



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

FROM: City Manager

SUBJECT: Adoption of the FY 2026-28 Biennial Budget, Appropriations Limit, Authorized Positions List, and Related Budget Actions

MEETING DATE: June 23, 2026

RECOMMENDATION:

Staff recommends that the City Council conduct a public hearing and adopt the following Resolutions to finalize the City's fiscal planning for the upcoming fiscal years and ensure continuity of operations across all departments and funds:

1. Approve and adopt the City of Commerce's FY 2026-28 Biennial Budget;
2. Establish the City's FY 2026-27 Gann Appropriations Limit; and
3. Reappropriate project balances and encumbrances from FY 2025-26 to FY 2026-27.

BACKGROUND:

Pursuant to the City's Municipal Code, the City Council is required to adopt a budget that serves as the City's financial plan for the upcoming fiscal periods. The proposed FY 2026-28 Biennial Budget was developed over the past several months through collaboration between Finance and all City departments and reflects the City's operational priorities, anticipated revenues, expenditure requirements, capital needs, and long-term financial objectives.

The budget process began in January 2026 with departmental budget requests, revenue forecasting, and expenditure projections. On February 6th, however, the California Attorney General issued regulations affecting card room operations; and, given the significance of card club revenues to the City's General Fund, the announcement changed the direction of the budget almost overnight. As a direct result of the new regulations, the City declared a fiscal emergency, pursued Measure PC (transaction and use tax), launched a comprehensive public outreach effort, re-evaluated revenue assumptions, and developed a more conservative spending plan.

Since then, there have been some encouraging developments regarding card room operations and, on June 2nd, Commerce residents voted in favor of Measure PC. However, the overarching goal of this budget was to protect the City's financial position while

maintaining flexibility until there is greater certainty regarding future revenues. As such, staff recommends adopting a conservative budget approach and conducting a budget reassessment in January of 2027, when additional information regarding future revenues is expected to be available, to determine whether adjustments to the biennial budget are warranted.

DISCUSSION:

GENERAL FUND OVERVIEW

The proposed FY 2026-28 Biennial Budget was developed utilizing conservative revenue assumptions and expenditure controls to address significant uncertainty regarding future revenues while continuing to provide core municipal services. During the budget development, staff assumed a potential annual reduction of approximately \$13.0 million in card club revenues. Because implementation of the Attorney General regulations was anticipated to occur midway through FY 2026-27, the budget assumes a revenue reduction of approximately \$6.5 million in FY 2026-27 and approximately \$13.0 million in FY 2027-28.

Moreover, the City continues to experience declines in sales tax revenues. The proposed budget reflects estimated sales tax reductions of approximately \$2.3 million in FY 2026-27 and \$1.3 million in FY 2027-28 compared to FY 2025-26 adopted figures.

Based on these assumptions, preliminary projections identified General Fund deficits of approximately \$7.0 million in FY 2026-27 and \$14.4 million in FY 2027-28. To mitigate these projected deficits, staff implemented a variety of expenditure reduction strategies including departmental budget reductions, elimination of vacant positions, and organizational restructuring efforts. Collectively, these actions reduced projected expenditures by approximately \$1.0 million in FY 2026-27 and \$1.8 million in FY 2027-28. The projected deficits were reduced to approximately \$6.1M and \$12.6M, respectively, leaving deficits that are largely attributable to the conservative assumptions regarding future card club revenues..

In addition to General Fund challenges, there are structural financial challenges within both the Transportation Fund and Community Benefits Fund. The Transportation Fund continues to experience recurring operating deficits, while the Community Benefits Fund currently lacks a recurring revenue source sufficient to sustain Council-approved programs over the long term. As a result, staff is recommending General Fund support for both funds (Transportation - \$3.1 million and \$3.3 million & Community Benefits Fund - \$250,000 each year) during the biennial budget period while longer-term funding strategies are evaluated. These transfers increase the projected deficits to approximately \$9.5 million in FY 2026-27 and \$16.2 million in FY 2027-28.

It is important to note that the projected deficits are largely driven by conservative planning assumptions rather than ongoing operational imbalances. Specifically, the budget assumes reductions of approximately \$6.5 million in card club revenues in FY 2026-27 and \$13.0 million in FY 2027-28, while excluding anticipated Measure PC revenues pending evaluation of actual collections. Measure PC is effective October 1, 2026, and staff anticipates the measure to generate \$3.4 million during FY 2026-27 (nine months' worth) and about \$4.5 million annually thereafter.

If card club revenues remain stable and Measure PC performs as anticipated, the City may be able to absorb Transportation and Community Benefits Fund support while restoring some of the expenditure reductions included in the budget. Nevertheless, staff recommends maintaining a conservative fiscal approach while additional information becomes available. The proposed biennial budget reflects this balanced approach. It preserves essential City services, funds critical operational and capital needs, incorporates conservative revenue assumptions, and maintains financial flexibility to respond to changing economic and regulatory conditions.

General Fund Revenues

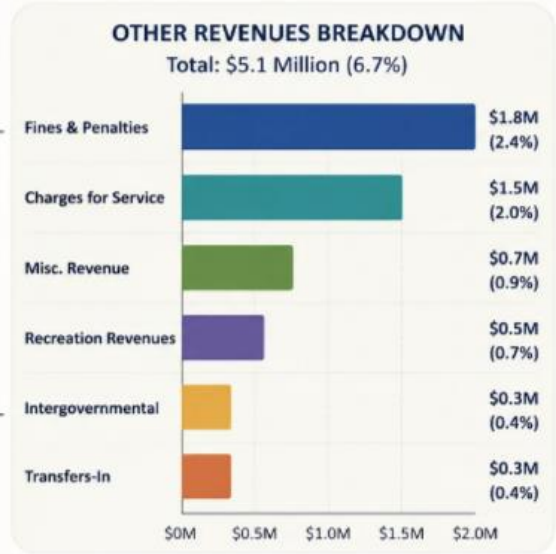
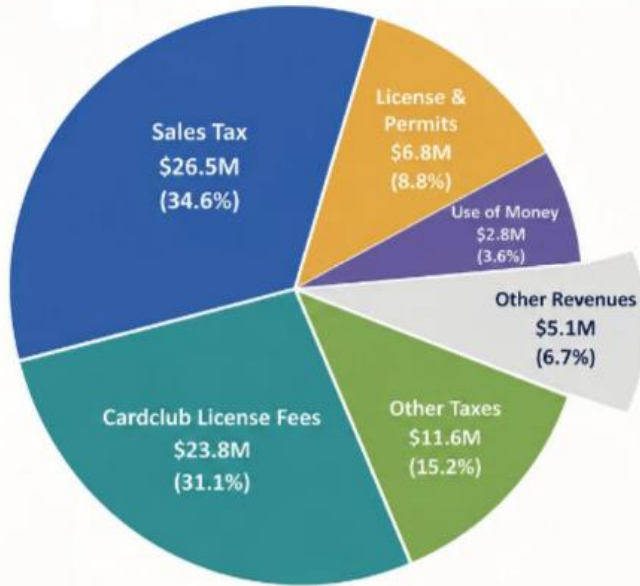
The proposed General Fund revenues total \$76.6 million for FY 2026-27 and \$72.1 million for FY 2027-28. These figures reflect reductions to the card club license fees (\$6.5 million & \$13.0 million, respectively) and sales tax revenue (\$2.3 million & \$1.3 million, respectively), partially offset by growth in property tax, hotel visitors tax, franchise fees, plan check fees and permit revenues. Overall, revenues are projected to decline by \$5.1 million in FY 2026-27 and \$9.6 million in FY 2027-28 compared to the FY 2025-26 adopted budget.

Revenue Source	FY 2025-26 Adopted	FY 2026-27 Proposed	FY 2027-28 Proposed	Difference between FY 2027 and FY 2026	Difference between FY 2028 and FY 2026
Cardclub License Fees	\$30,320,000	\$23,820,000	\$17,320,000	\$ (6,500,000)	\$ (13,000,000)
Sales Tax	28,793,200	26,450,700	27,508,700	(2,342,500)	(1,284,500)
Other Revenue	22,602,500	26,369,800	27,250,700	3,767,300	4,648,200
Total	\$81,715,700	\$76,640,500	\$72,079,400	\$ (5,075,200)	\$ (9,636,300)

The pie charts on the next page illustrate the breakdown of the \$76.6 million (FY 2026-27) and \$72.1 million (FY 2027-28) General Fund revenues by source. Even after the reductions, nearly two thirds of the revenue come from card club and sales tax.

PROPOSED FY 2026-27 GENERAL FUND REVENUE

Total Revenue: \$76.6 Million

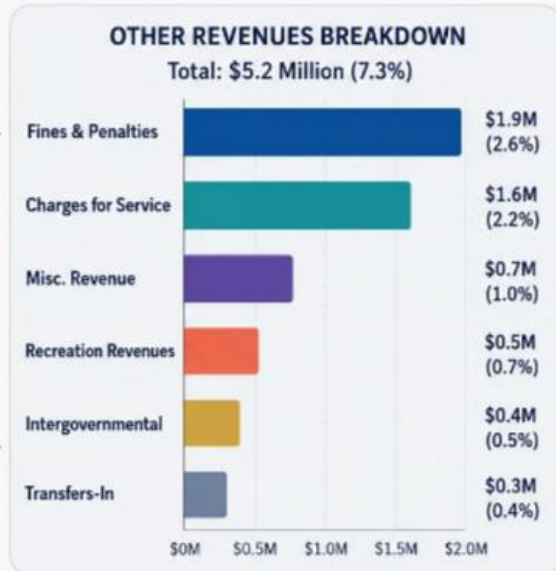


Sales Tax and Cardclub License Fees together account for \$50.3 million, or 65.7% of total General Fund revenue.

Note: Amounts may not total due to rounding.

PROPOSED FY 2027-28 GENERAL FUND REVENUE

Total Revenue: \$72.0 Million



Sales Tax and Cardclub License Fees together account for \$44.8 million, or 62.2% of total General Fund revenue.

Note: Amounts may not total due to rounding.

General Fund Expenditures

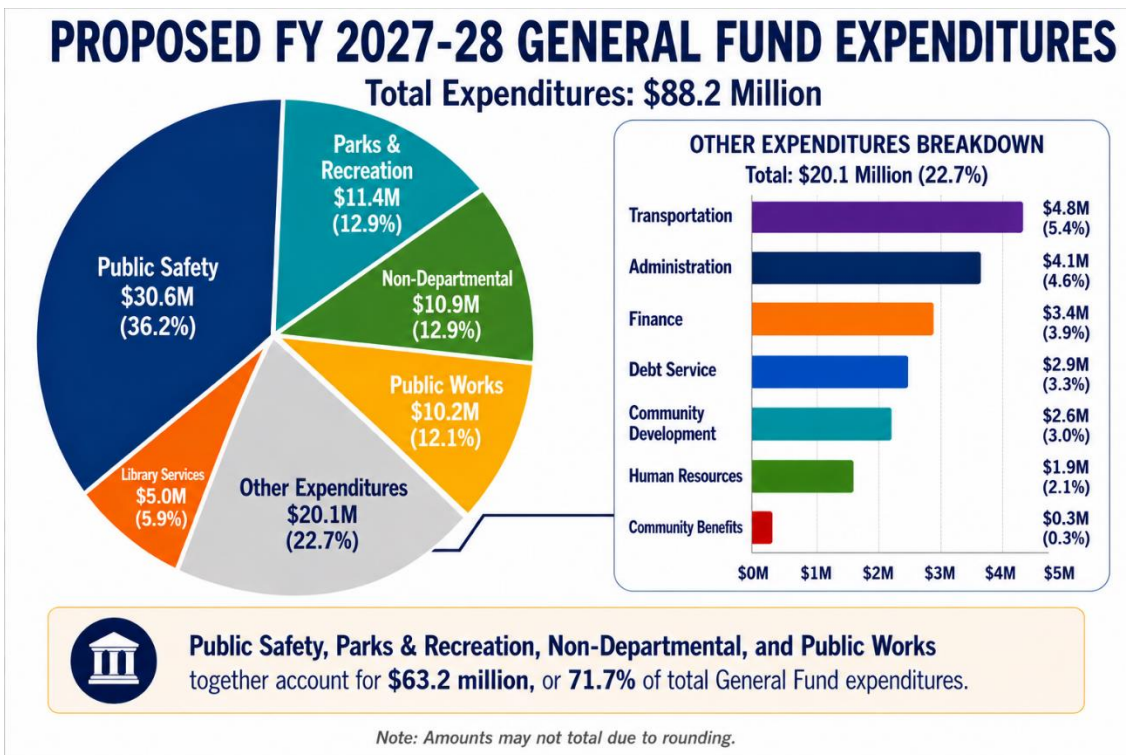
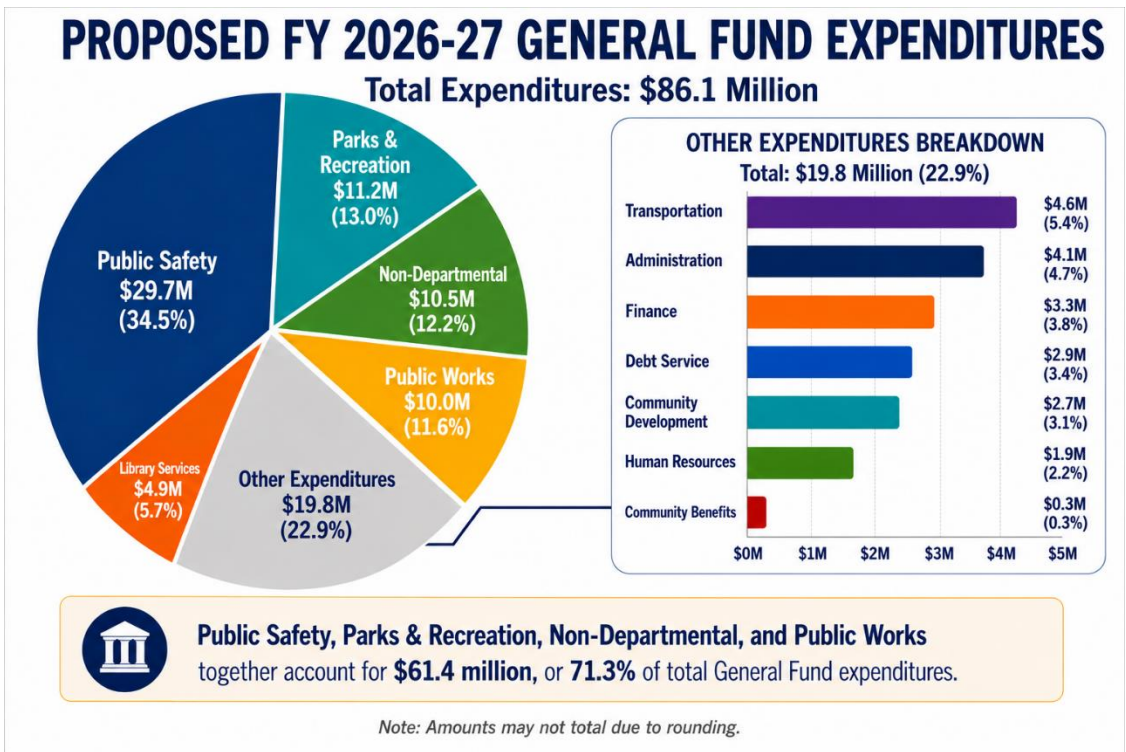
Included in the proposed budget is a combination of operating reductions and labor savings to help address the projected deficits for both years. Staff across the organization worked to identify potential reductions and cost-saving measures. The objective was not simply to cut budgets, but to reduce expenditures while preserving core services and maintaining operational flexibility.

As part of that effort, staff identified approximately \$600,000 in operating reductions in FY 2026-27 and approximately \$1.4 million in FY 2027-28 and approximately \$400,000 in labor savings achieved through the elimination of vacant positions and other staffing adjustments. While some service impacts may occur, the reductions were designed to preserve core services and will be re-evaluated as part of the January 2027 budget reassessment.

The following table summarizes the budget reductions and potential impacts:

Department	FY 2026-27	FY 2027-28	Primary Impact
Community Development	(125,000)	(250,000)	Reduced consultant support may result in longer permit processing times, and slower project reviews.
Library	(125,000)	(250,000)	Reduced part-time staffing may limit service hours and programming capacity; Year 2 also includes a \$45,000 reduction in book purchases.
Non-Departmental	-	(318,700)	Eliminated assumed increases in operational expenses.
Parks & Recreation	(179,500)	(304,500)	Selected special events will be modified, reduced, or offered on an alternating-year basis.
Public Works	(125,000)	(250,000)	Reduced contractual services and operational support may result in slower maintenance response times.
Total Reductions	(\$554,500)	(\$1,373,200)	

The budget for FY 2026-27 is proposed at \$86.1 million and \$88.2 million for FY 2027-28. The pie charts below illustrate the breakdown of the \$86.1 million and \$88.2 million in General Fund expenditures by department. Over 70% of the budget is allocated to Public Safety, Parks & Recreation, Non-Departmental, and Public Works.



PERSONNEL CHANGES

The proposed budget includes selected elimination of positions, reclassifications of positions, and organizational adjustments intended to improve operational efficiency, support succession planning, and align staffing resources with service needs. Collectively, the changes are expected to generate about \$400,000 in annual savings.

The table below details the proposed changes.

FY 2026–28 Personnel Changes

Department	Position Changes / Adjustments	Department	Position Changes / Adjustments
Administration	<ul style="list-style-type: none"> Reclassification of Administrative Technician position to Executive Assistant (Scale 35) Increased Deputy City Clerk position to Scale 35 Transferred vacant Office Specialist II position to Public Safety 	Public Safety	<ul style="list-style-type: none"> Added FT Office Specialist II position from Admin (will be under filled by PTer) Reclassification of Office Specialist III position to Public Safety Administrative Technician (Scale 32)
Community Development	<ul style="list-style-type: none"> Eliminated vacant Office Specialist II position Eliminated vacant Permit Technician position Reclassification of Associate Planner position to Senior Planner PT Associate Planner position (funded by reduction to CD Manager funding) 	Public Works	<ul style="list-style-type: none"> Increased Facilities Maintenance Specialists positions from Scale 27 to Scale 29
		Transportation	<ul style="list-style-type: none"> Increased Fleet Maintenance Manager position from Scale 49 to Scale 55
Finance Department	<ul style="list-style-type: none"> Reclassification of Purchasing Specialist position to Warehouse Supervisor 	Parks & Recreation	<ul style="list-style-type: none"> Reclassification of vacant Assistant Director position to Recreation Manager Eliminated Aquatics Program Manager position Reclassification of Water Polo Coach position to Recreation Supervisor (Aquatic Supervisor) (Scale 38) Increase scale of Arts & Craft Supervisor position from 29 to 38 Reclassification of PT Recreation Leader position to FT Recreation Coordinator I (Scale 27) Eliminate six (6) PT vacant positions from Parks & Recreation: <ul style="list-style-type: none"> Three (3) Instructor Guards positions Three (3) Lifeguards positions No budget impact, but title change: Recreation Coordinator Classification will now be Recreation Coordinator II position
Human Resources	<ul style="list-style-type: none"> Eliminated vacant HR Director position Reclassification of Administrative Technician position to Benefits Analyst Reclassification of Office Specialist II position to Administrative Technician 		
Library	<ul style="list-style-type: none"> Reclassification of one Senior Library Assistant position to Database Specialist 		
<p>Summary of Impact Net fiscal impact: savings of approximately \$400K.</p>			

CAPITAL IMPROVEMENT PROGRAM

The proposed FY 2026-28 Capital Improvement Program (CIP) includes investments in infrastructure, facilities, parks, transportation, and other public assets. Projects were prioritized based on operational needs, available funding sources, regulatory requirements, and community benefit.

A total of sixteen (16) projects is proposed for FY 2026-27 at a cost of \$22.3 million, including approximately \$13.0 million funded by Measure AA. For FY 2027-28, ten (10) projects are proposed at a cost of \$92.3 million, primarily driven by the construction of the new transit facility and the purchase of electric buses and supporting infrastructure. Approximately 95% of the transit-related costs are expected to be funded through federal grants.

The tables on the next page summarize the FY 2026-28 CIP.

FY 26-27 PROJECT LIST

No.	Project Name	Total Budget	Grant Amount	Other	Measure AA Request
1	Fire Station Roof Repair	\$300,000	-	-	\$300,000
2	Bandini Park Playground Equipment and Flooring	\$400,000	-	-	\$400,000
3	Mural Lighting Installation	-	-	\$356,714	-
4	FY 26-27 Pavement Rehab Project	\$6,000,000	-	\$1,000,000	\$5,000,000
5	Pocket Park at Gage Ave and Zindell Ave	\$2,220,000	-	\$220,000	\$2,000,000
6	Commerce Safety Action and Vision Zero Plan	\$798,465	\$638,772	-	\$159,693
7	Commerce Cleanup with B2W	-	\$195,645	-	-
8	Bristow Park Community Center Roofing	\$800,000	-	-	\$800,000
9	Railroad Bridge Crossings Beautification	-	-	\$1,000,000	-
10	LA County TSSP (Slauson Ave)	\$100,000	-	-	\$100,000
11	Soundwall Study	\$200,000	-	-	\$200,000
12	City Hall Color Lights	\$100,000	-	-	\$100,000
13	Rosewood Park Extension	\$2,000,000	-	-	\$2,000,000
14	Cal OES EOC Grant Project	\$2,471,500	\$1,482,900	\$494,300	-
15	Citywide Traffic Signal Interconnect Project	\$5,263,526	\$3,743,585	-	\$429,389
16	Military Monument	\$150,000	-	-	\$150,000
TOTAL		\$22,312,791	\$5,865,902	\$4,129,714	\$12,982,082

Note: Totals may not add due to rounding.

FY 27-28 PROJECT LIST

No.	Project Name	Total Budget	Grant Amount	Other	Measure AA Request
1	New Transit Maintenance Facility	\$60,922,860	\$30,922,860	\$30,000,000	-
2	Battery Electric Bus and Infrastructure Deployment	\$22,312,983	\$20,955,475	-	\$1,357,508
3	Rosewood Library Furniture	\$45,000	-	-	\$45,000
4	Rosewood Library Carpet Replacement	\$100,000	-	-	\$100,000
5	BVAC Pool Replaster Resurfacing Project	\$150,000	-	-	\$150,000
6	Bristow Park New Playground Equipment	\$500,000	-	-	\$500,000
7	FY 27-28 Pavement Rehab Project	\$6,000,000	-	-	\$6,000,000
8	Camp Commerce Deck Replacement	\$1,480,000	-	-	\$1,000,000
9	Citywide Facility Assessment Report	\$500,000	-	-	\$500,000
10	Council Chambers A/V	\$300,000	-	-	\$300,000
TOTAL		\$92,310,843	\$51,878,335	\$30,000,000	\$11,295,508

Note: Totals may not add due to rounding.

MEASURE AA REQUEST SUMMARY (TWO YEARS)

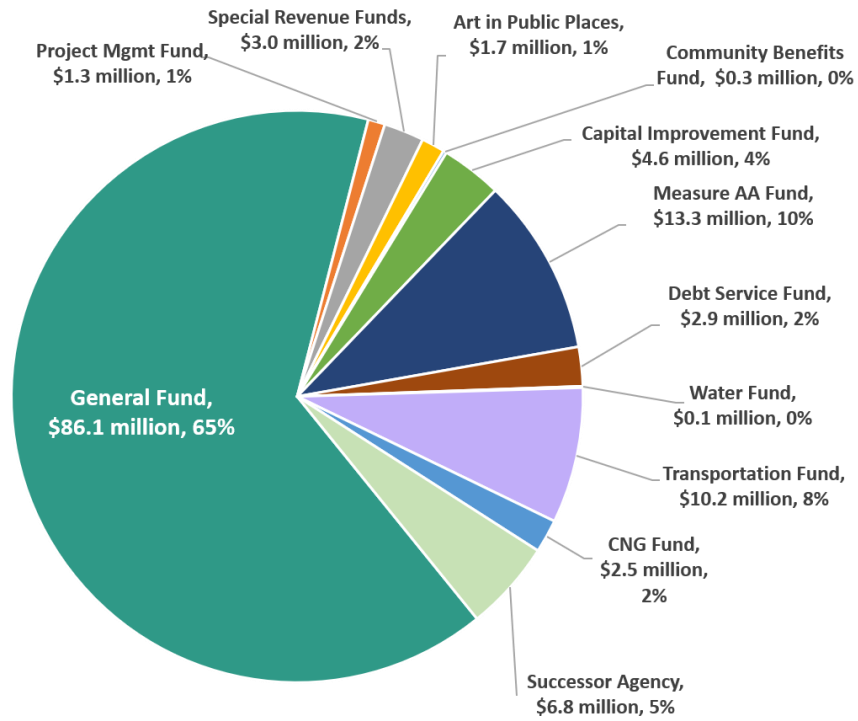
Fiscal Year	Projects (One-Time)	Support Services (Annual)	Total Budget	Grant Amount	Other	Measure AA Request
FY 26-27	16	\$1,343,000	\$22,312,791	\$5,865,902	\$4,129,714	\$12,982,082
FY 27-28	10	\$1,343,000	\$92,310,843	\$51,878,335	\$30,000,000	\$11,295,508
TOTAL (TWO YEARS)	26	\$2,686,000	\$114,623,634	\$57,744,237	\$34,129,714	\$24,277,590

Note: Totals may not add due to rounding.

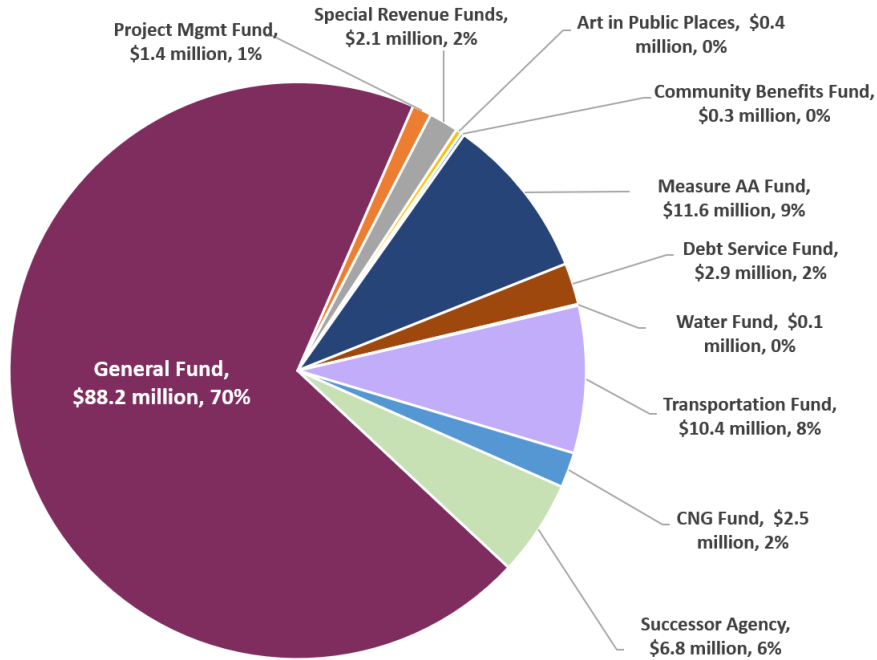
CITYWIDE BUDGET

The City manages eighteen different funds and while the General Fund is the largest and primary operating fund, the other funds represent about one-third (30%) of the City's total budget.

FY 2026-27 Total Citywide Budget: \$132.8 million



FY 2027-28 Total Citywide Budget: \$126.7 million



PROJECT MANAGEMENT FUND: During the FY 2025-26 budget process, the City Council adopted a General Fund Reserves Policy establishing the Project Management Fund. The purpose of the fund is to ensure that General Fund reserves exceeding policy targets are strategically reinvested in one-time projects, initiatives, and expenditures that improve City infrastructure, technology, operational efficiency, and service delivery without creating ongoing financial obligations.

Consistent with the fund’s intended purpose, staff recommends utilizing the fund to finance one-time employee compensation, as negotiated by the City’s bargaining units, totaling \$1.2 million in FY 2026-27 and \$1.4 million in FY 2027-28. Staff also recommends appropriating \$100,000 in FY 2026-27 for grant management and legislative advocacy support. These expenditures are non-recurring in nature and align with the fund’s purpose.

COPS GRANT FUND (Special Revenue): The Department of Justice issues the COPS grant to government agencies to support law enforcement and public safety activities. The proposed budget for FY 2026-27 is \$180,000 and \$189,000 for FY 2027-28, which represents the annual allocation received by the City.

GAS TAX FUND (Special Revenue): Staff anticipates receiving \$710,300 in Gas Tax revenue in FY 2026-27 and \$737,400 in FY 2027-28. However, the fund has a fund balance of approx. \$1.0 million, which will be used to fund the proposed expenditures of \$1.7 million in FY 2026-27 and \$737,400 in FY 2027-28. The amount will be appropriated for street and infrastructure improvements and for FY 2026-27 it will be used to offset the costs of the Pavement Rehabilitation program funded by Measure AA.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND (Special Revenue): The CDBG fund accounts for federal grant revenues received from the U.S. Department of Housing and Urban Development (HUD). These funds are restricted to eligible community

development activities, including public improvements, housing programs, public services, and projects that primarily benefit low-and moderate- income residents. Staff is recommending appropriations of \$118,900 for both FY 2026-27 & FY 2027-28.

AIR QUALITY MANAGEMENT DISTRICT (AQMD) FUND (Special Revenue): Staff anticipates receiving approximately \$16,000 for FY 2026-27 and \$16,800 for FY 2027-28 in grant funds from AQMD. The amounts for each fiscal year will be appropriated for the rideshare program at the city.

STORM WATER MANAGEMENT FUND (Special Revenue): The City receives funding from the County in connection with the passage of Measure W to fund stormwater capture, treatment, and reuse projects throughout Los Angeles County. Staff anticipates receiving \$989,600 for FY 2026-27 & \$1,019,300 for FY 2027-28. Measure W funds 50% of the city's Environmental Coordinator position and provides funding for consultants assigned to manage the Safe Clean Water Program, conduct commercial storm water inspections, and clean large-scale hazardous spills.

ART IN PUBLIC PLACES FUND: The City's Art in Public Places program is primarily funded through development-related contributions. As part of development agreements or conditions of project approval, developers are required to either incorporate public art into their projects or contribute an in-lieu fee to the city's Public Art Fund. Staff anticipates generating approximately \$400,000 in revenue in FY 2026-27 & FY 2027-28. However, the fund has a fund balance of \$2.0 million, which will be used to fund the proposed expenditures of \$1,756,800 in FY 2026-27 and \$400,000 in FY 2027-28.

COMMUNITY BENEFITS FUND: The Community Benefits Fund supports two Council-approved programs, which are the Senior Rent Program (\$190,000) & the Monthly Food Distribution (\$60,000). The fund's revenue source is not sufficient to support ongoing expenditures. Accordingly, the proposed biennial budget includes a General Fund transfer of \$250,000 annually to maintain program funding while staff evaluates long-term funding alternatives.

CAPITAL IMPROVEMENT FUND: The Capital Improvement fund is being proposed at \$4.6 million for FY 2026-27 and includes funding for the reimbursement portion of three projects: Commerce Safety Action and Vision Zero Plan - \$638,800, Commerce Cleanup with B2W - \$195,700, and the Citywide Traffic Signal Interconnect Project - \$3.7 million.

MEASURE AA FUND: Measure AA primarily funds the City's Capital Improvement Program (CIP), including projects already in progress and new projects for FY 2026-27 & FY 2027-28. In order to fund the FY 2026-28 CIP, staff is recommending \$13.3 million in appropriations for FY 2026-27 & \$11.6 million for FY 2027-28.

DEBT SERVICE FUNDS: The funds support the repayment of the City's two outstanding debt issuances. For FY 2026-27 & FY 2027-28, total debt service payments amount to \$2.9 million. These payments are funded through a transfer from the General Fund, with the actual debt service expenditures recorded in the respective debt service funds in accordance with proper governmental accounting standards.

WATER UTILITY FUND (Enterprise Fund): The fund is supported by a lease agreement with the California Water Service Company, which generates \$845,000 in annual revenue. For

FY 2026-27 & FY 2027-28, a proposed appropriation of \$104,500 will cover producer membership dues and include an overhead charge to the General Fund. This overhead allocation ensures the fund contributes its fair share for services provided by the City's general government departments. The allowable overhead rate, also known as the de minimis indirect cost rate, is set by the federal government at ten percent.

TRANSPORTATION FUND (Enterprise Fund): The Transportation fund is proposed at \$10.2 million for FY 2026-27 & \$10.4 million for FY 2027-28. The fund currently has a structural deficit of \$27 million and experiences annual operating deficits of approximately \$3.0 million. The deficit is primarily attributable to the cost of providing transit services exceeding available operating revenues and grant funding. For the FY 2026-28 Biennial Budget, the General Fund will provide support to prevent the deficit from growing further while staff evaluates long-term operational and financial strategies. The proposed budget includes General Fund support of approximately \$3.1 million in FY 2026-27 and \$3.3 million in FY 2027-28.

CNG/LNG STATION FUND (Enterprise Fund): The CNG/LNG Station fund is proposed at \$2.5 million for FY 2026-27 & FY 2027-28. The station provides alternative fuel for both City buses and third-party users and the City receives royalty payments from the private operator managing the facility.

SUCCESSOR AGENCY FUND: The Successor Agency fund is proposed at \$6.8 million for both FY 2026-27 & FY 2027-28, which is the amount approved by California's Department of Finance and the Oversight Board for the Recognized Obligation Payment Schedule (ROPS) to unwind the affairs of the former redevelopment agency.

The tables below and on the following page summarize the beginning fund balance, revenue and expenditures, and ending fund balance for all of the City's funds for both FY 2026-27 & FY 2027-28.

FY 2026-27

Funds	Beginning Fund Balance	FY 2026-27 Proposed Revenue	FY 2026-27 Proposed Expenditure	Ending Fund Balance
General Fund	\$81,715,700	\$76,640,500	(\$86,129,800)	\$72,226,400
Project Management Fund	33,872,322	-	(1,275,700)	32,596,622
Special Revenue	3,271,133	2,014,800	(3,014,800)	2,271,133
Art in Public Places	1,974,109	400,000	(1,756,800)	617,309
Community Benefit Fund	60,011	250,000	(250,000)	60,011
Capital Improvement Fund	1,152,266	4,578,100	(4,578,100)	1,152,266
Measure AA Fund	12,796,957	9,064,000	(13,312,900)	8,548,057 **
Debt Service Fund	2,201	2,940,800	(2,940,800)	2,201
Water Fund	3,952,216	845,000	(104,500)	4,692,716
Transportation Fund	(26,981,863)	10,192,900	(10,192,900)	(26,981,863)
CNG Fund	1,143,608	2,500,000	(2,500,000)	1,143,608
Successor Agency	11,106,192	7,300,200	(6,779,900)	11,626,492
Total	\$124,064,852	\$116,726,300	(\$132,836,200)	\$107,954,952

**Transfer from the General Fund covered operating deficit*

***Does not include \$24.0 million in reimbursable costs from capital projects*

FY 2027-28

Funds	Beginning Fund Balance	FY 2027-28 Proposed Revenue	FY 2027-28 Proposed Expenditure	Ending Fund Balance
General Fund	72,226,400	72,079,400	(88,194,600)	56,111,200
Project Management Fund	32,596,622	-	(1,368,500)	31,228,122
Special Revenue	2,271,133	2,081,400	(2,081,400)	2,271,133
Art in Public Places	617,309	400,000	(400,000)	617,309
Community Benefit Fund	60,011	250,000	(250,000)	60,011
Capital Improvement Fund	1,152,266	-	-	1,152,266
Measure AA Fund	8,548,057	9,335,900	(11,626,300)	6,257,657 **
Debt Service Fund	2,201	2,945,900	(2,945,900)	2,201
Water Fund	4,692,716	845,000	(104,500)	5,433,216
Transportation Fund	(26,981,863)	10,444,700	(10,444,700)	(26,981,863) *
CNG Fund	1,143,608	2,500,000	(2,500,000)	1,143,608
Successor Agency	11,626,492	7,300,200	(6,779,900)	12,146,792
Total	\$107,954,952	\$108,182,500	\$(126,695,800)	\$89,441,652

**Transfer from the General Fund covered operating deficit*

***Does not include \$24.0 million in reimbursable costs from capital projects*

JANUARY 2027 BUDGET REASSESSMENT

Given the uncertainty surrounding card room revenues, Measure PC collections, and the sustainability of certain City funds, staff will return to the City Council in January 2027 with updated revenue projections and budget recommendations.

The reassessment will include:

- Updated card club revenue projections.
- Updated Measure PC revenue projections.
- Evaluation of expenditure reductions included in the adopted budget.
- Review of reserve levels and long-term financial projections.
- Recommendations regarding restoration of budget reductions or additional expenditure adjustments, as appropriate.
- Review of Transportation Fund sustainability and long-term funding options
- Review of Community Benefits Fund funding sources and long-term sustainability.

GANN APPROPRIATIONS LIMIT

Article XIII B of the California Constitution requires local governments to establish an annual appropriations limit, commonly referred to as the GANN limit. For FY 2026-27, the City's calculated appropriations limit is \$264.4 million. Proposed appropriations of \$132.8 million are well below the allowable threshold.

REAPPROPRIATING PROJECT BALANCES AND ENCUMBRANCES FROM FY 2025-26 to FY 2026-27

To ensure continuity of operations across fiscal years, staff recommends authorizing the Director of Finance to carry forward unspent, previously appropriated funds into FY 2026-27. This authority is necessary for projects, grants, and purchases that have been approved but will not be completed by June 30. Without this authorization, staff would be required to return to the City Council for formal reappropriation of funds already approved, resulting in unnecessary administrative delays.

FY 2026-28 AUTHORIZED POSITIONS LIST

Attached to this report is the list of Authorized Positions for FY 2026-27 & FY 2027-28, which is the basis of the position control system (i.e., ensuring all positions are authorized by the City Council and budgeted properly). It is important to distinguish the salary schedule from the list of authorized positions. While the salary schedule defines the approved compensation ranges for each classification, the list of authorized positions specifies the positions that are actively funded and approved by the City Council in the biennial budget. The list reflects total full-time and part-time positions along with recommended changes for Council consideration.

FISCAL IMPACT:

The proposed FY 2026-28 Biennial Budget appropriates funding necessary to support City operations, capital improvements, debt service obligations, and other municipal activities during the two-year period.

ALTERNATIVES:

1. Approve recommendation
2. Disapprove recommendation
3. Provide staff with further direction

Recommended by: Alvaro Castellon, Director of Finance
Approved as to form: Noel Tapia, City Attorney
Respectfully submitted: Ernie Hernandez, City Manager

ATTACHMENTS:

1. Resolution – City’s Proposed Biennial Budget for FY 2026-28
2. Resolution – Establishing Appropriations Limit for FY 2026-27
3. Resolution – Reappropriating certain FY 2025-26 project balances and encumbrances to FY 2026-27
4. FY 2026-28 Listing of Authorized Positions