



## **TITLE**

Fiscal Year 2025-26 Recommended Budget for Adoption

## **RECOMMENDATION**

Adopt a Resolution to approve the Final Recommended Budget for Fiscal Year 2025-26 and authorize the City Manager to increase the appropriations for FY 2025-26 expenditures in an amount not to exceed the amount encumbered for expenses that did not occur prior to the end of FY 2024-25 but are expected to be expended in FY 2025-26 consistent with the original purpose.

## **CONTACT**

Juan Gomez, Assistant City Manager  
Jemelyn Cruz, Finance Director

## **BACKGROUND & ANALYSIS**

The Fiscal Year (FY) 2025-26 Budget process kicked off in February. Finance Department staff has developed the Final Recommended Budget in collaboration with other City departments, the Assistant City Manager and the City Manager. The "Proposed Budget" was presented to the Finance Subcommittee on May 8, 2025, and the City Council on May 20, 2025. This "Final Recommended Budget" is being brought forth for adoption, incorporating final estimates and updated information.

### **Changes from Proposed Budget**

Significant revisions since the proposed budget that was presented on May 20, 2025, includes an addition of Capital Improvement Project TR26-0200 Rio Del Mar Extension - Design and construction of the Rio Del Mar Extension from the west side of the railroad tracks to Hwy 29, as well as the connection to Main Street. Project cost is \$5,000,000 and fund source will be the Traffic Impact Fee Fund 320.

### **All Funds**

The FY 2025-26 Proposed Budget for All Funds is approximately \$154.2M. This amount represents an increase of approximately \$19M (or 14%) from the FY 2024-25 Adopted Mid-Year Budget.

### **General Fund**

The FY 2025-26 General Fund (GF) Proposed Budget is "balanced", with no projected deficit or surplus.

General Fund appropriations are approximately \$32.7M. This amount represents a decrease of \$155k (or 0.4%) from the FY 2024-25 Adopted Midyear GF Budget.

Overall budget categories at their aggregate levels are shown in Attachment 2 - Summary of Proposed Revenues and Expenses. Estimated revenues and expenses (by fund) and projected ending fund balances are shown in Attachment 3.

### *General Fund Revenue*

The FY 2025-26 Proposed GF Revenues total approximately \$32.7M. Of that amount, property taxes are expected to increase 1.12% (to \$15.3M). This increase reflects continued development activity and the sale of new homes in 2024. There is lag between a home sale and realization of new property tax. For example, home sales in 2024 are placed on the "January 2025 Property Tax Roll" and then become property tax revenue in FY 2025-26.

Sales tax revenues are estimated to decrease by \$400k to \$3.4M. This reduction reflects the expected closure of a top sales tax producer in February 2025. Other sales tax generated from existing taxpayers are expected to remain flat, however new businesses opening later this year will add to these revenues.

Transient Occupancy Taxes (TOT) revenues are projected to increase by \$279k to \$1.9M. This increase reflects the opening of a new hotel (Home to Suites) in Fall 2025. TOT revenues from the existing three properties are projected to remain flat. Additional hotels (Hampton Inn and Watson Ranch Hotel) are expected to increase TOT revenues in outlying fiscal years.

Other taxes, such Franchise Fees (\$1.2M), will continue to increase as American Canyon grows. Most of these estimates are based on consultant analysis of economic performance.

Transfers-in for support services are projected to increase by \$134k to \$3.6M.

The remainder of the operational revenues are budgeted conservatively but continue to grow moderately. Most of these estimates are based on consultant analysis of economic performance and will be reassessed as more information becomes available.

### *General Fund Expenditures*

The FY 2025-26 Proposed GF Expenditures total approximately \$32.7M. Of that amount, personnel expenditures - including cost-of-living-adjustments for employees, step increases and re-classifications for eligible employees, costs for employee retirement benefits, and Other Post-

Employment Benefits - are proposed to increase by \$671,000 (or 7%) to \$10.7M.

Of note, investment returns of the CalPERS pension system, resulting in increased retirement costs in FY2025-26.

The Proposed Budget includes the addition of (1) Administrative Clerk in the Public Works Department, (1) Accounting Assistant in the Finance Department, and (1) Recreation Supervisor in the Parks and Recreation Department. The Public Works Department has recognized the need for an Administrative Clerk to manage duties beyond the time and effort a part-time office assistant can attend to such as scanning, filing, preparing budget reports and assisting with the implementation of their asset management system. The Accounting Assistant will help provide a consistent level of service in Utility Billing as well as assist in the management of compliance with current laws. The Recreation Supervisor was identified in an organizational study as a tier needed between the Recreation Coordinators and Recreation Manager to assist with day-to-day operation so the Recreation Manager can focus on high level department needs and assist the Director more effectively.

The Proposed Budget also includes an additional Maintenance Worker in Wastewater Collections to aid in maintenance of our aging system and meet State requirements. This position will replace part-time seasonal workers previously budgeted in this division.

Non-personnel expenditures include a \$0.3M increase (or 3.6%) to the Sheriff Contract for Police Services, totaling \$9.8M. The increase reflects costs salaries, benefits and insurance, but does not include any increased staffing.

Contributions to the Internal Service Fund (ISF) for Building, Fleet, and Information Technology are proposed to decrease 4.93%.

#### *Fund Balance*

GF Fund Balance is proposed to be \$11.4M. Fund Balance will be comprised of \$1.3M in restricted funds, with \$8.2M reserved for contingency, and \$1.8M Unassigned. The GF Contingency Reserve represents 25% of the proposed FY 25-26 expenditures and will remain fully funded under the proposed budget.

#### **Capital Improvement Program**

The Capital Improvement Program (CIP) is primarily funded from restricted sources (such as Gas Tax, etc.), as well as Enterprise Funds, where appropriate.

Proposed CIP expenses total \$48.2M. \$42.0M of which for Civic Facility, Transportation, and Park Improvements, \$3M for Water Projects, \$3M for Wastewater Projects, and \$0.2M for Recycled Water Projects. Notable projects include 16.4M for Green Island Rd Reconstruction/Class I Trail

Project and \$8.1M for Rancho Del Mar Paving and Utility Improvements.

The CIP includes prior appropriations of \$4.7M American Rescue Plan Act (ARPA) funding that will also be combined with other sources to provide previously approved improvements.

### **Water Fund**

The FY 2025-26 Water Fund Proposed Budget has a projected deficit of \$4M, with \$5.7M attributed to one-time capital improvement costs.

Water Fund revenues are projected to be \$18.7M, with operations revenues projected to increase by \$3.7M to \$15.7M as a result of anticipated increases to service rates in January 2026.

Water Fund expenditures are projected to be \$22.7M. Expenses are projected to increase \$7.8M to \$22.7M primarily due to increased contributions to capital improvement projects, Rancho Del Mar Paving Project and Green Island Road Reconstruction. There is also a new water improvement project of \$2M for the Zone 5 Water Pump Station.

Capacity fee revenues are projected at \$4.6M. Of note, many of the revenues projected in the Midyear 2024-25 Budget are not yet received and are now projected to be collected in FY2025-26. These revenues are collected from development projects and funds will be utilized as the water system is expanded.

### **Wastewater Fund**

The FY 2025-26 Wastewater Fund Proposed Budget is projected to have a deficit of \$2.0M.

Wastewater Fund revenues are projected to increase by \$6.6M to \$11.3M, with operations revenues projected to increase \$1.4M to \$6.8M.

Wastewater Fund expenditures are projected to be \$14.6M, an increase of \$5.5M primarily to fund capital projects. The contribution to the CIP is \$1.6M, and Wastewater capital improvements total \$3.1M.

Also, as intended in the recently completed rate study, rates were not increased as much as needed in anticipation of drawing down reserves to the minimum target.

Capacity Fee revenues are projected at \$2.6M, expenses are projected at \$2.0M and include a \$1.8M transfer to the CIP for the Broadway Sewer Rehabilitation-Crawford to Donaldson Project.

### **Recycled Water Fund**

This newly created fund is now reported as a separate enterprise in our financial statements. Recycled Water is a key aspect of our water supply system – and as such – it was appropriate to create a separate enterprise fund separate from the Water and Wastewater Enterprise Funds. The

proposed fund revenue totals \$0.6M and proposed expenditures total \$1.4M.

FY 2023-24 was the first year that employees will be partially allocated to this fund which is reflected in the operational costs for the fund. A rate study was recently completed, increasing the rates for recycled water to fund operational costs, and as more customers join the system, more revenue will be available to help this enterprise become self-sufficient.

### **Internal Services Funds**

The City has historically maintained four (4) internal service funds (ISF) to support city services: Building Maintenance, Fleet, Information Technology, and Legal Services. The FY 2023-24 Budget created four (4) new "Renovation and Replacement Funds", as well as a new Pension Stabilization Fund, bringing the total internal service funds to nine (9).

The goal of any ISF is to break even over time. Fund balances are allowable if there is a plan to use those resources to fulfill the objective of the fund, such as information technology replacement, fleet replacements or other asset replacements such as playground equipment, streets, or civic facilities.

Total ISF revenues are projected to decrease \$0.6M to \$4.1M. Total ISF expenditures are projected to increase by \$1.0M to \$5.2M.

Fund Balance in the Fleet ISF has been built to pay for the outfitting of two (2) police interceptor vehicles. The Building Maintenance ISF Fund Balance will also be drawn down to fund the City Hall Roof Improvement project. Fund Balance in the Parks Renovation and Repair ISF is to be drawn down for the Veteran's Park Playground replacement.

### **Debt Service**

The City maintains total debt of \$9.1M as of June 30, 2024. This amount represents 6% of the City's All Funds amount. Annual debt service payments total \$0.9M in FY 2025-26 across a number of funding sources, excluding non-financed long-term liabilities such as compensated absences, claims and judgments, net pension liability, and other post-employment benefits.

### **Looking Towards the Future**

Projected growth in American Canyon will increase our property tax base, which accounts for over half of the City's discretionary income. New residential, industrial and commercial development will also likely increase sales tax revenues to help pay for City services as more residents shop and dine in town and more businesses open up. There are also three (3) proposed new hotels, with one currently under construction, that would supplement TOT revenues and a new fast casual restaurant, which is expected to open in Summer 2025.

The City has fully recovered from the pandemic lows and with new developments underway the city has a mix of healthy future revenue growth projections. Our projections for Fiscal Year 2025-26

continue to evolve with continued inflationary pressures in mind, we have begun to see minimal to no growth in many sales tax categories and a slowdown in existing home sales as inventory continues to be limited. New homes continue to sell and add to the City's property tax base, although persistently high interest rates have tempered demand somewhat as American Canyon continues to be a desirable place to live and remains the most affordable area in the County.

Staff has also developed a 5-Year forecast providing analysis on projected revenues, employee benefits, pension costs and non-personnel expense trends (attachment 4).

## **COUNCIL PRIORITY PROGRAMS AND PROJECTS**

Organizational Effectiveness: "Deliver exemplary government services."

## **FISCAL IMPACT**

The Recommended Action adopts the Annual Operating Budget for Fiscal Year 2025-26.

The proposed budget reports are located on the City's Transparency Portal at the following link:  
[Proposed Budget](#)

## **ENVIRONMENTAL REVIEW**

15378(b) - The action is not a "Project" subject to the California Environmental Quality Act ("CEQA") because it does not qualify as a "Project" under Public Resources Code Sections 21065 and 21080 and in Section 15378(b) of Title 14 of the California Code of Regulations.

## **ATTACHMENTS:**

- [1. Resolution to Adopt FY 2025-26 Budget](#)
- [2. Summary of Proposed Revenues and Expenses FY 2025-26](#)
- [3. Summary of Projected Fund Balances FY 2025-26](#)
- [4. 5-Year General Fund Forecast](#)
- [5. Key Performance Indicators](#)