinance modifications that support business growth (including "use locals first" ordinance), establishing a way-finding strategy for directing motorists to Parking and identify ways to support business growth and development. (Council Priorities #3, 21, 44, 100, 110, 111)
    - This goal is dependent on the adoption of the Economic Development Plan. The Plan is in draft form and expected to be reviewed by City Council in March.
- **Code Enforcement:** City addresses citizen inquiries and complaints. Code enforcement helps reinforce the importance of adhering to the rules that community members live by. It is a direct service that helps citizens feel heard and demonstrates the City's responsiveness to issues received. Code enforcement services center around protecting life and improving safety within the community through education, outreach and at times through administrative citations or fines. (Council Priorities #6, 12, 15, 45)
    - Current cases total - 24
        - Total cases opened in last 180 days - 17
        - Total Cases closed in last 180 days- 14

- Assisted fire with 18 cases related to defensible space (vegetation management): 4 closed in last 180 days.
- Assisted with Shopping Cart program with assistance from public works.
- Assist building with inspections, stop work orders and getting property owners and/or contractors into communication with the building department to bring their properties into compliance.
- Assisted PD with vehicle abatement by identifying and tagging vehicles found to be in violation of leaving vehicles on the public right-of-way more than 72-hours. Approximately 18 vehicles were identified and tagged.

- **Encourage community vibrancy through Special Events, activities, parades, volunteer activities, markets, Expos**: (Council Priorities #5, 14, 21, 107, 108)
  - Staff approved Special Event permits for: State Championship (Football) Parade, Sonora Christmas Parade, Christmas Town, Sidewalk Sale, Sun Poppy Markets, Community Art Expo, El Campo de Sonora, Mutts Bean Feed, Film Permits, and others.
  - The Planning Commission approved an art installation on the Tamara Polley building on South Washington Street.
  - So-Beautiful Community Beautification project: The City served as a Stakeholder, and partner with Tuolumne Arts Council and Sonora Chamber, in developing and facilitating art within windows of vacant business store fronts.

- **Sonora Farmers Market:** Explored growing this popular event in the City. Implemented a pilot project to close Stewart Street to allow the market to expand. (Council Priority #2, 21)
  - City Council approved the closure of Stewart street from Linoberg to Theall to expand the market, allowing the team, led by Becky Howard (Market Manager), to expand the number of certified producers, artisans and food vendors to the Market, with a realized 50% growth in revenue generated.
  - A second market manager was added to the Market to help with the detour, utilization of Electronic Benefits Transfer (EBT), with approximately $7,000 in sales, and vendor/attendee support with a dedicated pop-up moved to a more visible location.

- **Vision Sonora and the Linoberg Concept Report:** (Council Priority #14, 18)
  - Public Works enhanced the crosswalks at Linoberg & Stewart; Theall & Stewart; Shepherd & Theall to improve pedestrian safety near the market. Reconfigured the Stewart St. loading zone to support downtown deliveries while accommodating outdoor gathering space, and extended the red zone to consolidate business trash, removing waste and recycling totes from sidewalks.
  - Partnered with the Blue Zones Project to install landscape planters at both ends of the Red Zone to enhance visual aesthetics.
  - Executed agreements with Sonora Tap Room and Diamondback Grill for use of Linoberg, expanding outdoor dining and regular live music activity in the area.
  - No Smoking/Vaping signage was added to Linoberg.

- **Gold Rush Trail, Phase I:** Advanced planning for a multi-use path along Stockton Street from the Fairgrounds to the Downtown Plaza Shopping Center, with a connector through Woods Creek Park linking Bonanza and Snell Street. Anticipated deliverables include project design documents, environmental clearance, and community outreach with affected property owners and stakeholders. (Council Priorities #22, 25, 26)
  - Notified adjoining property owners of project alignment, schedule, and funding.

- Hosted a three-day community outreach event (November 13–15) to gather input on conceptual plans, including walking tours, student engagement, an open house, community meetings, and a pop-up event.
- Staff has attended Project Development Team (PDT) meetings with Caltrans.
- Completed and presented 30% design documents as part of community outreach.
- Environmental studies have been conducted and submitted to Caltrans for review.
- Staff and the consultant sent notification letters to businesses and property owners along the Stockton Road corridor offering one-on-one in-person or virtual meetings. To date, approximately 10 meetings have been conducted with key stakeholders.

- **Shopping Cart Ordinance:** City Council adopted the Shopping Cart Ordinance in February 2025, launched in July 2025, Code Enforcement took the lead on implementation. This was a joint effort between Code Enforcement, Public Works and Sonora Police Department. (Council Priorities #6, 14)
- **Sidewalk Encroachment Ordinance:** City Council adopted Ordinance 904 in June 2025 governing sidewalk use. Most businesses were already compliant. Staff worked with remaining businesses to ensure compliance. The Sidewalk Encroachment Permit supports beautification and commerce while preserving ADA access and pedestrian clearances. (Council Priorities #22, 26)

POLICE DEPARTMENT

Mid-Year Goals and Accomplishments

- **Enhance Employee Retention and Staff Development:** All Police Officer positions have been filled, which includes one recruit attending the academy. We have 1 part-time Dispatcher-Records Specialist position to fill. The second corporal position was filled in January; all leadership/supervisory positions are filled. (Council Priority #80)
- **Ongoing - Police Facility Project:** Consultants are currently assessing potential properties as a test fit. We expect to engage in legislative Affairs / Advocacy efforts before the end of the budget cycle. (Council Priority #80)
- **Enhance and Expand Public Safety Surveillance and ALPR System:** Partnered with the Tuolumne County Transportation Council and the Tuolumne County Sheriff's Department on a Safe Streets For All Grant, which was recently awarded. We expect to add additional ALPRs to locations in the city to assist in suppressing crime. (Council Priority #73)
- **Enhance Information and Technology Security:** Upgraded our IT infrastructure with redundant data backups, secondary firewalls, and data mirroring. We established a DOJ-compliant, secure connection with the District Attorney's office to enable more efficient "paperless" case processing, reducing operating costs by eliminating materials and staff time spent on copying, handling, and delivery of case files. Upgraded software to enhance crime and collision diagrams. In the coming months, we will add an additional backup server to further harden and protect our sensitive data. (Council Priorities #73, 76, 119)
- **Sonora Police Department Security Camera Registration Program:** The security camera registration program was rolled out at the transition of the new budget cycle. We are building a database of community partners who are willing to share surveillance files as needed. This program enhances investigative efforts and provides an efficient process for quickly identifying potential video evidence. (Council Priority #73)
- **Implement Off-Highway Vehicle (OHV) Program:** The OHV has been put into service, and we are training staff on the equipment. The OHV provides safe and expedient access to incidents on our hiking trails and other unimproved areas of the City. The OHV is also used for encampment management, further mitigating fire dangers and other health and safety risks associated with unsheltered living. (Council Priorities #14, 62, 73, 77)
- **School Resource Officer:** In the coming months, we will explore opportunities to reintroduce a School Resource Officer (SRO) into local schools. An SRO program will enhance school safety and incident response, build trust and positive relationships, provide youth mentorship, strengthen school and community collaboration, and foster a safer, more supportive educational environment. Grant opportunities to open in summer 2026. (Council Priority #75a)
- **Complete Officer Wellness Center:** Our Employee Wellness Center is partially operational and equipped with state-of-the-art exercise equipment. Wellness centers have been shown to reduce absenteeism and injuries while boosting morale, leading to more proactive policing practices. (Council Priority #77)

FIRE DEPARTMENT

Mid-Year Goals and Accomplishments

- **Fire Chief Recruitment:** The Fire Chief recruitment process has been completed, and the position has been successfully filled. The new Fire Chief has been hired and on boarded, ensuring continuity of leadership and advancing the department's goals related to strategic planning, operational readiness, fire prevention, mutual aid coordination, and staff development. (Council Priorities #59, 60).

- **Fire Intern Recruitment:** Recruitment for Fire Intern positions has been ongoing; however, the department has experienced challenges attracting new applicants. This difficulty is largely due to a competitive regional labor market and the success of the Fire Intern Program, as current interns have been hired into paid firefighter positions. Currently, two Fire Intern positions are filled, and two positions remain vacant. During FY 2025/26, the Fire Department will continue focused recruitment efforts to fill the remaining vacancies as part of its broader strategy to strengthen staffing levels, support succession planning, and invest in workforce development. The Fire Intern Program remains a critical pathway for developing trained, mission-aligned future firefighters. (Council Priority #67).

- **Defensible Space Inspection Program:** The Defensible Space Inspection Program has been expanded to encompass the entire City, resulting in approximately a 10 percent increase in inspections conducted annually. This expansion strengthens the City's wildfire risk reduction efforts and enhances overall public safety and community resilience. As staffing levels allow, additional inspections will be added and prioritized. The Fire Department will continue to focus on increasing the number of defensible space inspections to help residents identify and mitigate fire hazards around homes and structures, including overgrown vegetation, flammable landscaping, and improper storage of combustible materials. (Council Priorities #62, 63).

- **Community Outreach Enhancement:** Efforts to enhance community outreach are actively moving forward. The Fire Department has increased engagement by participating in Fire wise meetings and attending community functions, while continuing outreach efforts with local schools and other community events. These activities are focused on strengthening public engagement, building trust, and improving fire and life safety awareness throughout the City of Sonora. Ongoing outreach remains a cornerstone of modern fire service and ensures residents are informed, prepared, and empowered. (Council Priorities #120, 121).

- **Standards of Coverage and Emergency Response Capabilities:** This goal has not yet been initiated; however, it remains a priority and will be continuously worked on as the Fire Department evaluates resources, staffing, and operational demands. Efforts to improve and enhance standards of coverage and emergency response capabilities will focus on ensuring the timely, effective, and consistent deployment of personnel, equipment, and apparatus throughout all areas of the City. This ongoing objective is intended to better meet community needs and adapt to evolving public safety demands. (Council Priorities #62, 67).

ENGINEERING DEPARTMENT

Mid-Year Goals and Accomplishments

- **SS4A Grant Secured**: $450,000 in federal funds secured to conduct citywide transportation infrastructure safety assessment. Local Match $112,500. (Council Priority #25, 63)
- **Snell Street:** Continued preliminary engineering and start environmental clearance process for the Snell Street Phase 1 reconstruction and storm drainage improvement project. Working to identify funding to complete the project. (Council Priorities #25, 26)
- **City Parking Lot Improvement Project:** Continued progress on the 2026 Parking Lot Improvements Project for the Lyons Street–Stewart Street and Church Street–Stewart Street parking facilities. Initial design and preparatory phases are nearing completion, with construction anticipated to begin in the second half of the fiscal year. The mid-year budget includes modifications to fully fund these parking lot improvements. (Council Priorities #26, 112)
- **City Striping Project:** Completing design and pre-construction coordination for striping improvements on Washington Street and Mono Road as part of the Citywide Striping Project. Construction is expected to begin in the third quarter to improve lane delineation and overall traffic safety. (Council Priority #26)
- **Infrastructure Grant Development and Funding Strategy:** Continued grant application efforts for the Sonora Main Drain project, ATP Cycle 8, and actively pursued additional state, federal, and regional funding opportunities to support roadway and other critical infrastructure improvements. (Council Priority #25)
- **General Engineering Support and Project Oversight:** Provided general engineering support and project oversight for multiple City initiatives, including construction oversight of the Public Works maintenance building improvements and the Rotary Park pickleball court, ensuring projects were delivered in accordance with design specifications and City standards. Completed and closed out the Transportation Project. Also determined the extents of the City of Sonora right-of-way at various locations to support planning and project coordination. Provided project oversight for the Gold Rush Trail, Phase I. (Council Priorities #25, 27, 52, 64)
- **Addressed flooding:** Storm drainage issue at numerous locations throughout the City including:
    - Elk Drive Storm-Drain Pipe Replacement (Council Priority #64)
- **Solid Waste Franchise:** Successfully managed the transition of the City's solid waste franchise through issuance of a Request for Proposals (RFP), evaluation and selection of a new service provider, and coordination of the required Proposition 218 noticing and public hearing process. Staff also worked closely with CalRecycle to ensure compliance with State solid waste and recycling mandates, including SB 1383 requirements. (Council Priorities #14, 25, 48)
- **Lyons Road and Hope Lane:** Evaluated safety improvements at the Lyons Road and Hope Street intersection, analyzing crosswalk installation options and identifying additional striping enhancements to improve pedestrian visibility and overall traffic safety. (Council Priority #26)
- **TCTC Strategic Planning:** Participated in the Tuolumne County Transportation Council strategic planning session to advance City transportation priorities and regional coordination efforts. (Council Priorities #24, 26)

PUBLIC WORKS DEPARTMENT

Mid-Year Goals and Accomplishments

- **Public Works Supervisor Recruitment:** A qualified internal candidate was promoted to Public Works Supervisor, and the vacancy created by this advancement has since been filled, restoring the department to full staffing capacity. (Council Priorities #59, 60)
- **Ongoing:** Seasonal street marking improvements and install thermo-plastic stop bars, crosswalks, etc. (Council Priority #26)
- **Annual Street Sign Replacements:** Ongoing process of Street Sign Replacement Project. (Council Priorities #11, 26, 112)
- **Annual Creek Maintenance:** Creek clearing has begun and will continue the Vegetation Removal Project to clear vegetation along additional City streets. (Council Priorities #1, 4, 10, 14)
- **Annual Pothole and Crack Sealing Project:** Ongoing pothole repairs, continuing with annual potholing and street repairs. (Council Priority #26)
- **Holiday Season Preparations and Support:** Completed the annual installation and post-season removal of Santa's House, including construction of the deck and ramp, as well as seasonal installation and removal of Christmas lights, decorations, and banners in support of the winter holiday season and the City's Christmas Parade. (Council Priorities #5, 21, 101, 108)
- **Beautification Program:** Completed seasonal pressure washing sidewalks and trash cans, this will start again in the spring. (Council Priorities #26, 101)
- **Vehicle Replacement:** Over the past two fiscal years, the City has replaced two aging vehicles through its fleet replacement program, strengthening operational reliability and reducing long-term maintenance risk. Within the next 24 months, the City will need to plan for replacement of an additional dump truck and the Public Works bucket truck to maintain service capacity and support ongoing infrastructure operations. Timely replacement of these vehicles also allows the City to strategically manage procurement and lifecycle planning in light of evolving State of California zero-emission vehicle requirements for government fleets. (Council Priorities #26, 27, 30)
- **Continuing Hot Patch Work:** Will continue with hot asphalt patchwork in the second half of the fiscal year. (Council Priority #26)
- **Facility Repair and Rehabilitation:** Replaced deteriorating storm gutter infrastructure and rebuilt the deck at the City's Opera Hall as part of ongoing maintenance efforts to preserve City facilities and support safe public access. (Council Priority #21, 26)
- **Energy Efficiency Upgrades:** Continued the replacement of fluorescent lighting with energy-efficient LED fixtures in City facilities, including City Hall, to improve lighting quality, reduce energy consumption, and lower long-term maintenance costs. (Council Priority #40)
- **Storm Drain Maintenance:** Continued proactive cleaning and debris removal from the City's storm drain system to maintain functionality and enhance stormwater management. (Council Priority #64)

ADMINISTRATIVE DEPARTMENT

Mid-Year Goals and Accomplishments

- **City Administrator Appointment:** The City successfully completed the leadership transition through the promotion of the Assistant City Administrator to the position of City Administrator. This internal advancement ensures continuity of operations and preserves institutional knowledge during a critical period of organizational change. The appointment temporarily leaves the Assistant City Administrator position vacant, and the City Administrator is currently overseeing the responsibilities of the Administrative Services Director, including finance and risk management functions. This consolidated leadership structure maintains stability while the City evaluates long-term organizational needs and staffing priorities. (Council Priorities #59, 60)

- **Succession Planning Continued:** Began recruitment for a vacancy at City Hall following the City Clerk's announced retirement. (Council Priority #59, 113)

- **Recruitment Process Improvements:** Continued modernization and streamlining of recruitment processes. In process of implementing a centralized onboarding portal to streamline the onboarding process. The platform will provide 24/7 access to forms, policies, benefits, payroll, and other instructions. (Council Priorities #32, 51, 60, 75, 77)

- **Continued Transition fleet to new leased vehicles:** In process, continue to retire/surplus older City vehicles and replace with more efficient vehicles. (Council Priorities #27, 30, 35)

- **Multi-Year Labor Agreements:** Completed Negotiations with the City's Firefighter Association on a new three year memorandum of understanding (MOU). (Council Priorities #51, 60, 69, 77)

- **Continued:**
    - Updated Class Descriptions for positions in the new MOU's. (Council Priorities #53, 60)
    - Updating of several outdated City policies. (Council Priority #53)

- **Technology Modernization and Service Delivery Improvements:** Continued implementation of new software solutions to enhance operational efficiency and improve public service delivery. This includes transitioning business license renewals to an online platform, allowing applicants to submit renewals and complete payments electronically, improving accessibility, processing speed, and customer convenience. (Council Priority #45)

- **Expanded and Sustained City Social Media Presence:** Continued to strengthen its digital communications strategy by maintaining and expanding its social media presence. Through the ongoing partnership with Diamond Digital Marketing, the City ensured consistent, timely, and professional messaging across its platforms. This collaboration has enhanced community engagement, improved the distribution of public information, and increased transparency by providing residents with accessible updates on City programs, services, events, and emergency notifications. (Council Priorities #120, 124)

CONCLUSION

The financial results for the first half of Fiscal Year 25/26 are based on the most current financial information and economic assumptions available.

The recommended budget adjustments, detailed on page 25, are intended to ensure the successful close of the current fiscal year while maintaining fiscal stability and initiating preparation for the FY 2026/27 budget cycle.

As the City moves into the second half of the fiscal year, it does so with disciplined financial management and a clear strategic direction. Recommended mid-year adjustments maintain structural balance within the General Fund, resulting in a projected net increase to fund balance while avoiding reliance on one-time revenues to support ongoing operating costs. This measured approach preserves flexibility amid moderating economic conditions and positions the City to respond thoughtfully to evolving revenue trends.

At the same time, the City continues to advance priority initiatives identified in the 2024 Strategic Plan. Recent accomplishments—including completion of the Rotary Park pickleball court and progress on key infrastructure improvements—demonstrate steady forward movement. Upcoming projects such as the Church Street–Stewart Street and Lyons Street–Stewart Street parking lot improvements and citywide striping will further enhance public safety and accessibility.

The City's deliberate reserve strategy remains central to its long-term stability. By building and protecting reserves, including the Economic Uncertainty Reserve, Labor Reserve, and CalPERS Prefunding Trust, the City has strengthened its ability to manage economic variability while preparing for significant future obligations such as the General Plan Update and major infrastructure projects like Snell Street. Staff will continue actively pursuing sustainable funding sources and grant opportunities to advance these priority projects without compromising fiscal integrity.

Through prudent budgeting, strategic reserve planning, and continued alignment with adopted priorities, the City of Sonora remains well-positioned to sustain essential services, protect its financial foundation, and advance meaningful community investments in the year ahead.