



TITLE

Review Proposed Fiscal Year 2026-27 Budget

RECOMMENDATION

Review and Discuss the Proposed Fiscal Year 2026-27 Budget.

BACKGROUND & ANALYSIS

The Fiscal Year 2026-27 budget process kicked off in February and finance staff has been actively developing the budget in collaboration with city departments, the Assistant City Manager and the City Manager. The "Proposed Budget" will be presented to City Council on May 19, 2026, and the "Final Budget" will be brought forth to City Council on June 2, 2026, for adoption. The General Fund budget proposes a balanced budget with no projected deficit or surplus.

The FY 2026-27 Budget appropriations for all funds is approximately \$145.9M (an decrease of approximately \$8.3M or -5.4% over the adopted FY 2025-26 budget), with General Fund appropriations of approximately \$34.4M (an increase of 5.2% or approximately \$1.7M). [Attachment 1](#) shows the overall budget categories at their aggregate levels.

General Fund

General Fund Revenues total approximately \$34.4M. Property taxes are expected to increase 3.0% to \$15.8M, reflecting continued development activity throughout the city and the occupation of new homes in calendar year 2025. Sales in calendar year 2025 are placed on the January 2026 tax roll and reflected in FY 2027 revenues. Sales tax revenues are estimated to increase by \$100k in FY 2026-27 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 were 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 as Franchise Fees (\$1.3m) will continue to increase modestly in the coming years as the city continues to grow. Most of these estimates are based on consultant analysis of economic performance.

The remainder of the operational revenues are budgeted conservatively and will be reassessed as more information becomes available with the exception of transfers in for support services. This transfer-in is projected at \$3.7M, an increase of \$40k over FY 2025-26. Transfers-in are primarily comprised of charges to other funds for the cost of providing general fund support to them which include legal, finance, HR and administrative support.

General Fund Expenditures total approximately \$34.4M. Personnel expenditures include cost of living adjustments for employee salaries per employee contracts, projected step increases for eligible employees, re-classifications and increased benefit costs. The proposed budget includes the addition of a Chief Building Official in Community Development and a Maintenance Worker in Public Works - Parks Maintenance. 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 to the Sheriff Contract for Police Services, totaling \$10.5M, one new police services staff was added, attributing to \$230k of the \$768k increase. The remaining increase is attributed to increased salaries, benefits and insurance costs. Contributions to the Internal Service Fund budgets for Building Maintenance, Fleet, and Information Technology are budgeted to increase 6%.

General Fund-fund balance, including Fund 105, revenue from developers will remain the same at \$11,441,223 as a result of the proposed balanced FY 2027 Budget. Fund balance will be comprised of \$1,727,018 in restricted fund balance, \$1,110,527 Unassigned Fund Balance, and \$8,603,678 in general fund contingency. The general fund contingency represents 25% of the proposed FY 2026-27 expenditures and will remain fully funded under the proposed budget.

FY 2026-27 Capital Improvement Program

The current funding for ongoing projects is primarily from restricted Governmental Funds sources, as well as Enterprise Funds, where appropriate. The current year CIP projected expenses are \$41.2M. This includes \$2.7M for Civic Facilities projects, \$4.4M in Park Improvement projects, \$20.0M in Streets and Transportation projects, \$7.9M for Water Infrastructure, \$5.5M for Wastewater Infrastructure, and \$0.7M for Recycled Water Infrastructure projects.

Water Enterprise Fund

Water Fund Enterprise proposed revenue is \$23.5M. Water Fund proposed expenditure is \$28.0M. Water Operations revenues are projected to increase \$0.8M to \$12.0M as a result of anticipated increases to service rates in January 2027. Expenses are projected to increase \$1.3M to \$13.4M primarily due to increased contribution to capital improvement projects. Operationally, the Water Operations Fund has a surplus of \$0.8M but one-time contributions to CIP brings the fund to a deficit of \$1.4M. Capacity fee revenues are projected to decrease by \$0.4M to \$3.5M as last year included

higher projected revenues due to development projects, these funds will be utilized as the water system is expanded.

Wastewater Enterprise Fund

Wastewater Enterprise proposed revenue is projected to increase \$5.3M to \$14.4M over the FY 2025-26 mid-year projections. Wastewater Fund proposed expenditure is \$18.3M. Wastewater Operations revenues are projected to increase \$0.9M to \$7.7M, resulting from planned rate increase in January 2027 and expenses are projected to increase \$3.0M to \$10.1M. This fund is projected to draw down on fund balance to fund capital projects, the FY 2026-27 contribution to the CIP is \$2.5M. Excluding transfers to the CIP, the Wastewater Enterprise has an operational surplus of \$112k. Capacity Fee revenues are projected to decrease by \$0.3M at \$1.8M.

Recycled Water Enterprise Fund

This was a newly created fund as of FY 2020-21 and is now reported as a separate enterprise fund 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 \$0.4M and proposed expenditures total \$1.5M. 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 (ISF)

The City has four internal service funds to support city services: Building Maintenance, Fleet, Information Technology, and Legal Services. The goal of any ISF is to breakeven over time. Fund balances are permitted when there is a defined plan to use the resources to meet the fund's purpose, such as investments in IT infrastructure, fleet replacements or other asset replacements. Total ISF revenues are projected to increase \$0.2M to \$4.4M, expenditures are projected to increase by \$49,000 to \$4.6M. Fund balance in the Building, Fleet and IT ISF is being drawn down to fund City Hall repairs, vehicle replacements, and technology investments.

Debt Service

The City maintains total debt of \$7.5M (June 30, 2025) – with annual debt service payments of \$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 general fund revenues. 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 3 proposed new hotels, with one currently under construction that would supplement TOT revenues.

Our projections for Fiscal Year 2026-27 continue to evolve with continued inflationary pressures in mind, we have forecasted minimal to no growth in many sales tax categories. 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.

Next Steps

Staff will provide the City Council with a Proposed Fiscal Year 2026-27 Budget as well as the 2027-2031 Capital Improvement Program Budget at the May 19, 2026 meeting and Final Recommended Budget for adoption on June 2, 2026.

ATTACHMENTS:

1. [Summary of General Fund Revenues, Expenditures, and Fund Balances FY27](#)