

City of Chino Hills
Budget in Brief
FY 2025-2026



City of Chino Hills City Council
Art Bennett, Mayor
Brian Johsz, Vice Mayor
Ray Marquez, Council Member
Cynthia Moran, Council Member
Peter J. Rogers, Council Member

City of Chino Hills **Budget in Brief**

The City of Chino Hills adopted its Fiscal Year (FY) 2025-26 budget on June 10, 2025. This year's budget includes a \$2.2 million deficit that will require the use of General Fund Reserves (the City's savings account) to maintain essential services and preserve the quality of life Chino Hills residents expect.

Before drawing on Reserves, the City has taken many steps over the last few years to proactively reduce costs wherever possible and maximize available resources. While the City remains financially stable overall, this year's unbalanced budget reflects the long-term impacts of inflation, aging infrastructure, and limited revenue growth signifying a need for strategic long-term revenue planning.

This "Budget in Brief" offers a transparent, easy to understand overview of the City's finances, and how we plan to implement City services and maintain the high quality of life as we also plan for the future.



Budget Process

Every year, the City of Chino Hills develops a budget to plan City operations for the Fiscal Year (FY) between July 1 through June 30. The budget outlines how much money the City expects to bring in (revenue) and how much it plans to spend (expenditures) to provide services to residents and businesses during the year.

The budget is the framework and financial plan set by the City Council. It establishes priorities and guides the development of programs and services provided by the City and it determines how funds are allocated to support these programs. It is similar to a household budget, but on a much larger scale.

Like homeowners and business owners, the City needs to balance priorities like public safety, road maintenance, parks, landscaping and open space maintenance, water service, wildfire preparedness, and community programs with available funding.

The budget process begins each January, when the City Manager directs departments to prepare proposals based on City Council priorities and long-term goals. The City Manager ensures that the proposed budget is fiscally responsible and presents it to the City Council for consideration, policy direction, and ultimately final adoption in June.

Budget Terms to Know

- **Fiscal Year (FY):** The City's FY runs from July 1 to June 30.
- **Operating Revenues:** Money the City receives on a regular basis, such as the City's share of sales and property taxes, transient occupancy taxes from hotels, fees, and grants, to pay for services.
- **Operating Expenditures:** Ongoing costs to run City services and programs, like police services, street maintenance, landscaping for parks, facility costs, recreation programs, and general City operations.
- **General Fund:** This is the City's most flexible discretionary operating fund for essential services like the City's costs for police services, parks, and road maintenance.
- **General Fund Reserves, or Reserves:** The City's savings account for emergencies or long-term needs.
- **Enterprise Funds:** Account for services like water and sewer, where costs are covered mainly by user fees.
- **Special Revenue Funds:** Dedicated funds for specific services, like street repairs or development.
- **Capital Improvement Program (CIP):** A long-term plan for construction, maintenance, and infrastructure projects.

FY 2025-26 Budget At-a-Glance

For FY 2025-26, the City's total budget across all funds is:

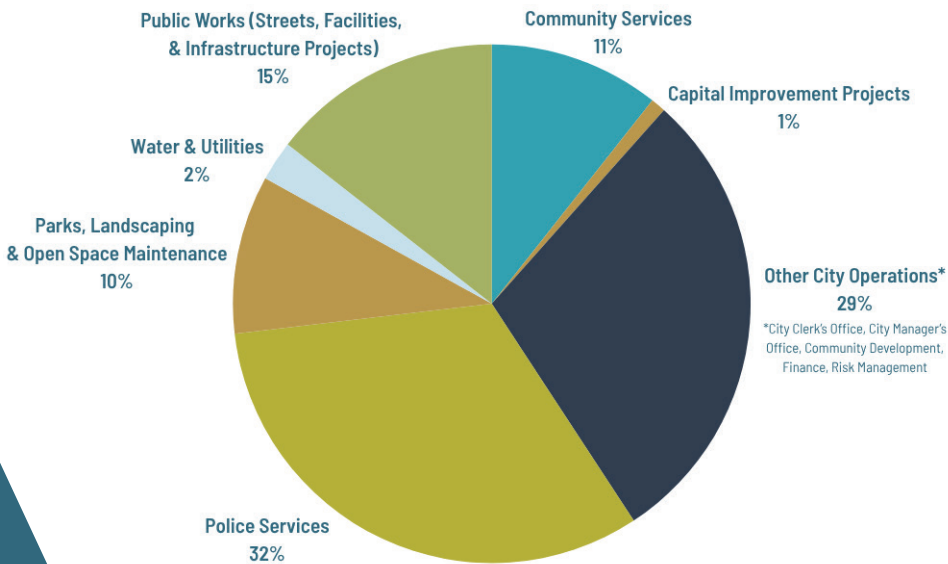
- **Total Revenues (All Funds):** \$147.9 million
- **Total Expenditures (All Funds):** \$150 million

Within all funds, the General Fund budget is as follows:

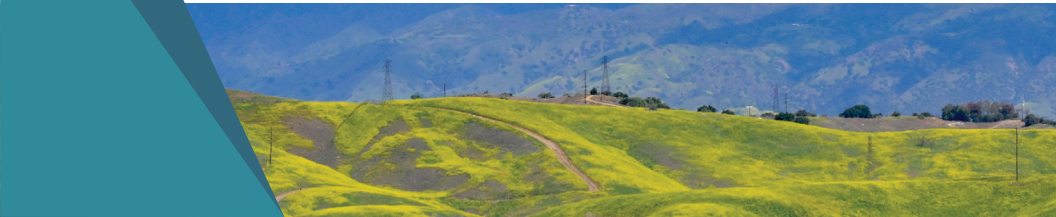
- **Revenues:** \$56.4 million
- **Expenditures:** \$58.6 million

This means the City's expenses are projected to be \$2.2 million more than what the City will bring in through revenue sources. The projected \$2.2 million deficit will be covered using General Fund Reserves, or the City's rainy day "savings account."

General Fund Expenditures \$58, 618, 201



The contract with the San Bernardino County Sheriff's Department for police services makes up 32 percent of the City's General Fund expenses.

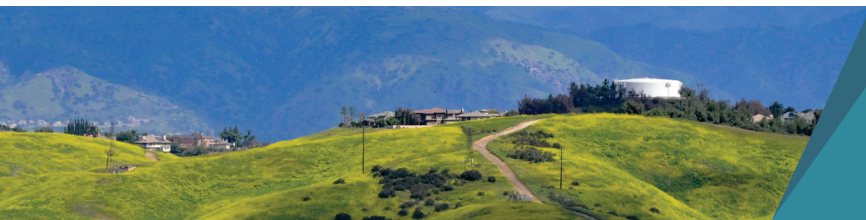


Budget Priority Areas

The City's budget this FY focuses on maintaining the high quality of life residents expect by prioritizing and protecting essential services, public safety, and long-term sustainability. Budget decisions are guided by the core needs of the community and the realities of rising costs, aging infrastructure, and a growing demand for services.

Key budget priorities include:

- **Public Safety:** An investment of \$19.2 million in public safety, including for the police services contract with the San Bernardino County Sheriff's Department. It is a priority of the City Council to maintain strong law enforcement services to keep neighborhoods and businesses safe, protect property, prevent crime from nearby communities, and to respond quickly when our residents need them most.
- **Wildfire Prevention and Emergency Preparedness:** Protecting our hillsides and neighborhoods from wildfire risk requires continuous investment in weed abatement, tree maintenance, and fire safety community outreach efforts to ensure the City is ready for any disaster.
- **Infrastructure Maintenance and Street Repairs:** As Chino Hills continues to age, roads, community buildings, water systems, and parks are aging and need ongoing repairs, upgrades, and replacement. Each year the City budgets at least \$1 million for street maintenance, pothole repairs, and traffic improvements to ensure streets are well-maintained.
- **Parks and Public Spaces:** The City maintains 44 public parks and 48 miles of trails to ensure clean, welcoming spaces for families and children. The City also preserves over 3,000 acres of community-owned open space, which is a long-standing community value.
- **Water Reliability and Sustainability:** The City continues to invest in drought-tolerant landscaping, recycled water systems, and local water infrastructure to reduce dependency on costly imported water and safeguard the community's drinking water supply.
- **Development Fees:** New State-required housing projects are carefully managed to protect hillsides, prevent overdevelopment, and manage traffic impacts. Large housing projects are required to contribute to infrastructure improvements, helping to reduce strain on City resources.



The Importance of the City's General Fund

The City's revenue comes from a variety of sources. Much of the City's revenue is restricted and must be spent for specific purposes such as water, sewer, and landscaping, or infrastructure projects budgeted through the Capital Improvement Program.

The City's General Fund is its main and most flexible funding source, made up primarily of sales and property tax revenues, and accounts for all revenue not required to be placed in another fund. It supports many of the daily services and operations residents use that help contribute to the City's high quality of life including police services, street maintenance, infrastructure repairs, and recreation programs and special events.

The City's General Fund Reserves are like a savings account, with money set aside over time as a safety net for future use or long-term needs. These reserves provide a financial cushion to help the City manage unexpected economic downturns, revenue shortfalls, and emergencies.

As many residents know, through business or personal experience, using reserves or savings to fund ongoing operating expenditures long-term is not sustainable. The decision to use reserves to bridge the FY 2025-26 budget deficit was a deliberate commitment to preserving the quality of life in Chino Hills but the ongoing use of reserves is not sustainable.

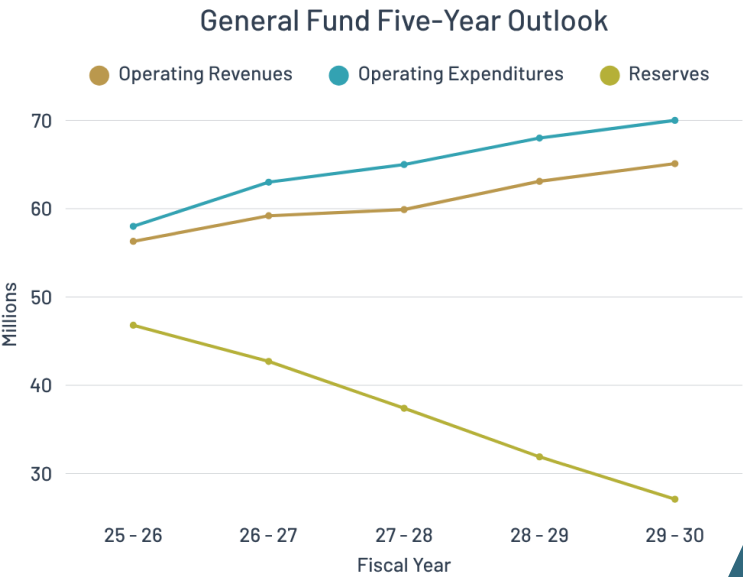




General Fund Reserve Breakdown:

- **Current Total Reserves:** \$46.9 million
- **Projected Reserve In 5 Years:** \$27.1 million
- **Unrestricted Reserves Within Total Reserves (Rainy-Day Fund/ Savings Account):** \$34.9 million

The City's General Fund Reserves are expected to decrease by about half (42%) over the next five years if new sources of local revenue are not identified to prevent cuts to services and maintain the programs and services residents value most.



What's Driving the Deficit?

This year's deficit is not a result of overspending, it reflects the realities that revenue growth has not kept pace with the needs of a maturing city and growing infrastructure maintenance demands. The City's roads, parks, and infrastructure are all aging, and the cost to maintain, and in some cases replace, have outpaced revenue growth.

Key factors include:

- **Inflation:** Higher costs for materials, contracts, and utilities.
- **Declining Sales Tax Revenues:** Reduced consumer spending by residents and visitors and lower fuel prices.
- **Aging Infrastructure:** Roads, parks, and public facilities are aging and need more repairs and upgrades.
- **Wildfire Prevention:** Increased investment in weed abatement and fire safety to protect our community and vulnerable hillsides.
- **Landscape Maintenance Costs:** Costs for maintaining landscaping, parks, trees, and open space continue to grow, especially in areas with deferred maintenance.
- **Water and Utility Costs:** Increased utility rates for electricity, gas, and the rising cost of irrigation for parks and medians.
- **Landscape & Lighting (L&L) District Support:** This year, the City must cover a \$3.8 million shortfall to sustain neighborhood maintenance. When Proposition 218 passed in November 1996, it took away the authority of local jurisdictions to adjust or establish new assessments for L&L funding to keep up with inflation without voter approval.

Over the last few years, the City has taken many proactive steps to be more efficient, reduce costs, delay non-essential projects, and secure outside funding to minimize the impact on reserves.





What Has the City done to Manage and Cut Costs?

The City's FY 2025-26 budget was developed with an added level of discipline and fiscal responsibility to stretch every dollar, delay non-essential spending, and maintain core services without compromising community safety, cleanliness, or quality of life.

City staff built this year's budget from the ground up, using actual expenditures from the previous FY as a foundation. Every proposed cost was carefully evaluated and included only when clearly justified by service needs, legal obligations, or critical infrastructure priorities.

Before drawing on reserves, the City took several important steps to reduce costs by scaling back certain programs and exploring alternative revenue sources:

- **Investments in Long-Term Efficiency:** To reduce future ongoing costs, the City has made investments to purchase streetlights which reduce utility costs, expand our recycled water system, install drought-tolerant landscaping, and upgrade water infrastructure to bring City-owned wells back online and reduce reliance on costly imported water.
- **Secured Grant Funding:** The City has aggressively pursued and secured millions in grant dollars to help fund public safety, infrastructure, and community enhancement projects, offsetting the use of General Fund dollars.
- **Reduced and Deferred Spending:** \$1.5 million in Public Works costs and \$1 million in landscaping and tree maintenance were reduced or deferred. Several non-essential capital projects and facility upgrades were also postponed to preserve funding for more urgent needs.
- **Prevent Taxpayer Burden:** The City requires new major commercial and residential developments to build improvements and pay for their impact on existing infrastructure, preventing the use of taxpayer dollars to facilitate growth.

Investing in Community Services

Each year, the City Council commits over \$6 million to the Community Services Department to ensure that residents of all ages can enjoy free and low-cost recreational programs and community events here in Chino Hills.

This investment reflects the City’s ongoing commitment to creating safe, fun, and inclusive spaces where families, children, and seniors thrive. Recreational programs significantly enhance a community’s overall health and wellbeing. They offer opportunities for improved fitness, stress reduction, and social connections for a healthier and more vibrant community.

The City’s Community Services programs include year-round recreational programs and signature special events such as:

- Aquatic and Swim Lessons
- Independence Celebration
- Summer Day Camp
- Concerts in the Park
- Mobile Recreation
- Tiny Tots
- Easter Egg-Citement
- Pee-Wee Sports
- Tree Lighting Ceremony
- Trick-or-Treat





Looking Ahead: Protecting our Community's Future

Chino Hills has long been recognized for its conservative and responsible financial management, balanced budgets, and commitment to delivering high-quality public services while maintaining strong reserves. As our City grows and our infrastructure ages, so do the financial challenges we face.

While the FY 2025-26 budget will rely on reserves, relying on them to fund an ongoing budget deficit is not a feasible or sustainable approach to maintaining a healthy City organization.

The City remains committed to maintaining the high quality of life for residents, delivering essential services, and protecting reserves for long-term needs and emergencies. Despite this budget being unbalanced this FY, the City is financially stable with strong reserves for the short-term future.

As we move forward, there is a clear need to explore options for new, locally controlled sources of revenue and the City will continue to communicate transparently with our residents about the City's budget challenges.

To view the full budget and learn more, visit www.chinohills.org/BudgetDeficit.

