



CITY OF ORLAND STAFF REPORT

MEETING DATE: June 16 2026

TO: Honorable Mayor and Councilmembers

FROM: Justin Chaney, Acting City Manager
Roberto Moreno, RGS Strategic Services Consultant

SUBJECT: FY 2026-27 Proposed Budget

BACKGROUND:

Staff is pleased to present the final Proposed Budget for FY 2026-2027. This document is the joint effort of all department heads. It took a lot of give and take from all departments to get the General Fund to its current proposed surplus of \$242,000 for FY 26-27. Staff put forth a lot of effort to get to a balanced General Fund budget, since that has been a top priority for Council.

Changes since June 2, budget presentation

This document has been updated based on Council's requests at the June 2, Budget presentation. The report has been changed to make it more meaningful for discussions of achieving a structurally balanced budget.

The following changes have been made to the numbers as explained further in the report:

- The General Fund surplus has increased by \$80,000 due to Police Chief Vlach negotiating an agreement with the school district to reimburse the City \$80,000 for the School Resource Officer.
- The RMRA Fund appropriations have been changed to reflect the street improvement projects approved on May 19, in the SB1 resolution.
- Maintenance Assessment District revenues increased by \$24,224 based on the latest estimates.
- The use of \$200,000 in County ARPA funds has been added as explained in this report.
- The Arts Commission fund revenues of \$13,000 have been added as explained in this report.
- The STIP Fund budget of \$860,000 has been moved to FY 28-29 as explained in this report.

This budget is starting point for further discussions

While this proposed budget is presented for adoption for FY 2026-27, it is by no means the end of budget discussions. This is the starting point for budget discussions throughout the fiscal year as the City works to achieve a structurally balanced sustainable budget going forward. Staff will continue to work on the budget throughout the year after its adoption to have policies in place which will make the preparation of the FY 27-28 much easier. Staff plans on presenting quarterly budget updates and revisions, that will concentrate on specific areas of the budget, such as debt, capital equipment purchases and personnel costs.

ANALYSIS:

The fiscal year 2026-27 Proposed Budget allows the City to meet all its obligations, undertake some much-needed projects, and provides time for the City to develop policies for a structurally balanced budget going forward. To achieve a balanced General Fund budget some one-time funding adjustments were made explained in the report.

The table below summarizes the Budget by Fund. As the table shows, the funds with a Surplus have more revenue coming in than expenditure. The ones with a Deficit are using up some of the beginning fund balance to cover all the appropriations.

FY2026-27 Budget Summary by Fund					
Funds	Estimated	Appropriations	Surplus	Fund Balance	
	Revenues		(Deficit)	Beginning	Ending
General Funds					
General Fund	7,221,900	6,979,900	242,000	533,171	775,171
Measure "A"	1,313,000	1,770,300	(457,300)	1,434,453	977,153
Measure "J"	1,278,000	1,465,400	(187,400)	933,329	745,929
Special Revenue Funds					
Gasoline Tax	495,800	365,000	130,800	624,536	755,336
RMRA, SB1	223,223	376,000	(152,777)	650,057	497,280
Maintenance Assess	167,000	102,500	64,500	920,679	985,179
County ARPA Fund	-	200,000	(200,000)	200,000	-
Arts Commission	13,000	17,200	(4,200)	3,000	(1,200)
Capital Projects Funds					
Development Impact Fees				4,765,523	4,765,523
Enterprise Funds					
Water Enterprise	2,255,000	1,704,623	550,377	4,264,542	4,814,919
Sewer Enterprise	1,515,000	1,046,655	468,345	508,862	977,207
Industrial Sewer	36,000	36,000	-	439,706	439,706

Budget Summary by Fund:

Following is an executive summary of each of the above funds.

General Fund Budget

As the General Fund Summary (copy attached) shows, the General Fund will have an operating surplus of \$242,000 from revenues over expenditures. This was possible due to the following steps recommended by the Department Heads:

- One vacant unfunded Community Services Officer position – position will not be filled this year.
- One vacant unfunded Public Works Supervisor - position will not be filled this year
- One vacant unfunded Lead Equipment Mechanic-position will not be filled this year
- Eliminate \$50,000 in part-time temporary public works maintenance workers
- Charging more public works maintenance work time to Maintenance Assessment Districts
- Charge 3% of Librarian to each of the 3 County Branch Libraries to recoup administrative costs
- Move Police and Fire CalPERS UAL and POB expense to Measure A

- Move Streets, Library and Recreation CalPERS UAL and POB expense to Measure J

By taking the above steps, the General Fund is balanced. This gives the City time to work on developing policies for a structurally balanced budget going forward.

While every step mentioned above helped, the shift of \$496,000 in CalPERS UAL (\$271,300) and POB (\$224,700) expenses to Measures “A” and “J” are what really made a difference. While staff could have found \$496,000 in other expense categories, it was much easier to select some of the major expense items instead of a whole bunch of small items to shift to Measures “A” and “J”

Measure A Budget

The Measure “A” Budget is summarized as shown below:

Fund: 010 - Measure A Sales

Revenue

	1,313,000.00
Revenue Total:	1,313,000.00

Expense

5110 - Police	1,205,500.00
5120 - Fire	530,800.00
5150 - Public Works	34,000.00
	Expense Total: 1,770,300.00

Fund: 010 - Measure A Sales Surplus (Deficit): -457,300.00

The \$457,300 deficit will be paid from the beginning fund balance of \$1,434,453. So, Measure “A” will have an ending fund balance of \$977,153 most of which is set-aside for a future fire engine.

The use of \$457,300 in Measure “A” funds is a one-time adjustment to give the City time to come up with a balanced budget. Staff will be working to come up with ways to reduce Measure “A” expenses by \$500,000 so that FY 2027-28 will not use up any more of the Measure “A” fund balance.

The Measure “A” Proposed Budget Summary shows how Measure “A” is impacted by current ongoing expenses in comparison to some of the cost shifts.

Keep in mind that the 26-27 Measure “A” budget includes \$200,000 in capital set-aside for the future purchase of fire engine and \$250,000 for the purchase of 2 police vehicles

Measure “J” Budget

The Measure “J” budget is summarized as follows:

Fund: 015 - Measure J

Revenue

	1,278,000.00
Revenue Total:	1,278,000.00

Expense

5121 - Emergency Medical Service	466,400.00
5170 - Streets	501,200.00
5200 - Library	239,000.00
5250 - Parks Maint	125,000.00
5260 - Recreation	80,800.00
5261 - City Pool	53,000.00
Expense Total:	1,465,400.00

Fund: 015 - Measure J Surplus (Deficit): -187,400.00

The Measure “J” Proposed Budget for Streets, Recreation and Library as proposed (see attached summary) will have an ongoing operating surplus of \$262,600, before capital improvements. Because the fund is expected to have a June 30, 2026 fund balance of \$933,329, staff recommends two major capital improvements be financed from the fund balance:

- \$125,000 Ballfield Lights Installation (\$200,000 to be paid from County ARPA funds on hand
- \$325,000 Sidewalk Repairs that are much needed.

The ballfield lights installation was originally budgeted at \$325,000 and the sidewalk repairs at \$125,000. But staff has since identified \$200,000 received from the County for the ballfield lights installation, which up to now could not be used because the City did not have enough funds to pay for the total estimated cost of \$325,000. Staff is therefore now recommending that only \$125,000 be used from Measure “J” and the \$200,000 Measure “J” funds saved on this project be used for more additional sidewalk repairs.

Since FY 25-26 is the first year for Measure J and staff was not sure how quickly the tax measure would be implemented by the State, the budget for Measure “J” was very conservative, leading to a substantial surplus in FY 2025-26.

In addition to providing for increased recreation activities and library services, this fund has the means to pay for the installation of the ballfield lights (\$325,000) and begin sidewalk repairs around town.

The largest expense in Measure “J” is the cost of ambulance service. The City is currently subsidizing Westside Ambulance with a monthly payment of \$22,200 per month (\$266,400 annually) and contributing \$16,666 monthly average (\$200,000 annually) to the County for the 12-hour ambulance cost share.

Measure “J” is sustainable as budgeted going forward. Were it not for the \$450,000 in capital improvements, the fund would have a surplus of \$262,600.

Gasoline Tax Fund Budget

Revenue for the Gasoline Tax Fund is allocated to the City by the State from gasoline taxes. The money can be spent only on Right-of-Way acquisition for street purposes, street maintenance, street sweeping, street construction and improvement of streets.

The Gasoline Tax Fund budget is shown below:

Fund: 210 - GASOLINE TAX

Revenue

210-4370	GAS TAX 2106 ALLOCATION	31,300.00
210-4371	GAS TAX 2103 ALLOCATION	86,100.00
210-4380	GAS TAX 2107 ALLOCATION	75,200.00
210-4390	GAS TAX 2107.5 ALLOCATION	2,000.00
210-4391	GAS TAX 2105 ALLOCATION	56,300.00
210-4392	RSTP APPORTIONMENT	244,900.00
	Revenue Total:	495,800.00

Expense

ExpDept: 6005 - Gas Tax 2105

210-6005-010	SALARIES	150,000.00
210-6005-203	FleetMain Alloc	15,000.00
210-6005-370	Road Maintenanc	150,000.00
210-6005-371	Street Patching & Sealing	50,000.00
	ExpDept: 6005 - Gas Tax 2105 Total:	365,000.00
	Expense Total:	365,000.00

Fund: 210 - GASOLINE TAX Surplus (Deficit): 130,800.00

Estimated revenues of \$495,800 are budgeted to pay for \$365,000 in street maintenance costs, creating an operating surplus of \$130,800 which will increase the fund balance to \$755,336. Funds need to be accumulated to pay for road improvements which require a substantial amount. During the year staff plans on bringing to Council a Capital Improvement Plan enumerating the road improvements that are planned.

RMRA, SB1 Fund Budget

The RMRA Budget is summarized below. It will generate an operating deficit of \$152,777 which will be funded from the existing fund balance of \$739,833 which has built up over several years.

Fund: 340 - RMRA, SB 1

Revenue

340-4397	Road Maint/Rehap, SB1	223,223.00
	Revenue Total:	223,223.00

Expense

ExpDept: 6035 - SB 1

340-6035-371	Street Patching & Sealing	221,000.00
340-6035-373	Design Engineering/ROW/Environm...	155,000.00
	ExpDept: 6035 - SB 1 Total:	376,000.00
	Expense Total:	376,000.00

Fund: 340 - RMRA, SB 1 Surplus (Deficit): -152,777.00

Following is a list of the street maintenance projects council approved on May 19, 2026 to be paid by SB1 in FY 2026-27:

Project	Description	Estimated 26/27 Cost
Gracelyn Street	Crack sealing and slurry seal	5,000
Jacob Street	Crack sealing and slurry seal	2,500
Coby Lane	Crack sealing and slurry seal	5,000
Linwood Drive	Crack sealing and slurry seal	7,500
Suisun Street	Rubberized cape seal	25,000
Stanton Way	Crack sealing and slurry seal	5,500
Tehama Street	Crack sealing and slurry seal	16,500
Seventh Street	Mill and overlay	154,000
Shasta Street	Reconstruction (environmental, ROW, design)	155,000
	Total SB1 Funded Projects	376,000

County ARPA Fund Budget

The City received \$200,000 from the County’s ARPA funds for the installation of the ballfield lights. Unfortunately, the installation ended up costing more than \$300,000 so the funds have not been used. Now, with unspent Measure “J” funds, the City is able to use the \$200,000 plus \$125,000 in Measure “J” funds to complete the ballfield lights installation budgeted at \$325,000.

The County ARPA Fund budget is summarized below. It will use up all the County ARPA funds.

Fund: 410 - ARPA (County)

Expense

ExpDept: 5250 - Parks Maint

410-5250-642	Ballfield Lights Installation	200,000.00
	ExpDept: 5250 - Parks Maint Total:	200,000.00
	Expense Total:	200,000.00

Maintenance Assessment Districts Budget

Maintenance Assessment Districts (MAD) are established under Municipal Code Chapter 12.16 – Maintenance Districts. The City has 19 Maintenance Assessments Districts (MAD) primarily for the purpose of maintaining storm drainage facilities, landscaping, and street lights.

The MAD Budget is summarized below. It will generate an operating surplus of \$64,500 which will be set-aside for future major repairs.

Fund: 380 - ASSESSMENT DIST

Revenue

380-4480	MEADOWOOD ASSESS DIST REC	7,300.00
380-4481	FIELDSTONE ASSESS DIST RE	3,700.00
380-4482	VILLA MICHELE ASSESS DIST	19,700.00
380-4483	PIACENTINE ASSESS DIST RE	5,100.00
380-4484	FAIRVIEW VILLAGE ASSESS D	6,900.00
380-4486	PARKER ASSESS DISTRICT RE	5,800.00
380-4487	LINWOOD PARK ASSESS DIST	24,900.00
380-4488	BLAIR ESTATES ASSESS DIST	4,800.00
380-4489	LEDGERWOOD ESTATES ASSESS	4,600.00
380-4490	BENSON ESTATES ASSESS DIS	3,800.00
380-4491	WHITEHAWK ESTATES ASSESS	19,400.00
380-4492	ORLAND PARK ASSESS DIST R	37,500.00
380-4494	LORENZO PROJECT ASSESSMEN	400.00
380-4495	ORLAND BUSINESS PARK ASS	700.00
380-4496	IKE ASSESSMENT DISTRICT	1,800.00
380-4497	HOFF ESTATES MAINT ASSESS DIST	13,500.00
380-4498	HOFF WAY MAINT ASSESS DIST	7,100.00
	Revenue Total:	167,000.00

Expense

ExpDept: 5575 - A.D. Allocable Labor Exp

380-5575-010	SALARIES	102,500.00
	ExpDept: 5575 - A.D. Allocable Labor Exp Total:	102,500.00
	Expense Total:	102,500.00
	Fund: 380 - ASSESSMENT DIST Surplus (Deficit):	64,500.00

Arts Commission Budget

The Arts Commission Budget as shown below is projected to have an operating deficit of \$4,200 for FY 26-27 based on receiving donations at the same level as the current fiscal year.

The Arts Commission is funded in accordance with Municipal Code section 2.18.100 by receiving one-quarter of one percent of the building valuation for an applicable project. If very little construction or development takes place, then the Arts Commission receives very little funding. No revenue from construction was budgeted since there was no basis on which to estimate the amounts, but as construction takes place, the Arts Commission will receive its share, which should help eliminate the deficit.

Fund: 770 - 77 ARTS COMMISSION FUND

Revenue

<u>770-4359</u>	ARTS COMMISSION - DONATIO	13,000.00
	Revenue Total:	13,000.00

Expense

ExpDept: 6266 - Arts Comm

<u>770-6266-120</u>	SPECIAL DEPT	2,600.00
<u>770-6266-160</u>	COMMUNICATIONS	1,400.00
<u>770-6266-170</u>	UTILITIES	7,200.00
<u>770-6266-180</u>	RENTS & LEASES	4,800.00
<u>770-6266-190</u>	BLDG MAINT	1,200.00
	ExpDept: 6266 - Arts Comm Total:	17,200.00
	Expense Total:	17,200.00

Fund: 770 - 77 ARTS COMMISSION FUND Surplus (Deficit): -4,200.00

Development Impact Fees Budget

Development Impact Fees are collected under Chapter 15.42 of the Municipal Code. In accordance with Municipal Code Section 15.42.070, within 90 days after the end of the fiscal year (09/30/26) staff will prepare a report pursuant to Government Code Section 66006, which identifies the use of the fees in each account during the prior fiscal year, deposits to the account during the prior year, the fund balance in each account as of the end of the prior year and planned projects during the next five years.

At that time possible uses of the \$4.7 million in Development Impact Fees will be considered by City Council. At this point the proposed budget does not include any proposed projects to be funded by these fees.

STIP Funds Budget

The original proposed budget included \$860,000 for Shasta Street Reconstruction. That project has been removed from the 26-27 budget, and the project has been pushed to 2028-29 and 2029-30. The project will be included in the Capital Improvement Plan which will be presented later in the year. The project costs have risen from \$860,000 to \$1,032,000. The City has secured \$860,000 in STIP funding. Staff will continue to look for other funding sources for this project.

Water Enterprise Fund Budget

The Water Enterprise fund budget is summarized below. The details are included in the Proposed Budget Detail by Fund and Department attached document. The water enterprise is funded by water user fees.

Fund: 260 - WATER ENTERPRIS

Revenue

	2,255,000.00
Revenue Total:	2,255,000.00

Expense

5300 - Water Tran/Dis

	1,704,623.00
Expense Total:	1,704,623.00

Fund: 260 - WATER ENTERPRIS Surplus (Deficit): 550,377.00

Sewer Enterprise Fund Budget

The Sewer Enterprise Fund budget is summarized below. The line item details are included in the Proposed Budget Detail by Fund and Department attached document. The sewer enterprise is funded by sewer user fees.

Fund: 270 - SEWER ENTERPRIS

Revenue

	1,515,000.00
Revenue Total:	1,515,000.00

Expense

5400 - Sewer O&M

	1,046,655.00
Expense Total:	1,046,655.00

Fund: 270 - SEWER ENTERPRIS Surplus (Deficit): 468,345.00

Industrial Sewer Enterprise Fund Budget

The Industrial Sewer budget is summarized below. The details are included in the Proposed Budget Detail document attached. The industrial sewer budget is funded by a single industrial user. Any surplus is accumulated for the eventual repairs to the industrial ponds.

Fund: 280 - SEWER INDUSTRIE

Revenue

	36,000.00
Revenue Total:	36,000.00

Expense

5440 - Sewer IND O&M

	36,000.00
Expense Total:	36,000.00

Fund: 280 - SEWER INDUSTRIE Surplus (Deficit): 0.00

Next Steps

During the year staff plans on bring to Council a Capital Improvement Plan enumerating the capital improvements planned over a five-year period.

Additionally, staff will continue looking for ways to reduce expenses and bring those recommendations to Council on a regular basis.

RECOMMENDATION:

Approve the FY 2026-27 Proposed Budget as shown in the FY 26-27 Proposed Budget Detail.

FISCAL IMPACT OF RECOMMENDATION:

Approval of the Proposed Budget will allow the City to meet all its obligations in FY 26-27 and begin work on a structurally balanced budget for FY 2027-28.

ATTACHMENTS:

FY 26-27 General Fund Proposed Budget Summary

FY 26-27 Measure A Proposed Budget Analysis

FY 26-27 Measure J Proposed Budget Analysis

FY 26-27 Proposed Budget Summary

FY 26-27 Proposed Budget Detail