



STAFF REPORT

TO: CLAYTON CITY COUNCIL

FROM: Dennis Bozanich

DATE: April 7, 2026

SUBJECT: Review FY26 Budget Status, Consider Approval of FY27 Budget Revisions and Reserve Options

BACKGROUND

The City of Clayton remains fiscally stable with strong reserve levels and a clean FY25 audit.

The FY26 General Fund is projected to end the year with a deficit of \$950,000 and an ending fund balance of approximately \$6.0 million.

The recommended FY27 Adjusted Budget reduces the originally adopted structural deficit from \$667,349 to \$345,113, a reduction of approximately 48%. While reserves remain well above the policy minimum, structural deficits are projected to increase in the out-years without corrective action.

CEQA

No impacts

FISCAL IMPACT

The Council's action will consider impacts and adopt budget revisions and provide guidance to staff on the use of fund balances.

DISCUSSION

FY 2025–26 General Fund Status

The FY 2025–26 General Fund is projected to end the year with an approximate deficit of \$952,000, primarily due to revenue shortfalls and one-time expenditure increases.

FY 2026–27 Budget Revisions

Staff recommends budget adjustments that reduce the projected deficit from \$667,349 to \$345,113, primarily through expenditure reductions and updated revenue assumptions.

Fund Balance and Reserves

The City's General Fund reserves remain strong, with projected ending balances significantly above policy minimums.

Budget Augmentation Options

Staff has identified one-time and ongoing funding requests for Council consideration, including infrastructure, public safety, and service level enhancements.

CONCLUSION

The City remains financially stable, but continued attention to structural balance will be necessary to maintain long-term fiscal sustainability.

ATTACHMENTS

[ATT A - FY26 and FY27 Budget Updates and Reserve Analysis.pdf](#)

[ATT B - FY27 Adopted and Recommended Adjusted Budget Detail.pdf](#)

[ATT C - FY27 Budget Revisions.pdf](#)