

# **City of Willows**

## **Fiscal Year 2026-27**

### **FY 2026-27 Preliminary Budget Overview – Main Operating Funds – General Fund & Sewer Enterprise**



**Presentation to City Council**

**May 12, 2026**



# FY 2026-27 Preliminary Budget Overview - Discussion Outline -

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1. Preliminary Budget Preparation Process
2. FY 2026-27 Preliminary Budget – General Fund
3. FY 2026-27 General Fund Changes / Additions
4. General Fund Forecast – Fund Balance / Opportunities
5. FY 2026-27 Enterprise Fund (Sewer)
6. Questions / Direction

# FY 2026-27 Preliminary Budget - Budget Preparation Process -

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## *FY 2026-27 Budget Preparation Process:*

- Builds upon General Fund “Base Budget” prepared and adopted with FY 2025-26 Mid-Year Budget Review – March 24, 2023
- Review and update of citywide main operating funds – service delivery / cost allocation / CIP focus
- Coordination with staff to determine fiscal needs to provide critical services
- Review future revenue and expenditure trends and forecasts
- Information / Direction received from Preliminary Budget discussion to serve as foundation for preparing Citywide FY 2026-27 Proposed Budget

# FY 2026-27 Preliminary Budget - General Fund -

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|   | <u>Revenues</u>     | <u>Expenditures</u> |
|---|---------------------|---------------------|
| <b>FY 2026-27 Preliminary<br/>General Fund Budget</b> | <b>\$ 7,864,902</b> | <b>\$ 7,480,830</b> |

**Preliminary Budget Surplus to Reserves – \$384,071**

# FY 2026-27 Preliminary Budget - General Fund Changes / Additions -

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## Revenues

- 2.0% growth in Property Tax and Property Tax in Lieu Vehicle License Fee
- 2.5% growth in Measure I
- 1.5% growth in Sales Tax
- 1% growth in Transient Occupancy
- Continuation of appropriate cost allocations to the Sewer Enterprise Fund
- Inclusion of reimbursed costs associated with Planning / Engineering activities
- CalFire Grant (decrease of \$250,000) & OES Strike Team (decrease of \$356,000)
- Sale of Property (decrease of \$231,500) & Insurance Funds (decrease of \$130,000)

# FY 2026-27 Preliminary Budget - General Fund Changes / Additions -

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## **Expenditures**

- City Attorney's Office - Code Enforcement- \$10,000
- City Manager Department Service & Supplies (election year & City Clerk training) - \$11,879
- IT Department Services & Supplies (New Department) - \$148,784
- Human Resources Services & Supplies (New Department) - \$15,000
- Finance Department personnel costs (fully staffed/1 part-time) - \$22,741
- Community Development Services & Supplies – (decrease of \$60,000)
- City Wide Department overall costs – (decrease of \$315,388)
- Civic Center Services & Supplies – (decrease of \$130,000)
- Police Services contract - \$2.4 million - \$70,650

(based upon a 3% CPI)

# FY 2026-27 Preliminary Budget - General Fund Changes / Additions -

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## **Expenditures**

- Engineering costs (adjust base)
- Library Department personnel cost (fully staffed/4 part-time library clerks includes 2.5% increase) - \$36,291 (cost of 2.5% step increase - \$988)
- Pool Department personnel cost, and Services & Supplies - \$18,456
- Public Works Department personnel cost, and Services & Supplies - \$34,499
- Parks Department Services & Supplies - \$11,300
- Fire Department personnel costs, and Services & Supplies (decrease of 249,038)  
(internal promotion from Fire Engineer to Fire Captain)
- Non-Departmental overall costs – (decrease of \$159,632)
- All positions are fully funded for entirety of fiscal year
- Only negotiated and approved full-time staff salary increases are included – no cost savings
- Police contract costs are programmed to increase each year by CPI of 3%

# FY 2026-27 Preliminary Budget - General Fund -

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## **Current Revenue Characteristics:**


- Majority revenue sources (Property Tax/Property Tax in Lieu of Vehicle License Fee/Measure I/ Sales Tax/Transient Occupancy Tax) make up 82% of General Fund base revenues
  - Revenue growth is projected to be around 1.5% to 2.0% while expenditures continue to increase at a higher rate of approximately 2.5% to 3.0%
- Recent years, reliance on one-time funding to fund critical citywide needs
  - Fire/OES
  - Sale of Property

# FY 2026-27 Preliminary Budget - General Fund -

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## **Current Expenditure Characteristics:**

- Inflation impacting everyday cost of providing services
  - Employee related benefit costs (health insurance/CalPERS costs)
- Existing number of staff and related costs required to deliver desired levels of service
  - City directly provides array of services – Administration / Public Works / Community Development / Fire / Library / Recreation
  - City contracts for required services – Police/Select Administrative Functions



# FY 2026-27 Preliminary Budget - General Fund -

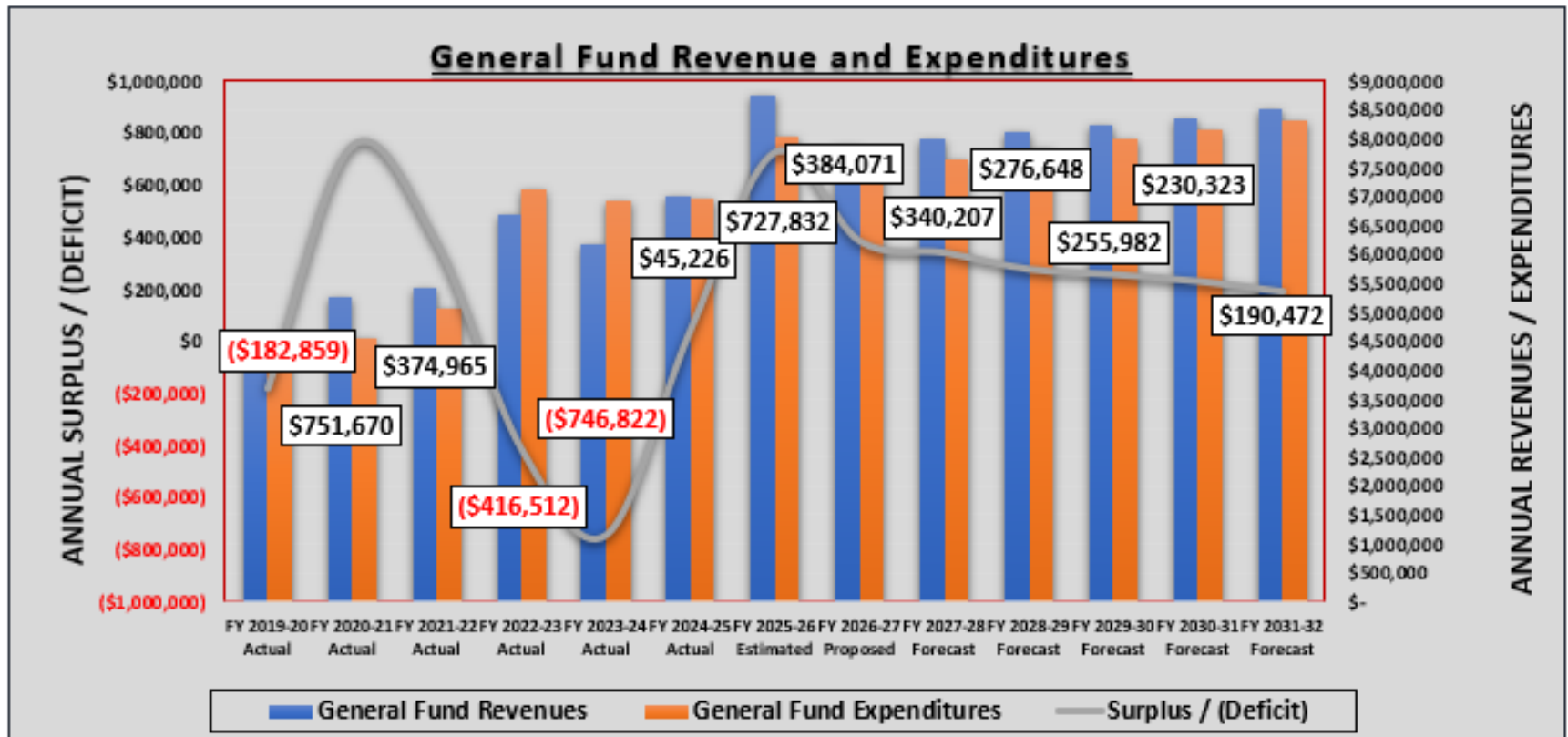
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## **Current Expenditure Characteristics:**

- Budget only captures known fiscal activity at given time
  - City always encounters unforeseen needs as year progresses – vehicle and maintenance needs; community safety needs; etc
  - Cost of unforeseen needs during FY 2025-26 ~ \$666,496

# FY 2026-27 Preliminary Budget - General Fund Forecast -

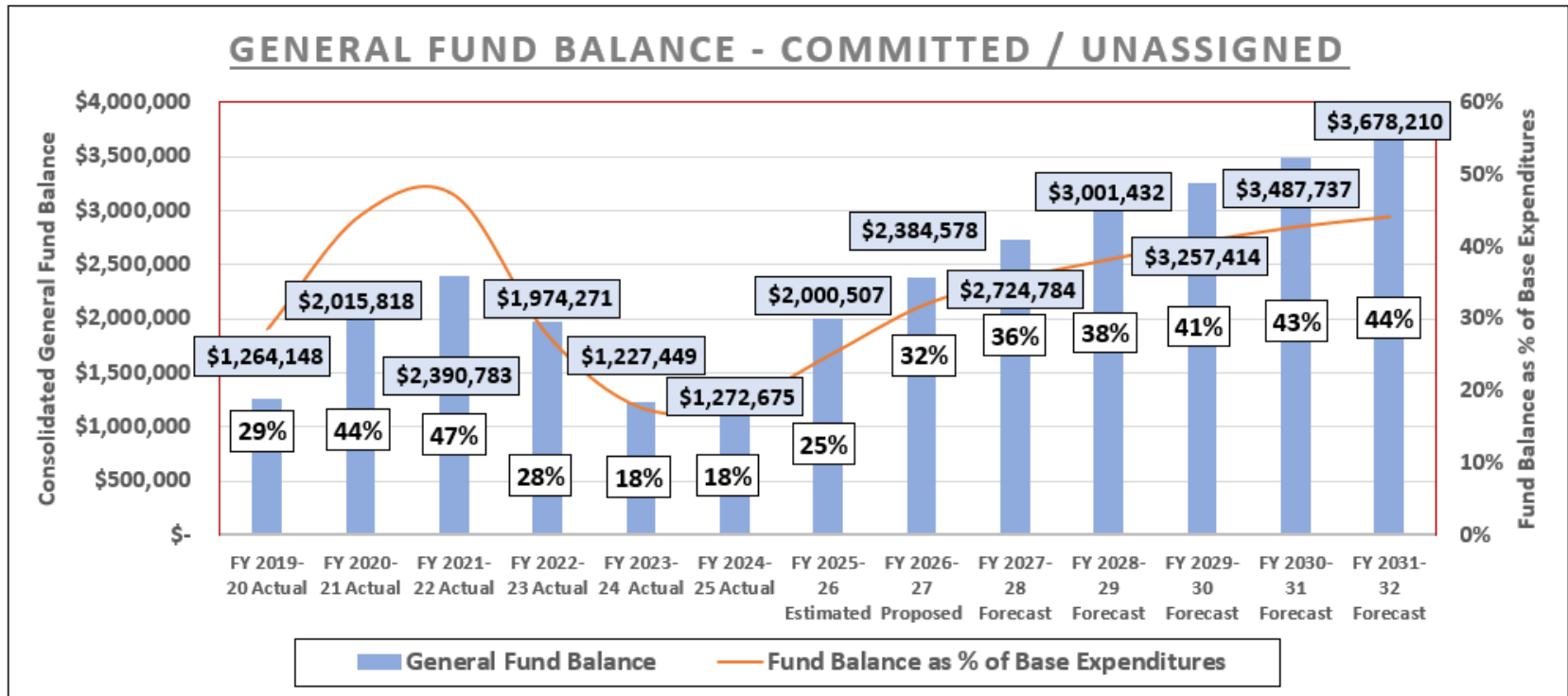
## General Fund – Updated Forecast



# FY 2026-27 Preliminary Budget

## - General Fund Forecast – Fund Balance -

### General Fund – Updated Fund Balances:



# FY 2026-27 Preliminary Budget - General Fund Opportunities -

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## **Fund Balance Improvement Opportunities**

- Opportunities may exist to grow base revenue level in the City
  - Review and analyze grant-funded programs to identify opportunities for administrative cost recovery and reimbursement of eligible staff time, project management, finance, and administrative oversight costs, helping increase ongoing revenue recovery to the City.
  - Continued pursuit of grant funding opportunities for capital improvements, infrastructure projects, public safety programs, and economic development initiatives to reduce pressure on the General Fund.
  - Review revenue generating opportunities from city assets (sale of city owned properties/lease note against city owned properties)



# FY 2026-27 Preliminary Budget - General Fund Opportunities -

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## **Fund Balance Improvement Opportunities**

- Opportunities may exist to reduce base costs in the City
  - Review options for public safety service delivery
  - Evaluation of opportunities to improve operational efficiencies, shared services, and technology utilization to reduce long-term operating costs while maintaining service levels.

# FY 2026-27 Preliminary Budget - Enterprise Funds -

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## Sewer Fund

|                               | <u>Revenues</u> | <u>Expenditures</u> |
|-------------------------------|-----------------|---------------------|
| FY 2026-27 Preliminary Budget | \$ 2,908,221    | \$ 3,006,892        |

Projected Sewer Fund Balance @ 6/30/27: \$ 2,668,023 *Note: \$1,286,931 reserved*

### Sewer Fund Budget Notes:

- Programmed rate increase for sewer service rates consistent with current rate study
- Capital projects /Blower Building Improvements/WWTP Improvements/Annual Sewer Replacement Project/ WWTP - Upgrades /Chlorine Contact Chamber Improvements/ Tertiary Filtration Structure Repairs/Annual Vehicle Replacement/Tyler Utility Billing/ WWTP SCADA and Admin Bldg Upgrade
- Sewer Fund budget includes charge of \$301,808 for overhead, administration and Public Works staff costs (will only transfer actual costs)
- Operating margin before considering capital: ~ \$906,000