



TITLE

Fiscal Year 2026-27 Recommended Budget and Five-Year Capital Improvement Program

RECOMMENDATION

1. Adopt a Resolution approving adoption of the Recommended Operating Budget for Fiscal Year 2026-27 and authorizing the City Manager to increase the appropriations for FY 2026-27 expenditures in an amount not to exceed the amount encumbered for expenses that did not occur prior to the end of FY 2025-26 but are expected to be expended in FY 2026-27 consistent with the original purpose.
2. Adopt a Resolution approving the Five-Year Capital Improvement Program for Fiscal Years 2026-27 to 2030-31.

CONTACT

Jemelyn Cruz, Finance Director
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BACKGROUND & ANALYSIS

The Fiscal Year (FY) 2026-27 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 7, 2026, and the City Council on May 19, 2026. This "Final Recommended Budget" is being brought forth for adoption, incorporating final estimates and updated information.

Changes from Proposed Budget

The significant revisions from the proposed budget presented on May 19, 2026, include an update to Capital Improvement Project TR23-0200 (South Kelly-Highway 29 Intersection Project) to reflect the approved increase of \$4,460,000 at the May 19, 2026 meeting, as well as the addition of \$135,000 to project costs for TR24-0200 (Melvin Siewalk). All other changes consist of minor adjustments to final estimates.

All Funds

The FY 2026-27 Proposed Budget for All Funds is approximately \$149.0M. This amount represents an decrease of approximately \$5.3M (or 3.4%) from the FY 2025-26 Adopted Budget.

General Fund

The FY 2026-27 General Fund (GF) Proposed Budget is "balanced", with no projected deficit or surplus.

General Fund appropriations are approximately \$34.2M. This amount represents an increase of \$1.9M (or 5.9%) from the FY 2025-26 Adopted GF Budget.

Overall budget categories at their aggregate levels are shown in Attachment 1. Exhibit A - Summary of Proposed Revenues and Expenses. Estimated revenues and expenses (by fund) and projected ending fund balances are shown in Attachment 1. Exhibit B.

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 decrease by \$1400k 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. 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 (\$1.3M), 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.

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 \$0.8M increase (or 7.9%) to the Sheriff Contract for Police Services, totaling \$10.5M. This 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 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 FY 25-26 expenditures and will remain fully funded under the proposed budget.

FY 2026-27 Capital Budget & 5-Year 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. It is a five-year planning tool that identifies anticipated capital improvements and their funding sources. The 5-year CIP does not appropriate funds, but rather functions as a forecasting tool which supports appropriations made through the annual budget adoption process.

The FY 2026-27 Capital Budget provides for total appropriations of \$44.1M. The subsequent forecasts are updated annually as they are subject to change due to more detailed engineering analysis becoming available, City Council direction on project priorities, updates to revenues, including grant opportunities, and changes in project costs. CIP programs and projects are dedicated to maintaining and improving the city infrastructure in several categories: Civic, Parks, Recycled Water, Transportation, Wastewater, and Water. Attachment 3 to this report summarizes the five-year funding strategy for capital improvements. The following table summarizes the project funding by category for the Five-Year CIP, including the FY 2026-27 Capital Budget for adoption:

Project Category	Proposed Budget FY 2026-27	Projected FY 2027-28	Projected FY 2028-29	Projected FY 2029-30	Projected FY 2030-31	Total of Projects
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Civic Facilities	\$2,805,544	\$1,000,000	\$100,000	\$0	\$0	\$3,905,544
Parks	\$4,039,897	\$2,369,750	\$2,065,000	\$5,130,000	\$0	\$13,604,647
Transportation	\$23,274,207	\$4,573,750	\$4,835,730	\$2,000,000	\$2,000,000	\$36,683,687
Water	\$7,922,515	\$900,000	\$0	\$0	\$0	\$8,822,515
Wastewater	\$5,392,171	\$1,375,000	\$575,000	\$75,000	\$2,075,000	\$9,492,171
Recycled Water	\$671,440	\$0	\$0	\$0	\$0	\$671,440
TOTAL	\$44,105,774	\$10,218,500	\$7,575,730	\$7,205,000	\$4,075,000	\$73,180,004

Government Code Sections 65401 and 65402 requires the CIP be consistent with (Section 65401) and be in conformance with the General Plan. On May 28, 2026, the Planning Commission found the Fiscal Year 2026-27 CIP consistent with the General Plan.

Water Fund

The FY 2026-27 Water Fund Proposed Budget has a projected deficit of \$4.4M, with \$7.9M 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 anticipated increases to service rates in January 2027.

Water Fund expenditures are projected to be \$27.9M, which is an increase of \$5.2M over the prior year budget. This increase is 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. These revenues are collected from development projects and funds will be utilized as the water system is expanded.

Wastewater Fund

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 \$18.2M, an increase of \$3.6M primarily to fund capital projects, as the Wastewater Capital Improvements total \$5.4M. 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 historically maintained 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 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 projects 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 suggest. 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 Recommended Operating Budget for Fiscal Year 2026-27 of \$148,951,336.

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

ENVIRONMENTAL REVIEW

Approval of a 5-Year CIP and Capital Fund Budgets do not qualify as "Project(s)" as defined by the California Environmental Quality Act. Therefore, the Recommended Actions are exempt from environmental review. However, each of the projects listed in the 5-year CIP will be subject to environmental review (when applicable to potential changes in the physical environment and as required by applicable law) at the earliest opportunity.

COMMUNICATION

Level 1: Minimal Communication

Budget document will be published to the website by July 1, 2026. Proposed budget reports are available on the City's transparency portal.

ATTACHMENTS:

1. [Resolution - Operating Budget FY 2026-27](#)
[Exhibit A - Summary of Revenue and Expenses FY 2026-27](#)
[Exhibit B - Summary of Projected Fund Balances FY 2026-27](#)
2. [Resolution - Five-Year CIP Program 2026-27 to 2030-31](#)
3. [Five-Year CIP Summaries](#)
4. [Five-Year General Fund Forecast](#)