



Press Release

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CITY OF CHINO HILLS ADOPTS UNBALANCED BUDGET WITH \$2.2 MILLION DEFICIT, RELYING ON RESERVES TO PRESERVE SERVICES AND MAINTAIN HIGH QUALITY OF LIFE

Chino Hills, CA – The Chino Hills City Council adopted the Fiscal Year (FY) 2025-26 budget at the June 10 City Council Meeting, which includes a \$2.2 million General Fund deficit that will require the use of the City’s reserves to maintain essential services and quality of life. Before drawing on reserves, the City has taken many steps to proactively reduce costs wherever possible and maximize available resources over the last few years. While the City remains financially stable overall, this deficit signifies a need for strategic long-term revenue planning.

“For more than 30 years, Chino Hills has been known for its conservative fiscal management, balanced budgets, and commitment to delivering high-quality public services while maintaining strong reserves,” said Chino Hills Mayor Art Bennett. “A budget deficit is not something we take lightly. This year’s shortfall is not due to overspending, it reflects the unavoidable realities of a maturing City with growing infrastructure demands. Our roads, parks, and infrastructure are all aging, and the cost to maintain, repair, and in some cases replace them have outpaced the growth of our revenue.”

The City’s total budget includes \$147.9 million in projected revenues and \$150 million of expenditures across all funds. Within the City’s General Fund, which funds essential services such as public safety, infrastructure maintenance and repair, and recreation programs and special events, revenues are projected at \$56.4 million and expenditures at \$58.6 million. Law enforcement services, provided through a contract with the San Bernardino County Sheriff’s Department, make up 32 percent of the City’s General Fund expense, reflecting the City’s longstanding investment in keeping Chino Hills a safe place to live and do business.

This year’s projected deficit of \$2.2 million will be covered by the City’s General Fund Reserves. Much of the City’s revenue is restricted and must be spent for specific purposes such as water, sewer, and landscaping. The General Fund unrestricted reserve is considered the City’s savings account or rainy-day fund for unforeseen circumstances. Despite the FY 2025-26 unbalanced budget’s impact on reserves, the City will maintain a strong fiscal foundation, with a total General Fund Reserve of \$46.8 million and an Unrestricted Reserve

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balance of \$34.9 million. While this level of reserves provides short-term stability, continued deficits are projected to grow and could reduce the City's reserves by nearly half over the next five years to \$27.1 million if new sources of local revenue are not identified.

"We have made careful, deliberate financial decisions to build healthy reserves and stretch every dollar," said Benjamin Montgomery, Chino Hills City Manager. "While this budget reflects the challenges of rising costs and aging infrastructure, it also reflects our continued commitment to transparency, thoughtful planning, and collaboration with our community as we navigate these challenges together."

Several factors have contributed to the General Fund deficit. Like households and businesses in Chino Hills, the City is experiencing the impacts of inflation and rising costs. Operating costs continue to outpace revenues, driven by increases in contracts, employee service costs, and utilities. Sales tax revenue has declined due to economic uncertainty and lower fuel prices. A growing backlog of deferred maintenance projects and increasing demands for wildfire prevention efforts such as weed abatement have added additional pressure, with many projects requiring immediate investment.

Additionally, the underfunded Landscape and Lighting District (L&L) also requires significant General Fund support, with a \$3.8 million subsidy budgeted this year to sustain neighborhood maintenance. When Proposition 218 passed in November 1996, it took away the authority of local jurisdictions to keep up with inflation and adjust assessments related to L&L funding without voter approval.

The City has scaled back spending and deferred non-essential maintenance and projects. City Council Members and staff have pursued and secured millions in grant funding to offset costs and support public safety, infrastructure, and community enhancement projects. The City has also made strategic long-term investments to improve efficiency and reduce future expenses including expanding the City's recycled water system, installing drought-tolerant landscaping, and investing in infrastructure that reduces reliance on costly utilities such as imported water.

"Planning for the City's long-term fiscal health and maintaining the high quality of life our community expects will require creative solutions and the need to explore new, locally controlled revenue sources in the years ahead," said Mayor Art Bennett.

The City of Chino Hills remains committed to protecting reserves for long-term needs and emergencies. The City will continue to explore options for long-term financial stability and continue transparency and open communication with the community. To view the City's Adopted Budget and Budget in Brief document, visit www.chinohills.org/Budget.