City of Colusa California

STAFF REPORT

DATE: September 1st, 2026

TO: Mayor and Members of Council

FROM: Council Budget Ad-Hoc

AGENDA ITEM: Fiscal Year 2026/2027 Budget Adoption and Fiscal Outlook

RECOMMENDATION: Adopt a Resolution 26- Adopting the Fiscal Year 2026/2027 Budget as presented and receive an update regarding the City's current fiscal outlook and projected budget deficit.

BACKGROUND ANALYSIS: The proposed Fiscal Year 2026/2027 Budget continues the City's commitment to providing essential services, maintaining public safety, and investing in community infrastructure. Over the past several years, the City has made significant investments in police, fire, roads, parks, and other public services in response to community needs and priorities.

The City has successfully increased staffing within the Police and Fire Departments to enhance public safety services. In addition, the passage of Measure B has provided critical funding that has allowed the City to begin addressing long-deferred road maintenance, park improvements, and other infrastructure needs throughout the community.

While these investments have benefited the community, they have also increased the City's ongoing operating costs.

The proposed Fiscal Year 2026/2027 Budget reflects a projected General Fund deficit of **$495,552**. This continues a trend that the City has experienced over the past two budget cycles, where actual year-end financial results have reflected true operating deficits.

Although expenditures have increased, many of these costs are associated with policy decisions made by the City Council to improve services to residents. The addition of police officers and firefighters has strengthened public safety operations, while Measure B revenues have allowed the City to begin making meaningful progress toward repairing roads, improving parks, and addressing infrastructure deficiencies that accumulated over many years.

Measure B currently remains in effect until **April 2027**. As a result, the revenue projections included in this budget only account for Measure B revenues through its current expiration date. Should the voters approve the continuation of Measure B during the November 2026 election, staff will update the revenue forecast at the mid-year budget review and compare revised revenue projections against actual expenditures and operational trends.

The City does have several positive economic development projects currently underway that are expected to generate additional revenues in future years. However, the timing and amount of those revenues remain uncertain. At the same time, the City continues to experience substantial increases in operating expenses, including:

- Employee health care costs;
- Insurance premiums;
- Utility expenses;
- Fuel costs;
- Equipment maintenance and replacement;
- General inflationary impacts on goods and services.

These cost increases continue to outpace many of the City's traditional revenue sources.

The Fiscal Year 2026/2027 Budget reflects the City's ongoing effort to balance community expectations with fiscal realities. While the City has made important investments in public safety, roads, and parks, the budget continues to face structural challenges. The potential continuation of Measure B and future economic development opportunities may improve the City's financial outlook; however, rising operating costs remain a significant concern.

Staff will continue to monitor financial performance throughout the fiscal year and return to the City Council with recommendations as necessary. If current trends continue and revenues do not keep pace with expenditure, the City may need to consider budget reductions and other corrective actions in the coming years to ensure long-term fiscal stability.

BUDGET IMPACT: The Fiscal Year 2026/2027 Budget includes a projected General Fund deficit of **$495,552**. Staff will continue to closely monitor revenues and expenditure throughout the fiscal year and provide updates to the City Council during the mid-year budget review process.

Should expenditures continue to increase while revenues remain stagnant or decline, the City may be required to evaluate service levels, operational efficiencies, and potential budget reductions in future fiscal years to maintain long-term financial sustainability

The estimated general fund revenue, including the transfers in, excluding the revenue received after June is seven million and the expense without posting the payable is about seven million. The projected deficit/surplus is between $50,000 to $150,000.

STAFF RECOMMENDATION: Adopt a resolution 26-

ATTACHMENTS: Resolution 26-___ and the 26/27 Budget