



CITY COUNCIL MEETING STAFF REPORT

Meeting Date: May 26, 2026

SUBJECT: Proposed Budget for Fiscal Year 2026-27

PREPARED BY: Susan Mahoney, Finance Director

RECOMMENDATION:

Staff recommends that Council review and comment on the proposed fiscal year (FY) 2026-27 revenue and expense projections and direct staff to bring back a final budget for adoption at the June 9, 2026 City Council meeting.

DISCUSSION:

The City Council adopts an annual budget for City government operations no later than June 30th for the upcoming fiscal year beginning on July 1st. The revenue and expense projections in this report have been prepared with input from all City Departments. The final budget document, to be presented to Council on June 9th, will include Council input received at the May 26th meeting. A five-year Capital Improvement Program will also be presented at the June 9th meeting.

Budget projections were developed based on the following:

- Existing service levels are maintained.
- State and Federal mandates are funded.
- Necessary maintenance and improvements are funded.
- Memorandums of Understanding with employee unions are funded.

General Fund

The General Fund is the primary fund used by the City. It is used to record the revenue and expenses that are not associated with special-purpose funds. The main revenue sources for the General Fund are sales tax and property tax. The main expenses for the General Fund are administration, police, fire, and parks.

Revenues

- General Fund revenues for Fiscal Year 2026-27 are projected to be \$3,187,725, an increase of \$87,536 (2.8%) over projected revenue for Fiscal year 2025-26. This amount reflects an increase of 3.7% in property tax revenue based on County projections, a slight increase in sales tax revenue (2.5%), and police grant revenue of \$41,700 from the federal COPS Hiring Program.
- \$230,000 transfer from the Supplemental Law Enforcement Service (SLES) fund to the General Fund to offset police costs.

Expenses

- The proposed General Fund budget includes expenditures totaling \$3,336,218. This amount reflects a 3% increase in most operating and salary expenses with the following exceptions:
 - Increased phone costs in all departments due to upgraded phone system.
 - City Council – additional cost for election year.
 - Administration – 25% increase in Liability Insurance cost and additional \$12,000 cost for mandated ADA compliant website software.
 - Police – Increased cost for Arms and Ammunition (cameras, tasers, and associated training and software). One Police Officer position is reclassified to a Sergeant position and a second part-time reserve Police Officer position is added.
 - Fire – 27% increased cost for fire service based on the July 2025 joint powers agreement with the Wheatland Fire Authority.
 - The Public Works Director position is increased from three-quarter time to full-time. One Treatment Plant Operator position is eliminated.
 - Parks – Park expenses are now split into two departments: Parks and Community Center.
- Due to limited revenue, there are no proposed transfers to the City’s Facilities Maintenance Fund or the Vehicle Replacement Fund. These funds are used to pay for General Fund capital expenses.
- Mandated \$80,000 transfer to the Gas Tax Fund for ongoing road maintenance.
- \$50,000 transfer to the Lighting and Landscape Funds for the City’s required “general benefit”.

Fund Balance

- The General Fund ending fund balance at June 30, 2027 is projected to be \$2,903,413, a reduction of \$40,494 from the anticipated fund balance at the beginning of the fiscal year.
- The Self-Insured Retention insurance reserve has been increased to \$50,000 from \$30,000 to match the insurance carrier’s deductible amount.
- All Council approved reserves are fully funded.

Reserve for Uncertainties/Working Capital	\$1,334,487
Reserve for Contingent Sales Tax	401,858
Reserve for Insurance Self Insured Retention	50,000
Unreserved	1,117,068
TOTAL PROJECTED FUND BALANCE	\$2,903,413

General Fund Capital Replacement Funds

Two capital replacement funds were established in Fiscal Year 2024-25, a Facilities Maintenance Fund and a Vehicle Replacement Fund. These two funds were initially funded with contributions from the General Fund. It was anticipated that annual contributions to these two funds would accumulate and provide funding when needed for future facility repairs and replacement of the City’s vehicle fleet to avoid a significant impact to the General Fund in any given year. Due to limited General Fund revenue, no deposits to the two capital replacements funds are proposed for the coming fiscal year.

Facilities Maintenance Fund

- There are no proposed expenditures from this fund.
- Projected fund balance on June 30, 2027 is \$170,214.

Vehicle Replacement Fund

- Staff is proposing two new vehicles be paid from this fund: a police vehicle (\$96,000) and a public works truck (\$60,000).
- Projected fund balance on June 30, 2027 is \$45,906.

Enterprise Funds

An enterprise fund is a self-supporting government fund that sells goods and services to the public for a fee. The City has two enterprise funds: Water and Sewer (Wastewater).

Water Fund

- A 2.75% rate increase as approved by Council in January 2024 is included in the revenue projections.
- Liability insurance expense increased 25%.
- Capital Improvement projects totaling \$535,000 will be paid from fund balance. Proposed projects are:
 - Clean and recoat tank #2 - \$450,000
 - New testing stations - \$20,000
 - Chlorine analyzers - \$60,000
 - Fire pump and hydrant testing - \$5,000
- Projected fund balance on June 30, 2027 is \$2,200,257.

Sewer Fund

- A 2.75% rate increase as approved by Council in January 2024 is included in the revenue projections.
- Liability insurance expense increased 25%.
- Capital Improvement projects totaling \$305,000 will be paid from fund balance. Proposed projects are:
 - Rehab lift stations - \$30,000
 - Malone Pump Station Bar Screen - \$50,000 (budgeted in FY 2025-26 but not completed)
 - Spruce Corkscrew Grinder & Press - \$150,000 (budget in FY 2025-26 but not completed)
 - Collection Inflow and Infiltration - \$75,000
- Projected fund balance on June 30, 2027 is \$1,174,801.

Development Impact Funds

Development impact fees are charges to development projects for the purpose of defraying all or a portion of the cost of public facilities related to the development project.

- There is no projected impact fee revenue in the Development Impact Funds. Revenue amounts for these funds reflect interest earnings only.
- There are no projected expenses in the Development Impact Funds except for:
 - Sewer Collection Impact Fund - expenses totaling \$40,000 are anticipated for engineering services related to the Regional Sewer Pipeline project.
 - Road Circulation Impact Fund – expenses totaling \$30,000 for the McDevitt Traffic Signal Preemption

Special Revenue Funds

Special Revenue Funds account for revenues that are legally or contractually restricted as to how they can be spent.

- All Special Revenue Funds are balanced.
- Transportation funds totaling \$715,000 (Gas Tax, Road Maintenance SB1, and Transportation Development Act TDA) will be used to fund the following projects: Pavement Maintenance; ADA Accessibility; ADA Evaluation Plan; and the Spenceville Culvert Replacement.

Project Funds

The City uses project funds to account for revenues and expenses for special projects that may span multiple years and have various revenue sources.

- Comprehensive Drinking Water – this project is funded by the Yuba Water Agency and should be completed in FY 2026-27.
- Regional Sewer Pipeline – to date, funding for this project has been provided from loans and grants from Yuba Water Agency. Future funding to complete this project is currently being secured.
- SYTIA (South Yuba Transportation Improvement Authority) – Engineering expenses are reimbursed by SYTIA.
- Wheatland Road Complete Streets – Project expenses are fully funded with a Federal Regional Surface Transportation Program grant.
- Wheatland Pavement Maintenance – Project expenses are fully funded with transportation funds.
- General Plan Update – Project expenses are funded with developer contributions and ARPA funds.
- Stormwater Retention Basin and Pumps – This project has been put on hold until FY 2027-28.
- Sidewalk ADA Accessibility - Project expenses are fully funded with transportation funds.
- Storm Water Master Plan – Project expenses are funded with a grant from Yuba Water Agency.
- Spenceville Road Culvert Replacement - Project expenses are fully funded with transportation funds.
- ADA Evaluation and Transition Plan - Project expenses are fully funded with transportation funds.

All Funds Summary

A summary of projected revenues, expenditures, and fund balances for all City funds is attached.

FISCAL IMPACT:

Final budget adoption is scheduled for June 9, 2026. The fiscal impact will be determined from Council direction received at the May 26th meeting.

ATTACHMENTS:

- A. All Funds Summary
- B. General Fund Summary