



**City of Grass Valley  
City Council  
Agenda Action Sheet**

**Title:** FY 2026-27 Preliminary Budget Overview

**Recommendation:** It is recommended that the City Council 1) Approve the FY 2026-27 Preliminary Budget and provide any additional direction to staff related to the preparation of the 2026-27 Final Budget; and 2) **Set June 9, 2026**, as the date for the public hearing for adoption of the FY 2026-27 Final Budget

**Prepared by:** Jennifer Styczynski, Finance Director

**Council Meeting Date:** 05/26/2026

**Date Prepared:** 05/21/2026

**Agenda:** Administrative

**Discussion:** In accordance with the City of Grass Valley Charter, the City Manager is required to submit a Preliminary Budget to the City Council no later than June 1 of each year for the upcoming fiscal year. The Charter also requires the City Council to hold a public hearing and adopt a Final Budget prior to the beginning of the new fiscal year.

Staff will present an overview of the recommended Fiscal Year (FY) 2026-27 Preliminary Budget, with a focus on the major operating and capital funds that support core City services and infrastructure. These funds include the General Fund, Measure E Fund, Measure B Fund, Water and Sewer Enterprise Funds, and Capital Projects Fund.

The FY 2026-27 Preliminary Budget has been prepared using updated revenue and expenditure projections and reflects information previously presented to the City Council during the FY 2025-26 Mid-Year Budget Update on February 24, 2026. Since that time, City management has continued to monitor economic conditions and financial trends that may impact the City’s current and long-term fiscal outlook.

The proposed Preliminary Budget reflects several ongoing fiscal challenges affecting local governments statewide, including inflationary increases in operating and utility costs, continued volatility in CalPERS investment returns and related unfunded liability amortization payments, and rising property and liability insurance premiums. Despite these pressures, staff has continued to prioritize responsible fiscal planning and the long-term sustainability of City services and operations.

**General Fund**

	<b><u>Revenues</u></b>	<b><u>Expenditures</u></b>	<b><u>Net</u></b>
FY 2025-26 Estimated Actuals	\$ 19,534,879	\$ 19,620,920	\$ (86,041)
FY 2026-27 Preliminary Budget	\$ 19,928,982	\$ 19,946,611	\$ (17,630)

The FY 2026-27 Preliminary General Fund Budget includes projected revenues of \$19,928,982 and expenditures totaling \$19,946,611. This results in a minor operational gap of \$17,630,

which will be covered using General Fund reserves. Representing less than 0.1% of the total budget, this represents a functionally balanced budget despite significant upward pressure from mandated pension and labor costs. Key revenue and expenditure impacts to the City's General Fund for FY 2026-27 are outlined below.

### **Key Revenue Impacts**

The FY 2026-27 budgeted revenue represents an increase of approximately \$394,000 over the projected revenue for FY 2025-26, primarily due to:

- **Property Tax:** Projected increases in property tax revenues, reflecting ongoing strength in the housing market and development activity.
- **Transient Occupancy Tax (TOT):** TOT revenues stabilizing above prior-year levels, with additional growth projected from upcoming development.
- **Sales Tax:** Projected slight increases over the prior year, maintaining a stable upward trend for the General Fund.
- **AB 109 Funds:** Increased revenue from an expanded allocation to the Police Department, funding an additional Police Officer dedicated to street-level outreach, case management, participating in collaborative courts, and social work.
- **Paid Parking Revenue:** Implementation of paid parking at the start of the fiscal year, with revenues offsetting a new Police Officer assigned to downtown parking enforcement and downtown/business interfacing.
- **Interest Earnings:** A slight projected decrease in future interest earnings as maturing or called bonds reinvest at lower rates, though overall yields remain stable and strong.
- **Reimbursements:** Minor reductions in reimbursement and refund accounts due to the elimination of one-time revenues recorded in the prior year.

### **Key Expenditure Impacts**

The FY 2026-27 budgeted expenditures reflect an increase of approximately \$325,500 over projected FY 2025-26 expenditures. This increase is primarily due to:

- **Labor Costs:** Increased funding to support approved citywide salary and benefit adjustments.
- **CalPERS Obligations:** Significant annual increases in required payments toward the City's unfunded actuarial liability.
- **Utilities:** Rising operational expenses for fuel, electricity, and water.
- **Public Safety Staffing:** The addition of two Police Officers funded entirely by the new and increased revenues from AB 109 and paid parking.
- **Insurance Premiums:** Rising expenses for workers' compensation and general liability insurance, which were partially mitigated by the City electing to participate in the CIRA Fire District Sub-Pool.
- **Internal Controls:** Operating materials budgets for many departments are being held flat at FY 2025-26 levels to support overall budget stability.

As part of the FY 2026-27 budget development process, the City continues to maintain several key Assigned Reserves within the General Fund to support long-term financial stability and

organizational resiliency. These reserves are intended to help the City respond to future financial obligations, unexpected costs, economic uncertainty, and capital needs without significantly impacting ongoing operations or service levels. Current Assigned Reserve balances include:

- CalPERS Pension Stabilization Reserve - \$1,500,000
- Other Post-Employment Benefits (OPEB) Reserve - \$500,000
- Capital and Deferred Maintenance Reserve - \$1,000,000
- Economic Contingency Reserve - \$2,500,000

These reserves provide important financial flexibility in several key areas, including absorbing unexpected increases in pension and retiree health benefit costs, reducing reliance on discretionary General Fund revenues for major capital improvements and deferred maintenance projects, and helping mitigate the impacts of economic downturns or unforeseen revenue reductions. Maintaining these reserve levels remains an important component of the City’s long-term financial planning strategy.

As of June 30, 2027, total General Fund reserves are projected to be approximately \$8.39 million, consisting of both designated and undesignated reserves. Projected reserve balances are summarized below:

\$ 5,919,035 Designated Reserves  
 \$ 2,483,167 Undesignated Reserves  
 \$ 8,402,202 Total General Fund Reserves

**Measure E Fund**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net</u>
FY 2025-26 Estimated Actuals	\$ 7,631,610	\$ 9,711,994	\$ (2,080,384)
FY 2026-27 Preliminary Budget	\$ 8,055,000	\$ 10,510,964	\$ (2,468,959)

The Measure E Fund accounts for the City’s voter-approved one-cent transactions and use tax, a general-purpose tax that supports police and fire services, as well as streets and parks projects.

FY 2026-27, budgeted revenue are projected at \$8,055,000, representing an increase of approximately \$423,390 over FY 2025-26 estimated revenues of \$7,631,610. This increase is primarily attributable to the anticipated surplus sale of the current aerial ladder fire truck upon delivery of the replacement apparatus, as well as an expected insurance reimbursement for a damaged police vehicle scheduled for replacement.

FY 2026-27 budgeted expenditures total \$10,510,964, representing an increase of approximately \$799,000 over estimated FY 2025-26 expenditures. This increase is primarily driven by the planned use of prior years’ carryover fund balance to support various street and parks projects. In addition, expenditures include the anticipated delivery and payment of a new aerial ladder fire truck in the amount of \$2.15 million which was ordered in December 2023, as well as a one-time records management system project, including software, server infrastructure, and implementation costs totaling approximately \$425,000.

Measure E funds are anticipated to support several key capital and infrastructure projects during FY 2026-27, including:

- Condon Park Improvements
- Loma Rica Trail Improvements
- Magenta Drain Restoration (in conjunction with other funding sources)
- Wolf Creek ATP Connectivity Project (in conjunction with other funding sources)
- Street Pavement Rehabilitation totaling approximately \$930,000

The Measure E Fund provides funding for 18 full-time equivalent (FTE) positions, including 9 FTE in the Police Department and 9 FTE in the Fire Department. All Measure E funded positions are fully budgeted and assumed to be filled throughout FY 2026-27.

City staff met with the Measure E Oversight Committee on May 19, 2026, to review key elements of the FY 2026-27 budget prior to its final adoption in June.

As of June 30, 2027, the Measure E Fund is projected to have an estimated ending fund balance of \$12,995. These remaining funds may be appropriated in future fiscal years for eligible Measure E purposes.

**Measure B**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net</u>
FY 2025-26 Estimated Actuals	\$ 2,760,000	\$ 1,820,923	\$ 939,077
FY 2026-27 Preliminary Budget	\$ 2,785,000	\$ 3,186,709	\$ (401,709)

The Measure B Fund accounts for the City’s voter-approved 3/8-cent transactions and use tax, a general-purpose tax dedicated to reducing the risk of catastrophic wildfire and extreme weather. Funding supports additional firefighting personnel, vegetation management, emergency evacuation planning, and related wildfire mitigation initiatives.

For FY 2026-27, projected revenue total \$2,785,000, while budgeted expenditures total \$3,186,709. As tax collection began in October 2024, FY 2026-27 represents the second full year of Measure B fund program implementation. With staffing levels continuing to be established and foundational program elements being developed, planned expenditures include green waste collection projects, development of long-term green waste disposal solutions, and the launch of a grant program to assist businesses and residents with fuel reduction efforts.

Additional expenditures include the purchase of equipment intended to improve operational flexibility and support multiple fuel reduction initiatives to be identified and implemented throughout the fiscal year.

The Measure B Fund provides funding for 12 full-time equivalent (FTE) positions, including 3 FTE in Risk Reduction and 9 FTE in the Fire Department. All Measure B-positions are fully budgeted and assumed to be filled throughout FY 2026-27.

City staff met with the Measure B Oversight Committee on May 19, 2026, to review key elements of the FY 2026-27 budget prior to its anticipated adoption in June.

As of June 30, 2027, the Measure B Fund is projected to have an estimated ended fund balance of \$1,770,196, which may be appropriated in future fiscal years to support eligible Measure B initiatives.

## Water Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net</u>
FY 2025-26 Estimated Actuals	\$ 2,652,394	\$ 3,645,849	\$ (993,455)
FY 2026-27 Preliminary Budget	\$ 2,721,200	\$ 3,023,104	\$ (301,904)

FY 2026-27 Water Fund revenues are projected at \$2,721,200, representing a slight increase over FY 2025-26 estimated revenues. The increase is primarily attributable to the approved water rate adjustments adopted as part of the City's Water Rate Study.

FY 2026-27 budgeted expenditures total \$3,023,104, representing a decrease of approximately \$622,700 compared to FY 2025-26 estimated expenditures. This reduction is primarily due to the completion of the water main replacement associated with the South Auburn Street Renovation Project, as well as a reduction in the allocation for ongoing maintenance needs at the water treatment plant.

All other operating materials and service budgets are being maintained at levels generally consistent with FY 2025-26 in order to support overall budget stability while the fund continues to be evaluated for future operational and capital needs.

The Water Fund is projected to end FY 2026-27 with an estimated fund balance of approximately \$1.23 million. Of this amount, approximately \$1.21 million is reserved for specific purposes, leaving an estimated unreserved balance of approximately \$22,500. This projection assumes completion of all planned maintenance activities and capital improvement projects by fiscal year-end.

## Sewer Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net</u>
FY 2025-26 Estimated Actuals	\$ 6,132,692	\$ 5,428,946	\$ 703,726
FY 2026-27 Preliminary Budget	\$ 6,130,000	\$ 10,691,470	\$(4,561,470)

FY 2026-27 Sewer Fund revenues are projected at \$6,130,000, representing a slight decrease from FY 2025-26 estimated revenues. The decrease is primarily attributable to reduced interest earnings as maturing or called bonds are reinvested at lower interest rates, although overall investment yields remain stable.

FY 2026-27 budgeted expenditures total \$10,691,470, representing an increase of approximately \$5.26 million over FY 2025-26 estimated expenditures. This increase is primarily driven by the carryover and continuation of several major capital improvement projects, including:

- Annual Wastewater Treatment Plant Upgrades
- Slate Creek Lift Station Project
- Sewer Lining Project
- Taylorville Lift Station Project

FY 2026-27 also marks the first fiscal year in which debt service payments for both the automated meter reading equipment lease, originally executed in 2011, and the 2011 Wastewater Refunding Bonds issued on August 1, 2011, are no longer included in the debt service schedule.

All other operating and service budgets were reviewed and adjusted as necessary to reflect departmental operational needs and anticipated increases in service-related costs.

The Sewer Fund is projected to end FY 2026-27 with an estimated fund balance of approximately \$6.36 million. Of this amount, \$3.69 million is reserved for specific purposes, leaving an estimated unreserved balance of approximately \$2.67 million. This projection assumes completion of all planned capital improvement projects by fiscal year-end.

**Gas Tax Fund**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net</u>
FY 2025-26 Estimated Actuals	\$ 1,117,671	\$ 1,050,884	\$ 66,787
FY 2026-27 Preliminary Budget	\$ 852,593	\$ 1,135,000	\$ (282,407)

The Gas Tax Fund accounts for revenues received from the Highway User Tax Account (HUTA), Senate Bill 1 (SB-1) Road Maintenance and Rehabilitation Account (RMRA), and pass-through funding from the Nevada County Transportation Commission (NCTC). These revenues are restricted for eligible transportation-related expenditures.

For FY 2026-27, Gas Tax Fund revenues are projected at \$852,593, representing a decrease of approximately \$265,000 compared to FY 2025-26 estimated revenues. The decrease is primarily attributable to a one-time transfer received in FY 2025-26 from the Special Projects Fund for the Mill Street Parking Lot Project and to reconcile fund balances. Excluding this transfer, projected ongoing Gas Tax revenues would reflect a modest increase of approximately \$17,112, generally consistent with scheduled SB 1 rate adjustments.

FY 2026-27 budgeted expenditures total \$1,135,000, representing an increase of approximately \$84,000 over FY 2025-26 estimated expenditures. Planned appropriations include street rehabilitation projects funded with RMRA revenues, sidewalk repairs, annual street maintenance activities, and transfers to the Traffic Safety Fund to support streetlight utility costs.

The Gas Tax Fund is projected to end FY 2026-27 with an estimated remaining fund balance of approximately \$20,730.

**Traffic Safety Fund**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net</u>
FY 2025-26 Estimated Actuals	\$ 191,400	\$ 191,400	\$ 0
FY 2026-27 Preliminary Budget	\$ 212,000	\$ 212,000	\$ 0

The Traffic Safety Fund accounts for revenues generated from parking citations and transfers from the Gas Tax Fund, which are primarily used to support citywide streetlight utility costs and related traffic safety expenditures.

Revenues for FY 2026-27 are projected to remain generally consistent with prior year levels, with modest increases reflecting updated estimates for parking citation activity and operating transfers. Expenditures are also expected to remain stable and are budgeted to fully support ongoing streetlight utility and traffic safety-related costs.

The FY 2026-27 Preliminary Budget is structurally balanced, with all projected revenues fully allocated toward planned expenditures. As a result, the Traffic Safety Fund is projected to have no remaining fund balance at the end of FY 2026-27.

**Development Impact Fee Fund**

	<b><u>Revenues</u></b>	<b><u>Expenditures</u></b>	<b><u>Net</u></b>
FY 2025-26 Estimated Actuals	\$ 444,804	\$ 0	\$ 444,804
FY 2026-27 Preliminary Budget	\$ 65,000	\$ 720,000	\$ (655,000)

The Development Impact Fee Fund accounts for the receipt and use of AB-1600 Development Impact Fees, which are restricted for nexus-based capital projects intended to mitigate the impacts of new development within the community.

Development Impact Fee Fund revenues for FY 2026-27 are projected to consist primarily of interest earnings, estimated at approximately \$65,000. Because development activity and related fee collections can fluctuate significantly from year to year, revenues will continue to be monitored, and the budget may be adjusted during the fiscal year as additional information becomes available.

The FY 2026-27 Preliminary Budget includes expenditures for three Development Impact Fee eligible projects: the Storm Drain Master Plan, the Bennett & Ophir Circulation Project, and the Centennial Drive Realignment Project. These are the only projects currently budgeted within the Development Impact Fee Fund for FY 2026-27. If any of these projects are not completed during the fiscal year, the remaining appropriations are expected to be carried forward into FY 2027-28, subject to City Council approval.

The Development Impact Fee Fund is projected to maintain an estimated ending fund balance of approximately \$2.36 million as of June 30, 2027. These funds remain legally restricted for eligible future capital improvement projects associated with growth and development impacts.

**Capital Projects Fund**

	<b><u>Revenues</u></b>	<b><u>Expenditures</u></b>	<b><u>Net</u></b>
FY 2025-26 Estimated Actuals	\$ 7,611,866	\$ 7,000,615	\$ 611,251
FY 2026-27 Preliminary Budget	\$ 11,789,543	\$ 11,789,543	\$ 0

The Capital Projects Fund accounts for most non-enterprise capital improvement projects citywide. While the General Fund primarily supports day-to-day operations and municipal services, the Capital Projects Fund provides a centralized mechanism for managing multi-year and multi-funded capital projects. This structure supports legal compliance, financial transparency, asset tracking, and efficient project management.

Capital projects are generally funded through restricted or non-discretionary revenue sources, including grants, development impact fees, and transfers from other City funds.

For FY 2026-27, Capital Projects Fund revenues and expenditures are both budgeted at approximately \$11.79 million. Project appropriations have been updated to reflect current cost estimates, project schedules, and anticipated funding availability.

Major new and continuing projects included in the FY 2026-27 Capital Projects Fund include:

- Wolf Creek Trail Study
- Wolf Creek ATP Connectivity Project
- Condon Park Baseball Improvements

- Centreville Bike Park Construction Project
- Magenta Drain Restoration Project
- McCourtney Road Pedestrian Improvements
- Annual Street Rehabilitation Program
- South Auburn and Colfax Roundabout Project

These projects are funded through a combination of grant sources, including Congestion Mitigation and Air Quality (CMAQ), Active Transportation Program (ATP), and Environmental and Climate Resiliency Grants (ECRG), as well as transfers from other City funds, including the General Fund, Measure E Fund, Gas Tax Fund, Traffic Safety Fund, Developer Impact Fee Fund, and Special Projects Fund.

**Special Projects Fund**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net</u>
FY 2025-26 Estimated Actuals	\$ 1,260,202	\$ 1,565,766	\$ (305,564)
FY 2026-27 Preliminary Budget	\$ 160,000	\$ 2,561,876	\$ (2,401,876)

The Special Projects Fund accounts for capital improvement projects that are funded through designated revenue sources outside of the City’s primary operating funds. For FY 2026-27, projected revenues primarily consist of interest earnings and Regional Transportation Mitigation Fee (RTMF) revenues received from the County of Nevada.

The significant increase in expenditures for FY 2026-27 is primarily attributable to the planned use of previously accumulated funding for major park and recreation improvement projects. In FY 2021-22, the City issued approximately \$6 million in debt financing dedicated to future park improvements. To date, approximately \$3.88 million of those proceeds has been expended on approved capital improvement projects.

The FY 2026-27 Preliminary Budget recommends allocating the remaining approximately \$2.2 million toward three major capital improvement projects:

- Centreville Bike Park Project
- Lyman Gilmore lighting and site improvements
- Condon Park baseball improvement projects

In addition, approximately \$300,000 is budgeted for transfer to the Capital Projects Fund to support the Wolf Creek ATP Connectivity Project.

Following the planned use of these funds, the Special Projects Fund is projected to maintain an estimated ending fund balance of approximately \$3.23 million as of June 30, 2027. Remaining fund balance will be available to support future capital improvement needs and other eligible projects.

**FY 2026-27 Final Budget Development**

Following City Council review of the Preliminary Budget, staff will incorporate any additional direction provided by the Council into the development of the FY 2026-27 Final Budget.

Staff also met with the Measure E Oversight Committee and the Measure B Oversight Committee on May 19, 2026, to review the respective FY 2026-27 preliminary fund budgets

and receive input as part of the budget development process.

**Council Goals/Objectives:** The FY 2026-27 Preliminary Budget supports the City Council's Strategic Plan goal of maintaining a High-Performance Government and delivering Quality Service to the community through responsible financial planning and resource allocation.

**Fiscal Impact:** The recommended FY 2026-27 Preliminary Budget is balanced, with projected expenditures supported through a combination of anticipated revenues, available carryover funds, and existing fund balances within the respective funds. In certain funds, expenditures are projected to exceed current year revenues due to planned capital improvement projects that will utilize reserves accumulated in prior years for those specific purposes. Other funds may require the use of available reserves to maintain service levels and balance operations for FY 2026-27. Staff will continue to closely monitor revenues, expenditures, and reserve levels throughout the budget development process and during the fiscal year.

**Funds Available:** N/A

**Account #:** N/A

**Reviewed by:** Interim City Manager

**Attachments:** FY 2026-27 Preliminary Budget Detail including:

- General Fund Revenue and Expenditure Summary
- General Fund Revenue and Expenditure Account Detail
- Other Attachments - Fund Schedules for:
  - Fund 200 - Measure E Fund
  - Fund 207 - Measure B Fund
  - Fund 500 - Water Enterprise Fund
  - Fund 510 - Sewer Enterprise Fund
  - Fund 300 - Capital Projects Fund
  - Fund 310 - Special Projects Fund
  - Fund 201 - Gas Tax Fund
  - Fund 202 - Traffic Safety Fund
  - Fund 203 - Fire Reserve Fund
  - Fund 205 - EPA Grant Fund
  - Fund 206 - Developer Impact Fee Fund
  - Fund 225 - Vehicle Replacement Fund
  - Fund 450 - Elizabeth Daniels Park Fund
  - Fund 451 - Animal Shelter Fund