

Annual Proposed Budget Fiscal Year (FY) 2026-27

Finance Commission

April 15, 2026

Name _____
Signature _____
Date _____

Budget Discussion

Council priorities and multi-year goals

Overall general assumptions applied - Baseline

Budget Requests and Financial Impact

General Fund

Non-General Fund programs

Council's FY 24-26 Strategic Goals

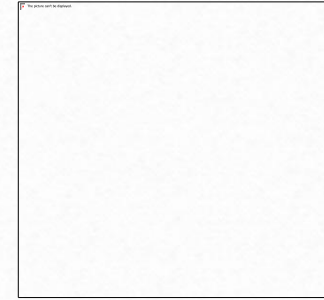
- Goal #1: Advance the development of the Hercules Hub
- Goal #2: Strengthen the city's fiscal sustainability
- Goal #3: Enhance transparency and communication
- Goal #4: Continue investing in a skilled and dedicated team at City Hall
- Goal #5: Strategically plan and fund major infrastructure projects
- Goal #6: Develop a comprehensive land-use strategy.
- Goal #7: Formulate a detailed economic development strategy



Salaries and Benefits

- 3% Cost of Living Adjustments (COLA)
- 2% Equity Adjustments for Police Officers Association (POA)
- CalPERS actuarial assumptions - Normal Rate and Unfunded Actuarial Liability (UAL)
- Assumed 3% increase in healthcare cost from FY 25-26

Kaiser Rate

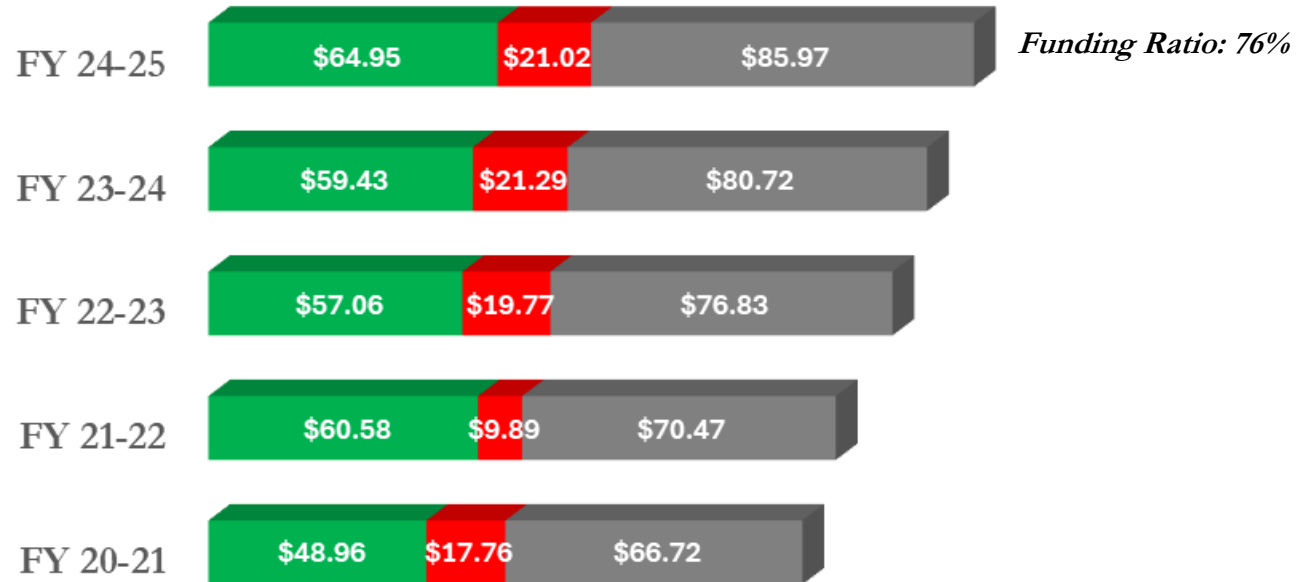


All other discretionary expenses are estimated to increase by an average of 2%

Overall Assumptions Used (Baseline)

Pension Funding Status

■ Plan Assets ■ Unfunded ■ Accrued Liability



CalPERS Funding Ratio

Budget Requests and Financial Impact

	General Fund	Other Funds	Total
Ongoing costs:			
Reallocate Full-Time Parking Enforcement	\$11,000		\$11,000
Full-Time Child Care Technician	21,000		21,000
Finance Director Salary Upgrade	10,000	10,000	20,000
Reclass Technician to Accountant	300		300
Total Ongoing	42,300	10,000	52,300
One-Time costs:			
AED Replacement	26,000		26,000
Community Center Oven Replacement	30,000		30,000
Total, One-Time	56,000	-	56,000
Total	\$98,300	\$10,000	\$108,300

General Fund Analysis

I. General Fund

- Revenue Estimates
- Expenditures Projections
- Projected Net Annual Results
- Five Year Forecast

General Fund Revenue Estimates



Sales tax is likely to remain flat compared to FY 25-26 budget figures.



Utility User's Tax (UUT) – Projected \$4.3 million, a 4% increase compared to FY 25-26 Budget.



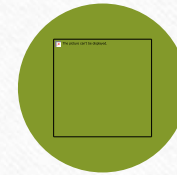
Property Tax – applied CPI factor of 2%.



Transient Occupancy Tax – Include Self Storage In-lieu of TOT, Airbnb and other short-term rental operation.



Franchise Fee – New franchise agreement with Republic Services will add \$195K to the General Fund.

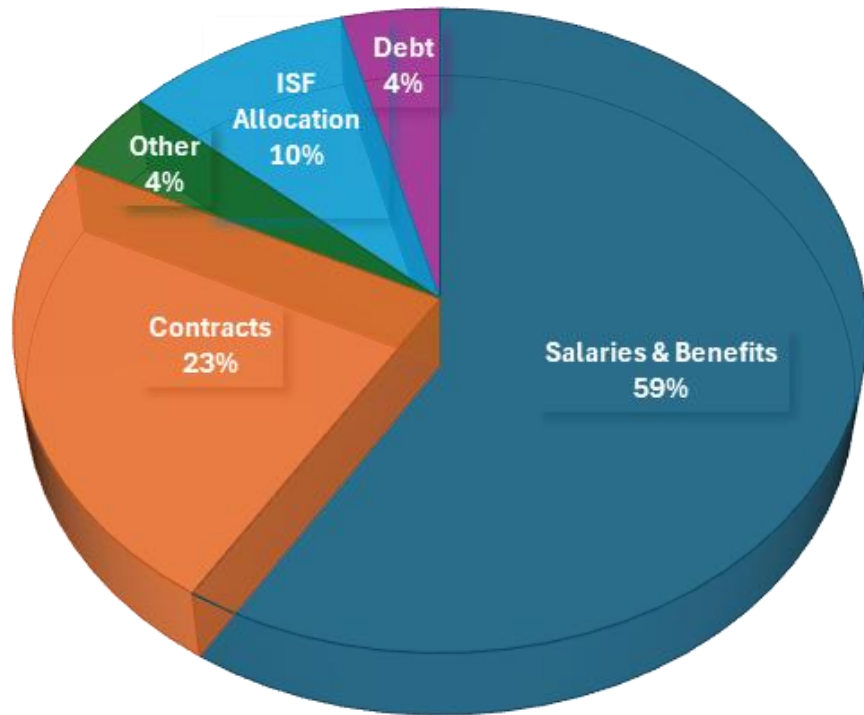


Parks & Recreation Programs – Growth in both program revenues and program offerings.



Fees for Services – Based on the current fees charged.

General Fund Expenditure Projections



- Salaries and benefits – accounts for almost 60% of total General Fund expenses.
- The General Fund expenditures are projected to increase by about a \$1 million or 5% compared to the prior fiscal year budget.

General Fund
Projected Annual
Operating Results

Revenues

Taxes	\$14,107,000
VLF and Other Inter-Govt Program	2,818,000
Other revenues	2,092,150
	2,515,351
Total, Revenues	<u>21,532,501</u>

Expenditures

21,405,501

Annual Operating Results

\$127,000

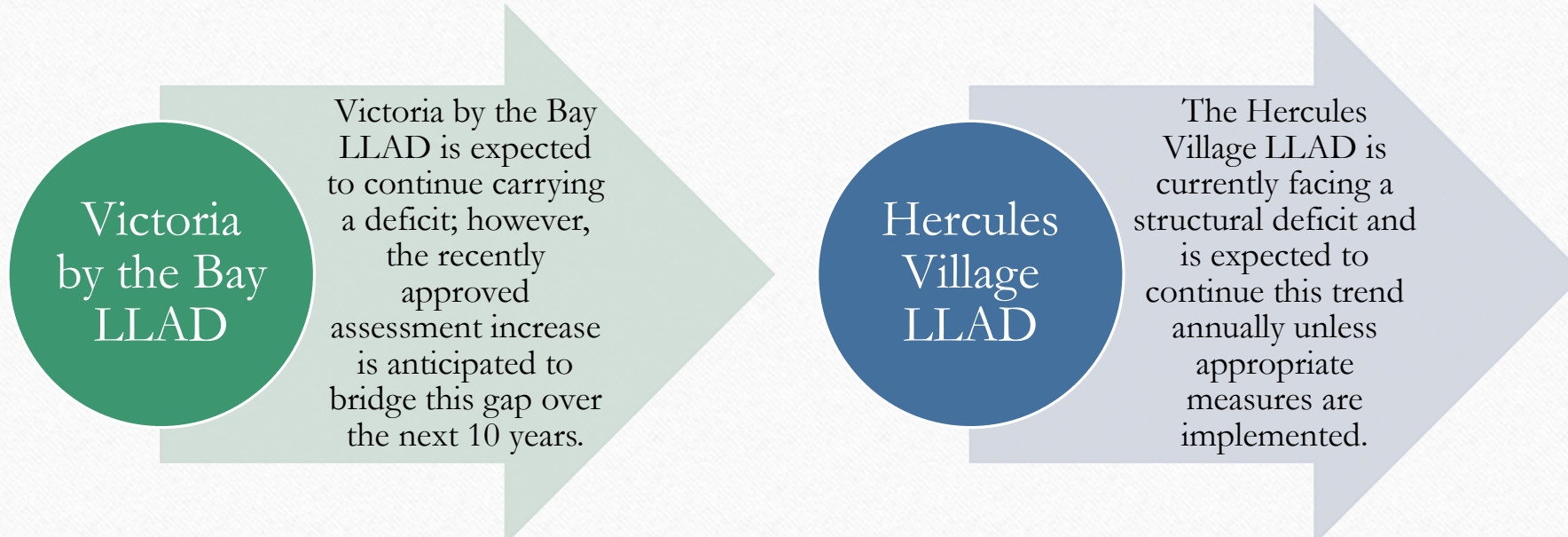
% Reserve

25%

	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	21,886,000	22,337,000	22,894,000	23,464,000	24,051,000
Expenditures	21,829,000	22,420,000	23,026,000	23,651,000	24,287,000
Annual Operating Results	57,000	(83,000)	(132,000)	(187,000)	(236,000)
% Reserve	26%	25%	25%	24%	23%

General Fund Five-Year Forecast

Non-General Fund Budget Highlights



Sewer Enterprise Fund Budget Highlights

- The Sewer Enterprise Fund pays for the sewer system's operations, maintenance, and capital improvement
- FY 26-27 operating budget is estimated to be:
 - \$4.6 million in ongoing operating expenditures;
 - \$2.1 million in debt service obligation; and
 - \$3.2 in capital improvements projects
- The City collects approximately \$6 million a year in service charges from over 8,400 connection
- The City Council on July 22, 2025, adopted a resolution to increase sewer rates



Internal Service Funds (ISF)

The City utilizes five ISF funds

- Three of the ISF funds manage capital replacement and asset management for vehicles, facilities, and technology. The two ISFs oversee the City's Information System (IT) Operations and Facilities Maintenance.

Debt Description	Fund No.	Principal	Interest	Total
2020 Lease Revenue Refunding Bond	672	\$477,396	\$85,766	\$563,162
Taxable Lease Revenue Bonds, Series 2009 (Bio-RAD Project)	673	325,000	580,796	905,796
Engie Energy Construction Loan	388	158,064	97,545	255,609
Wastewater Revenue Bonds, Series 2021A	Sewer Fund	395,000	161,186	556,186
Public Owned Treatment Works Construction Loan	Sewer Fund	1,213,515	297,322	1,510,837
Total, Annual Debt Service Payment		\$2,568,975	\$1,222,615	\$3,791,590

Debt Service Obligations

Funding Sources

General Fund	\$2,650,495
SB1 RMRA	260,000
Gas Tax	455,000
Measure J	225,000
Sewer	444,700
MTC/TDA 3	150,000
TIRCP	1,000,000
	<u>\$5,185,195</u>

Capital Improvement Projects (CIP) Funding Sources



Questions & Comments

