

MEETING DATE: JUNE 15, 2026

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: TOM DUBOIS, CITY MANAGER

RE: 2026-2027 OPERATING BUDGET

RECOMMENDATION:

Adopt Resolution 25-26-* Adopting the 2026-2027 Budget.

BACKGROUND:

We are proud to present an updated FY26-27 Budget based on council and local tax oversight committee feedback. We have incorporated your comments, and updated the wastewater funds, Impact funds (AB1600 and parks), and updated the reserve accounts.

As noted in the previous meeting, we believe we can take several projects in the upcoming year. The "Project Source of Funds" attachment lists all the major projects outside of everyday operations, and the source of the funds. Based on Council feedback, we have shifted some projects to use impact fees to bolster the general fund reserves, and because that's what the impact fees are meant to be used for.

The budget also allocated \$3.5M to initial construction on the new wastewater plant. We will delay this expense as long as possible, but we may need to incur this cost in the upcoming year to maximize our grants and tax credit incentives. Timing of these costs will be a future council discussion but it is included in the budget. We have increased wastewater reserves the last couple of years just for this purpose.

DISCUSSION:

Top Level Summary

Last year during budget season, we forecast the general fund ending with a \$297,705 excess by using reserves. Now our actuals for FY25-26 are showing revenue exceeding expenses by \$848,000. This is a positive difference of \$550,544. A big chunk of that occurred during the last week as explained below.

In the original "Adopted Budget," FY 2025-26 was the *proposed budget* year. In the "Draft FY26-27 Budget," FY 2025-26 is now treated as a *projected* year (meaning it includes updated estimates based on actual performance).

The \$550,544 difference in the FY 2025-26 General Fund excess between the approved budget from a year ago and the actual for the past year comes from a combination of significantly higher projected revenues and slightly lower overall projected expenditures.

Here is the breakdown of exactly where that \$550,544 positive shift is coming from.

1. Increased Revenues (+\$488,136)

The vast majority of the increased excess comes from revenue projections coming in much higher than initially budgeted.

Major Revenue Increases:

- Building Permit Fees: This is the single largest driver of the difference. The adopted budget anticipated \$120,000, but the draft projects \$496,785—an increase of \$376,785. Valley View Commons project received funding and is beginning construction. In the last week, Danco paid for permits, plan checks, and the sewer line capacity expansion. We will receive the impact fees and sewer connection fees in FY26-27 (most of these funds are allocated, not available for new expenses).
- Transactions & Use Tax (Measure P): Projected to come in at \$566,189, which is \$81,535 higher than the original \$484,654 budget. We did not have experience with this tax and underestimated it.
- Property Tax (Secured): Projected to be \$26,918 higher (\$751,918 vs. \$725,000).
- Transient Occupancy Tax (TOT): Projected to be \$17,584 higher (\$334,438 vs. \$316,854).
- Sales Tax: Projected to be \$15,134 higher (\$499,788 vs. \$484,654).

Major Revenue Decreases (Offsets):

A few revenue categories are projected to underperform their original budgets, slightly offsetting the gains above:

- Plan Check Fees: Down \$19,550 (\$47,450 vs \$67,000).
- Site Plans & Variance/Conditional Fees: Down a combined \$45,475.

Decreased Expenditures

Overall, the city is projected to spend about \$62,000 less than originally budgeted in the General

Fund, which adds to the bottom-line excess. Because it looked like revenue was lagging, we slowed spending in Q4 based on available revenue. We then had a lot of revenue come in during the last month. We also had a police officer position vacant for a significant portion of the year, and animal control is coming in \$14,000 less than expected.

Summary Table

Category	FY25-26 Adopted Budget	FY25-26 Draft Projected	Difference (Impact on Excess)
Total Revenues	\$3,201,799	\$3,689,935	+\$488,136
Total Expenditures	\$2,904,094	\$2,841,686	+\$62,408
Net Excess	\$297,705	\$848,249	+\$550,544

We have managed the budget extremely tightly this last quarter, because of lags in TOT and Sales Tax revenue, and concerns about increased fuel costs, and increases in costs of supplies in general.

Looking ahead to the FY26-27, this context is critical. While the general fund is showing only \$5,000 net increase in the coming year, that’s because some revenue shifted to Q4 FY25-26 but the costs will be incurred in FY26-27. Taking into account Q4 activity and Valley View Commons impact fees we will have an additional \$1.3M. We will reserve most of this amount to cover anticipated costs. .

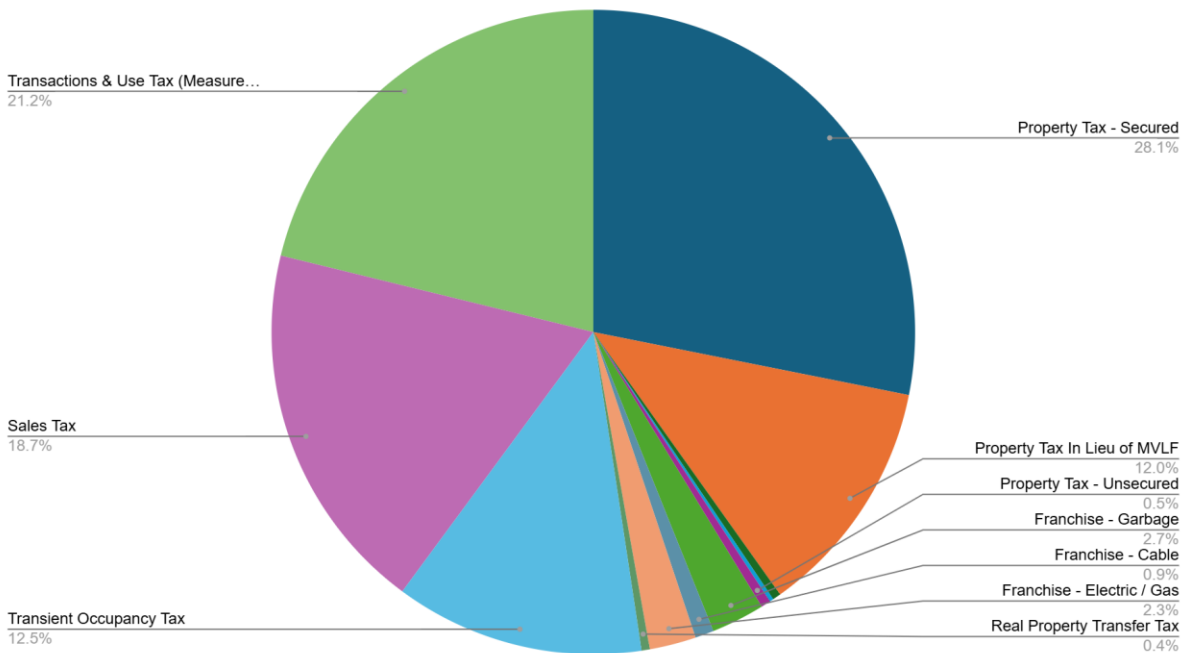
While we are pleased to have managed our budget, a question was asked about why pursue additional income from a dispensary if we are doing so well? As I've explained, we will always manage our expenses to our revenue. However, we remain quite limited in our ability to address pressing projects - paving Badger St, Spanish Street, Gopher Flat, Church Street, and Main Street remains years away based on our current trajectory. And that is just looking at the needs for Streets. Our budget remains very tight and we continue to delay critical projects based on available funding.

Staffing

Staffing is being maintained at the levels of FY2023-2024.

General Fund Revenue Projections:

Tax Revenue Forecast



Our Tax revenue, which is our variable revenue, is decently diverse for a residential community. It is still highly dependent on tourism which drives TOT and a portion of sales tax (around 30% of our revenue in total). Tourism revenue is limited due to a limited number of hotels and retail boutiques. The Local Sales tax is an excellent addition to the revenue pie. Attracting more businesses, and growing our B2B tax revenue is the next step.

The 2025-2026 budget reserved the TUT (Measure P) revenue for the year. This new budget continues that practice, budgeting last year's funds while reserving FY26-27. This budget pays for several infrastructure projects, vegetation and flood management, and some law enforcement capital updates. We will end the fiscal year with about \$700,000 in the TUT reserve.

Overall, revenue growth is projected to grow at about 2%. We based this year's budget on actual trends and tied the numbers back to our audit.

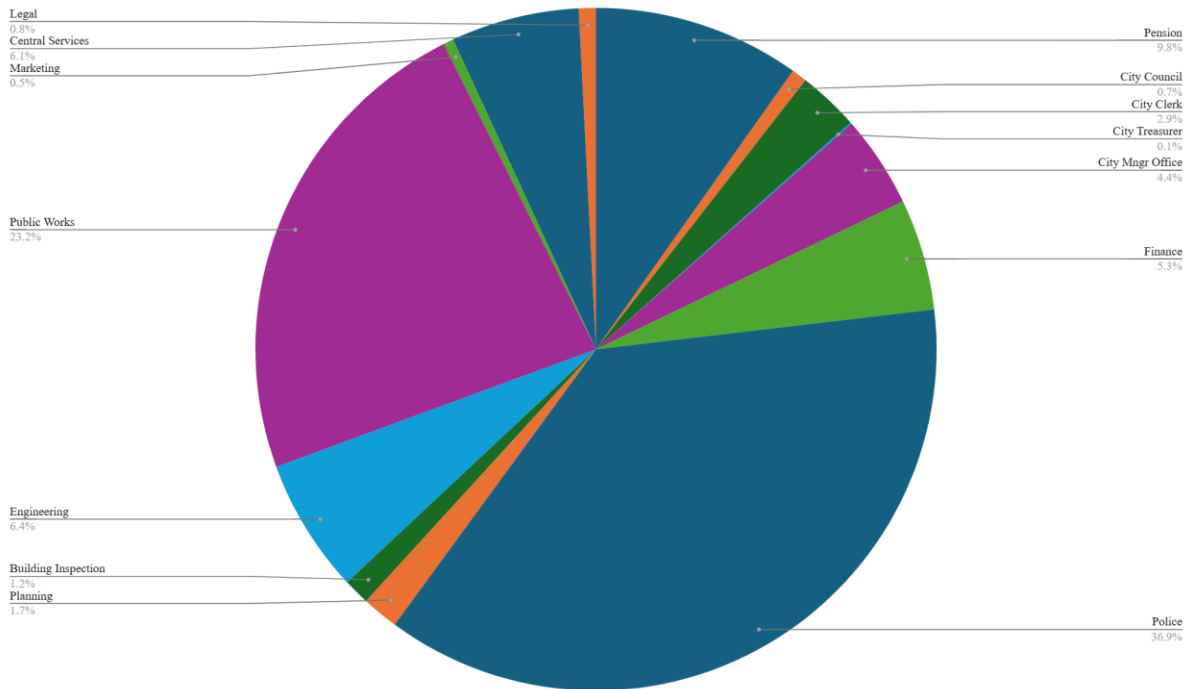
As mentioned in the summary, the Valley View Commons apartment building revenue is being split between the current fiscal year and the upcoming year. This made the budget appear differently, increasing the current year more and the upcoming year less. Perhaps a clear way to think about it is that without Valley View we would be on budget for the current year, with a big boost in the upcoming year. Overall this is still the case, it is just smoothed over the two years.

We are also seeing some helpful traction with grants. Councilmember Riordan has been able to secure a grant of state funds from ACTC for Sutter Hill road. We also got small but very helpful grants from the Sutter Creek Community Benefit Foundation via the Duck Race and from the Amador County Community Benefit Foundation. We are showing several projects related to the Monteverde General Store, using impact fees. Some of those funds may be preserved if we receive a grant from the Native Sons. We have also been notified we are in the second round for \$2M of federal earmark funding for the wastewater plant (thought it is not yet awarded)>

Sewer Revenue Projections:

In July 2026, a 9% sewer rate increase goes into effect. During the last year, the City has advanced plans for a new WWTP, collected data on our irrigation system and completed the second set of repair projects to the collection system. We have budgeted for a third set of repairs of the collection system in and around Sutter Creek for \$500,000. We are told these repairs are critical. We have also retained a consultant to work on a financing plan. We continue to work with Hydrosience as our new construction wastewater engineer to represent the city as we go through the bidding and design process for the plant. We have also budgeted for critical repairs at the wastewater treatment plant and the ARSA pipeline.

Overall Expense Projections:



The City’s biggest asset and cost are the people who work here. About 60% of the entire general fund pays for the Police Department and a portion of Public Works (50%). Because Public Works expenses are also allocated to the Enterprise Funds of Wastewater and Streets, PD looks like the largest expense. It is about 50% of the total Public Works expense.

We continue to see an increase in labor costs including pension costs, health benefits, insurance and wage pressure. This budget plans for COLAs according to the second year of our three year MOU agreements.. Classic pensions are the vast bulk of the pension expense. Over time as new employees phase in under the newer PEPRA plan, the city’s pension obligations will improve greatly.

General Fund Changes / New Expenses of Note

Expense items discussed in the previous meeting have been adjusted based on council feedback. We have slightly increased the planning budget. With the completion of the housing element and the Nexus study, we expect minimal city driven planning expenses in the coming year, and for most of the planning expenses to be paid directly by fees assessed to the developer.

We have budgeted \$20,000 for weed abatement enforcement to improve fire safety, \$50,000 for code enforcement legal fees, and \$20,000 for a part-time contract code enforcement officer. .

We are seeing increased efficiencies from the new ERP system. In this budget we are still

paying for a single license in the old system in order to have a backup and access historic financial data.

Enterprise Funds

The largest potential expense is \$3.5M to install solar power generation and battery storage, sized for the needs of the new treatment plant. We purchased the solar cells in 2025. We have been building up wastewater reserves to fund items like this one. The exact timing will depend on the analysis of our financing consultant and approval by the City Council. .

In the wastewater fund, we continue to only complete critical repairs and capital purchases for the treatment plant. We are using reserves for about \$500,000 in collection system repair projects.

We are reserving about \$300,000 to complete the Henderson underdrain in a future year if required by the department of dam safety. We are not planning to do the work in the upcoming year. We have in fact requested that they consider the project complete and are awaiting a response to our submission.

Sutter Hill Road will be completed primarily by Street finds but supplemented with TUT General Fund revenue to include storm drain repair and the areas of several intersections along the road.

Reserves

General Fund reserves are healthy and meet our policy.

Wastewater reserves are healthy, but will shrink overall if construction of the solar project in the coming year.

Even with multiple park projects, we expect park reserves to grow.

We are funding a replacement of the admin building roof with the City Hall reserve. In the new Nexus plan, we combined the Historical, City Hall and Corp Yard funds into a single Facilities fund. New impact fees will go into the new categories. Old impact fees must remain in their old funds until used.

Summary

Staff are happy to present this budget. We feel it is properly conservative while funding key projects that will advance the city's objectives.

We will continue to prioritize the overall wellbeing of the city and its residents. There is a lot of work ahead of us, and with the support of residents, staff, and council, we will continue to do all the things that make Sutter Creek great.