



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of June 9, 2026

**TO:** Members of the City Council

**SUBMITTED BY:** Patrick Tang, City Manager  
Edwin Gato, Director of Finance

**SUBJECT:** Public Hearing on Proposed Fiscal Year (FY) 2026-27 City of Hercules Budget Plan including the First Year of the Ten Year 2026–36 Capital Improvement Plan (CIP)

### **RECOMMENDED ACTION:**

Open the public hearing, receive the staff report, take public testimony, and continue the public hearing to June 23, 2026. The City Council is encouraged to discuss and provide policy directions to staff regarding the proposed FY 2026-27 Annual Budget.

### **COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION:**

During a special meeting held on April 15, 2026, the Finance Commission thoroughly reviewed and engaged in a detailed discussion of the proposed budget for FY 2026-27. After consideration of the budget's elements and implications, the Commission unanimously expressed strong support for the proposal, indicating confidence in its potential to meet the community's needs.

### **BACKGROUND:**

On March 24, 2026, the City Council conducted a comprehensive budget workshop to review the proposed 10-year Capital Improvement Plan Projects. These projects include the city's long-term infrastructure and development objectives. Subsequently, on May 12, 2026, the Council convened to evaluate the Annual Budget for Fiscal Year 2026-27. The discussion focused on resource allocations and financial priorities for the upcoming year, to ensure effective governance and foster community development.

Tonight's meeting marks the first public hearing on the recommended annual budget, providing an important opportunity for community engagement and input. The feedback gathered during this session, along with any alternative proposals, will be evaluated for inclusion in the final version of the Annual Budget for FY 2026-27. The Council is anticipated to recommend the adoption of this finalized budget at the Council meeting of June 23, 2026,

thereby facilitating the planning and execution of future projects that will benefit the community.

## **DISCUSSION:**

In addition to the overall assumptions articulated during the budget workshops, the budget documents provide a comprehensive list of budget increases beginning on page 40 of the attached budget book, entitled FY 2026-27 LIST OF ADDITIONAL BUDGET REQUESTS.

Following the budget workshop held on May 12, 2026, there have been minor updates to the budget proposal, including a request for funding to replace the dispatch firewall, with an estimated one-time cost of \$11,036. This replacement is essential for maintaining robust cybersecurity protocols. As stipulated in the Tri-City Agreement, the City will be responsible for covering the costs associated with this important upgrade.

The complete proposed FY 2026-27 Annual Budget is available for review on the City's website ([www.ci.hercules.ca.us](http://www.ci.hercules.ca.us)) and can be accessed via the following link: <https://www.ci.hercules.ca.us/government/finance/budgets>.

The proposed FY 2026-27 Budget under review tonight is a living document, subject to changes and revisions before its final approval and adoption on June 23, 2026. This evening's public hearing, which was noticed in the local newspaper on May 28, 2026, provides the opportunity for community members to voice their thoughts and concerns about the budget.

This budget proposal maintains current service levels while strategically investing in essential areas to achieve long-term financial stability, consistent with the objectives outlined by the City Council. However, our analysis indicates that we may encounter budgetary challenges in the upcoming years. In light of this, City staff has initiated planning efforts to ensure that the City Council is well-informed regarding revenue and budget trends, to make prudent decisions as we work toward establishing and maintaining a sustainable budget.

Furthermore, any additional questions or proposals brought forward by the City Council tonight will be considered for incorporation into the Budget Referrals. These will be addressed during the continuation of the public hearing on June 23, 2026. Additional public input and council discussion will take place at the June 23 meeting, and it is anticipated that this meeting will lead to the City Council adopting the finalized budget, an important step that will shape the city's financial plans and priorities for the upcoming fiscal year.

## **FISCAL IMPACT:**

### General Fund

Should the City Council approve the proposed budget in its entirety, the General Fund—the City's primary fund for daily operations—is anticipated to conclude the fiscal year with a surplus of \$127,000. In addition to this favorable outcome, the fund is expected to maintain a robust operating reserve of \$5.4 million, which constitutes 25% of the total General Fund budget. This reserve plays a vital role in safeguarding the City's financial stability, providing support during revenue shortfalls, economic downturns, or unforeseen emergencies.

### Other Funds

These funds play a critical role in ensuring financial accountability, legal compliance, and operational transparency in governmental accounting. They help differentiate specific revenue sources from expenses, ensure that legally restricted funds are used for their intended purposes, and track the financial performance of self-supporting government services.

These distinct fund categories are required by Generally Accepted Accounting Principles (GAAP) and regulated by the Governmental Accounting Standards Board (GASB). They help prevent cross-subsidization, allowing citizens, creditors, and stakeholders to accurately evaluate whether specific fees, taxes, and grants are being used appropriately.

It is anticipated that non-general funds will conclude the fiscal year as summarized below, and that sufficient resources will be available to support the planned appropriations.

<b>Fund Groups</b>	<b>Beginning Available Fund Balances</b>	<b>Estimated Revenues</b>	<b>Appropriations &amp; Reserve Requirements</b>	<b>Projected Ending Available Fund Balances</b>
Special Revenues	\$ 12,420,349	\$ 6,718,954	\$ 7,446,942	\$ 11,692,361
Capital Projects	\$ -	\$ 3,800,495	\$ 3,800,495	\$ -
Debt Service	\$ -	\$ 1,724,567	\$ 1,724,567	\$ -
Sewer	\$ 11,040,723	\$ 7,948,060	\$ 16,207,514	\$ 2,781,269
Internal Service Funds	\$ 1,753,343	\$ 2,321,896	\$ 2,635,620	\$ 1,439,619

### **ATTACHMENTS:**

1. FY 2026-27 Proposed Annual Budget