



STAFF REPORT
5/5/2026

TO: Honorable Mayor and City Council Members
FROM: Gabriel A. Gonzalez, Interim City Manager
PREPARED BY: Lincoln Bogard, Finance Director
SUBJECT: Fiscal Year 2026-27 Annual Budget Study Session

STAFF RECOMMENDATION:

Provide feedback and direction to staff regarding proposed budget for Fiscal Year 2026-27.

EXECUTIVE SUMMARY:

Each year the city conducts an annual budgeting process that includes department proposals, finance review and analysis, and City Manager feedback prior to holding a workshop with City Council. Generally, staff brings the budget to Council three times, with the third item being for adoption.

BACKGROUND:

The city is required to have an adopted budget for all governmental funds each year. Enterprise funds do not require an adopted budget, but best practices include budgeting for enterprise funds. The city has two enterprise funds: water and sanitary sewer.

DISCUSSION/ANALYSIS:

Staff proposes to have a comprehensive budget workshop with City Council to provide information on current operations and proposed budget items to enhance operational capacity. The data will include historical budget trends, demographic data, employee count, as well proposed equipment and new services to enhance operational capacity and public safety.

In addition, staff will provide preliminary budget projections which currently reports an approximate \$1.3 million deficit in the General Fund. Finance has changed the allocation process for charging support service expenses from the General Fund to other city funds. Staff implemented a 2 Code of Federal Regulations 200 compliant Cost Allocation Plan. This methodology causes General Fund salaries and benefits to increase and corresponding enterprise funds decreases. This implemented process is accepted by the Federal and State Governments and

is considered a best practice and can be used for grant reimbursement of overhead costs. Although, the city does not generally charge any overhead to grants currently.

ALTERNATIVES:

1. Provide feedback and direction.

FISCAL IMPACT:

None. This is planning for spending of the coming fiscal year.

RECOMMENDED ALTERNATIVE(S):

Provide feedback and direction.