



TITLE

Budget Workshop and Fiscal Year 2026-27 Proposed Budget

RECOMMENDATION

Review and discuss the Fiscal Year 2026-27 proposed budget.

CONTACT

Jemelyn Cruz, Finance Director

BACKGROUND & ANALYSIS

The Fiscal Year (FY) 2026-27 Budget process kicked off in February. Finance Department staff is actively developing the new 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 7, 2026. The "Final Budget" will be brought to Council on June 2, 2026 for adoption.

All Funds

The FY 2026-27 Proposed Budget for All Funds is approximately \$144.0M. This amount represents a decrease of approximately \$9.8M (or 6.3%) from the FY 2025-26 Adopted Budget.

General Fund

The FY 2025-26 General Fund (GF) Proposed Budget is a balanced budget.

General Fund appropriations are approximately \$34.3M. This amount represents an increase of \$2.0M (or 6.1%) from the FY 2025-26 Adopted GF Budget.

Overall budget categories at their aggregate levels are shown in Attachment 1. Estimated revenues and expenses (by fund) and projected ending fund balances are shown in Attachment 2.

General Fund Revenue

The FY 2026-27 Proposed GF Revenues total approximately \$34.3M. Of that amount, property taxes are expected to increase 2.67% (to \$15.8M). This increase reflects continued development activity and the sale of new homes in 2025. There is lag between a home sale and realization of new property tax. For example, home sales in 2025 are placed on the "January 2026 Property Tax Roll", and then become property tax revenue in FY 2026-27. Sales tax revenues are estimated to increase by \$100k to \$3.5M as the City begins to recover from significant declines experienced over the past two years following the closure of a major sales tax generator. Actual revenues in Fiscal Year 2025-26 are

coming in higher than the previously anticipated level of decline.

Transient Occupancy Taxes (TOT) revenues are projected at \$2.0M. This amount includes the projection of the fourth hotel (Home 2 Suites) being open for the full FY 2026-27 fiscal year. Revenues from the existing three properties are projected to remain flat for the upcoming fiscal year, however, additional hotels (Hampton Inn and Watson Ranch Hotel) are currently under consideration in the coming years and are expected to increase TOT revenues.

Other taxes, such Franchise Fees (\$1.3M), 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 \$80k to \$3.7M.

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 2026-27 Proposed GF Expenditures total approximately \$34.3M. 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 \$562k (or 6%) to \$11.3M.

Of note, investment returns of the CalPERS pension system fell short of expectations, resulting in increased retirement costs in FY2026-27.

The Proposed Budget includes the addition of (1) Chief Building Official in the Community Development Department and (1) Maintenance Worker in the Parks Maintenance Division of Public Works. The Chief Building Official will increase efficiencies in the Building and Safety Division and is funded by revenue from Building Charges for Services. The Maintenance Worker will help meet the increased workload and responsibilities due to expanded park and landscape infrastructure, new facilities and higher community expectations.

Non-personnel expenditures include a \$768k increase (or 7.9%) to the Sheriff Contract for Police Services, totaling \$10.5M. The increase includes one additional officer and increased costs to salaries, benefits and insurance.

Contributions to the Internal Service Fund (ISF) for Building, Fleet, and Information Technology (IT) are proposed to increase 13.8%.

Fund Balance

GF Fund Balance is proposed to be \$11.4M. Fund Balance will be comprised of \$1.7M in committed, assigned, or restricted funds, with \$8.4M reserved for contingency, and \$1.3M Unassigned. The GF Contingency Reserve represents 25% of the projected FY25-26 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 \$39.5M. \$25.5M of which for Civic Facility, Transportation, and Park Improvements, \$8.0M for Water Projects, \$5.4M for Wastewater Projects, and \$0.6M for Recycled Water Projects. Notable project expenses that are carrying forward this year are the Green Island Road Reconstruction project (\$8.4M), Rio Del Mar Extension (\$5.0M), and various park improvements to the Linwood Park, Rio Grande Park, Veteran's Park, and Main Street Park. New projects added to this CIP list this year are Clark Ranch Power Improvements, Melvin Road Pavement Rehab, Corporation Yard Paving and Storm Drain Improvements, and City Hall Repainting and Fascia Improvements.

Water Enterprise Funds

The FY 2026-27 Water Fund Proposed Budget has a projected deficit of \$4M, with \$8.0M attributed to one-time capital improvement costs. Water Fund revenues are projected to be \$23.5M, with operations revenues projected to increase by \$1.0M to \$12.0M as a result of increases to service rates in January 2027. The remainder of the revenues will come from Water Capacity Fees and Transfers in for Water CIP.

Water Fund expenditures are projected to be \$28.0M. Expenses are projected to increase by \$5.0M primarily due to one-time capital improvement costs. Notable projects include the Zone 5 Water Pump Station (\$6.5M), as well as new projects added to the list such as Oat Hill Tank 1 Exterior Coating Rehab and 260 Mobile Home Park Service Connection.

Capacity fee revenues are projected at \$3.2M. 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 FY2026-27. These revenues are collected from development projects and funds will be utilized as the water system is expanded.

Wastewater Enterprise Funds

The FY 2026-27 Wastewater Fund Proposed Budget is projected to have a deficit of \$3.9M.

Wastewater Fund revenues are projected to increase by \$1.9M to \$14.4M, with operations revenues projected to increase \$0.9M to \$7.7M.

Wastewater Fund expenditures are projected to be \$18.3M, an increase of \$3.7M, primarily to fund capital projects, as the Wastewater capital improvements total \$6.4M. New projects added this year are the High Strength Waste Project, UV Rehab, and Melvin/Wilson Main Repair.

Capacity Fee revenues are projected at \$1.8M, expenses are projected at \$2.3M and include a \$1.0M transfer to the CIP for the Broadway Sewer Rehabilitation-Crawford to Donaldson Project and \$1.0M transfer to CIP for the High Strength Waste 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 \$1.1M and proposed expenditures total \$2.1M. 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 four (4) internal service funds (ISF) to support city services: Building Maintenance, Fleet, Information Technology, and Legal Services. 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 large building maintenance improvement or repair.

Total ISF revenues are projected to increase \$0.5M to \$4.5M. Total ISF expenditures are projected to increase by \$0.5M to \$4.6M.

The Building Maintenance ISF Fund Balance will also be drawn down to fund the City Hall Repainting and Fascia Improvements. Fund balance in Fleet Maintenance will be drawn down to fund 3 vehicle outfittings.

Debt Service

The City maintains total debt of \$7.5M as of June 30, 2025. This amount represents 5.2% of the City's All Funds amount. Annual debt service payments total \$0.9M in FY 2026-27 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 two (2) proposed new hotels that would supplement TOT revenues.

Our projections for Fiscal Year 2026-27 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, as the revenue projections in this proposal suggests. 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.

COUNCIL PRIORITY PROGRAMS AND PROJECTS

Organizational Effectiveness: "Deliver exemplary government services."

FISCAL IMPACT

Next Steps

The Fiscal Year 2026-27 Final Budget will incorporate any changes from Council tonight and will be brought forward for public hearing and adoption on June 2, 2026.

ENVIRONMENTAL REVIEW

None

COMMUNICATION

Level 0: No Further Public Communication Needed

ATTACHMENTS:

1. [Summary of Proposed Revenue and Expenses FY 2026-27](#)
2. [Summary of Projected Fund Balances](#)