

TRACY FINANCE COMMITTEE
SPECIAL MEETING AGENDA
May 18, 2026, 5:00 P.M.



Tracy City Hall Chambers, 333 Civic Center Plaza, Tracy
Web Site: www.cityoftracy.org

**THIS MEETING WILL BE OPEN TO THE PUBLIC FOR IN-PERSON AND
REMOTE PARTICIPATION.**

**MEMBERS OF THE PUBLIC MAY PARTICIPATE REMOTELY IN THE MEETING
VIA THE FOLLOWING METHOD:**

As always, the public may view the Tracy Finance Committee meetings live on the City of Tracy's website at CityofTracy.org or on Comcast Channel 26/AT&T U-verse Channel 99. To view from the City's website, open the "Government" menu at the top of the City's homepage and select "Finance Committee", then select "[View Finance Committee Meetings on YouTube](#)"

If you only wish to watch the meeting and do not wish to address the Finance Committee, the City requests that you stream the meeting through the City's website or watch on Channel 26.

Remote Public Comment:

During the upcoming Finance Committee meeting public comment will be accepted via the options listed below. If you would like to comment remotely, please follow the protocols below:

- In-Person
- **Online by visiting <https://cityoftracy-org.zoom.us/join>** and using the following **Meeting ID: 882 7019 1206** and **Passcode: 512823** and using the "Raise Hand" icon to speak on an item; **or**
- Telephone by dialing +1-669-900-6833, entering **88270191206#** when prompted, entering **# (pound)** when prompted, entering **512823#** when prompted, pressing *9 to raise the Hand icon to speak on an item; and pressing *6 to unmute when you are requested to speak
 - ***If you would like to participate in the public comment anonymously***, you may submit your comment online via Zoom by typing "Anonymous" when prompted to provide a name

Public Comment Guidelines – The Brown Act provides that every regular Finance Committee meeting shall provide an opportunity for the public to address the Committee

on any item within its jurisdiction before or during the Committee's consideration of the item, provided no action shall be taken on any item not on the agenda. The City's "Items from the Audience/Public Comment" policy is outlined in Section 5.8, as revised by Resolution No. 2026-053, of the Council Meeting Protocols and Rules of Procedure. Pursuant to the City's policy, any public comment speaker on any item/segment (be it general public comment on an item not on the agenda; on a discussion/regular item; presentation; a public hearing; an appeal; an informational item; Consent Calendar; and/or an item pulled from the Consent Calendar), shall be limited to:

- Less than 5 requests (1-4 requests): Each speaker gets 4 minutes.
- 5-15 requests: Each speaker gets 3 minutes.
- 16 to 25 requests: Each speaker gets 2 minutes.
- More than 26 requests: Each speaker gets 90 seconds.
- For all requests submitted/hands raised after the first speaker is called (regardless of the number of speakers), the speakers shall receive 90 seconds.

Any submissions, letters, notes, complaints, and/or comments that an individual and/or entity wishes to be submitted and included in the official record for a Finance Committee meeting shall be due **before 12:00 p.m. on the day of the meeting** (i.e., 11:59 a.m. or earlier). Any submissions, letters, notes, complaints, and/or comments received timely as prescribed by this section will be transmitted to the Finance Committee and appropriate staff member(s), posted on the City's website, provided for inspection at the relevant Finance Committee Meeting, and included in the official meeting record. Any submissions, letters, notes, complaints, and/or comments that arrive 12:00 p.m. or later on the day of a Finance Committee meeting, while not part of the official meeting record, will be transmitted to the Finance Committee and appropriate staff member(s).

CALL TO ORDER

DISCLOSURE OF PARTICIPATION BY TELECONFERENCE PURSUANT TO GOVERNMENT CODE SECTION 54953.8.3, IF APPLICABLE (REMOTE PARTICIPATION)

ROLL CALL AND DECLARATION OF CONFLICTS

ORDER OF BUSINESS

1. CONSENT CALENDAR

1.A. Adoption of Minutes of April 13, 2026 Regular Meeting.

2. REGULAR AGENDA

- 2.A. Staff recommends that the Tracy Finance Committee, as a part of the Fiscal Year (FY) 2026-27 budget development process, provide direction on the proposed FY2026-27 Annual Budget and proposed funding from the General Fund for Capital Improvement Projects for FY2026-27.

3. STAFF ITEMS

4. ADJOURNMENT

Posting Date: May 14, 2026

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Requests for Language Interpretation and Translation – Requests for language interpretation and translation may be arranged by submitting a request to the City Clerk’s Office by emailing cityclerk@cityoftracy.org or calling (209) 831-6105 at least 24 hours prior to the meeting.

Full copy of the agenda can be found at the Tracy Library as well as on the City’s website: [Finance Committee | City of Tracy, CA](#)

TRACY FINANCE COMMITTEE

MEETING MINUTES

April 13, 2026, 5:00 p.m.

City Hall, 333 Civic Center Plaza, Tracy

Web Site: www.cityoftracy.org

CALL TO ORDER – Chairperson Evans called the meeting to order at 5:00 p.m.

There were no disclosures of participation by teleconference pursuant to Government Code Section 54953.8.3.

ROLL CALL AND DECLARATION OF CONFLICTS – Chairperson Evans and Co-Chairperson Abercrombie were present. The Committee had no declarations of conflict.

1. CONSENT CALENDAR – Motion was made by Co-Chairperson Abercrombie and seconded by Chairperson Evans to adopt the Consent Calendar; motion passed via verbal affirmation by committee.
 - 1.A. Adoption of March 10, 2026 Meeting Minutes – **Minutes were approved.**
 - 1.B. Staff recommends that the Tracy Finance Committee receive an informational report on the status of the City Council’s FY2025-26 Budget.
2. ITEMS FROM THE AUDIENCE – there were no items from the audience.
3. REGULAR AGENDA

Co-chair Abercrombie made a motion for items 3.C. and 3.D. to go directly to Council, Chairperson Evans seconded, motion found all in favor: passed and so ordered.

- 3.A. Staff recommends that the Tracy Finance Committee receive an informational report on the City’s Pension Liability.

Sara Castro, Finance Director, and consultant Dmitry Semenov with Ridgeline Municipal Strategies, LLC, provided the staff report and presentation and sought committee feedback.

There was no public comment.

ACTION: Motion was made by Co-Chairperson Abercrombie and seconded by Chairperson Evans that the Tracy Finance Committee receive an informational report on the City’s Pension Liability and recommend that it go back to Council at a special Council meeting. Motion found all in favor: passed and so ordered.

- 3.B. Staff recommends that the Tracy Finance Committee receive an informational report on the FY2025-26 quarters 1 and 2 Treasurer’s report

Ray McCray, City Treasurer, provided the staff report and sought committee feedback.

ACTION: Motion was made by Co-Chairperson Abercrombie and seconded by Chairperson Evans that the Tracy Finance Committee receive an informational report on the

- FY2025-26 quarters 1 and 2 Treasurer's report. Motion found all in favor: passed and so ordered.
- 3.C. Co-Chair Abercrombie, at the start of the meeting, made a motion for items 3.C. and 3.D. to go directly to Council, Chairperson Evans seconded, motion found all in favor: passed and so ordered.
- 3.D. Co-Chair Abercrombie, at the start of the meeting, made a motion for items 3.C. and 3.D. to go directly to Council, Chairperson Evans seconded, motion found all in favor: passed and so ordered.
- 3.E. Staff recommends that the Tracy Finance Committee recommend that the City Council (1) conduct a Public Hearing for City Council to receive and consider comments on the proposed Citywide Master Fee Schedule, and upon conclusion, (2) adopt a resolution that (A) approves and adopts, the proposed Citywide Master Fee Schedule, including the corrected Palmistry Background Investigation Fee, effective immediately; and (B) approves and adopts, the New Bingo License Fee and the Bingo License Renewal fee, effective June 4, 2026; and (C) approves and adopts, a 3% inflationary adjustment to applicable fees, effective July 1, 2026; and (D) rescinds Resolution 2025-290, effective July 1, 2026.

Mariann Stolte, Financial Analyst, provided the staff report and sought committee feedback.

Committee asked clarifying questions.

ACTION: Motion was made by Co-Chairperson Abercrombie and seconded by Chairperson Evans that the Tracy Finance Committee recommend that the City Council (1) conduct a Public Hearing for City Council to receive and consider comments on the proposed Citywide Master Fee Schedule, and upon conclusion, (2) adopt a resolution that (A) approves and adopts, the proposed Citywide Master Fee Schedule, including the corrected Palmistry Background Investigation Fee, effective immediately; and (B) approves and adopts, the New Bingo License Fee and the Bingo License Renewal fee, effective June 4, 2026; and (C) approves and adopts, a 3% inflationary adjustment to applicable fees, effective July 1, 2026; and (D) rescinds Resolution 2025-290, effective July 1, 2026.

- 3.F. Staff recommends that the Tracy Finance Committee receive an update on the Measure V revenue projections, current spending plan, and provide direction to staff regarding priorities and interest allocation for the current fiscal year.

Felicia Galindo, Budget Officer, provided the staff report and sought committee feedback.

Committee asked clarifying questions.

Chairperson Evans would like staff to provide a more robust presentation outlining what would be received for the dollars allocated from what is proposed by staff.

Co-Chair Abercrombie stated that the committee would like to use the interest earned for other projects and would like to take this recommendation to the Parks Commission for feedback prior to taking it to Council.

Midori Lichtwardt, City Manager, confirmed that the staff will work on a timeline to complete the requests made by the committee.

ACTION: Motion was made by Co-Chairperson Abercrombie and seconded by Chairperson Evans that the Tracy Finance Committee receive an update on the Measure V revenue projections, current spending plan, and provide direction to staff to move forward with the interest being used for other projects and taking it to the Parks Commission and then to Council.

- 3.G. Staff recommends that the Tracy Finance Committee, as a part of the Fiscal Year (FY) 2026-27 budget development process, provide direction regarding anticipated departmental requests and funding objectives for the FY 2026-27 Budget.

Felicia Galindo, Budget Officer, provided the staff report and sought committee feedback.

ACTION: Motion was made by Co-Chairperson Abercrombie and seconded by Chairperson Evans that the Tracy Finance Committee, as a part of the Fiscal Year (FY) 2026-27 budget development process, provide direction regarding anticipated departmental requests and funding objectives for the FY 2026-27 Budget. Motion found all in favor: passed and so ordered.

- 4. STAFF ITEMS – None
- 5. COMMITTEE ITEMS -- None
- 6. ADJOURNMENT – Time: 6:30 p.m.

ACTION: Motion was made by Co-Chairperson Abercrombie and seconded by Chairperson Evans to adjourn. Motion found all in favor; passed and so ordered.

The agenda was posted at City Hall on April 10, 2026. The above are action minutes. A recording of this meeting is available on the City of Tracy’s website.

Chairperson

ATTEST:

Clerk

May 18, 2026

AGENDA ITEM 2.A.

RECOMMENDATION

Staff recommends that the Tracy Finance Committee, as a part of the Fiscal Year (FY) 2026-27 budget development process, provide direction on the proposed FY2026-27 Annual Budget and proposed funding from the General Fund for Capital Improvement Projects for FY2026-27.

EXECUTIVE SUMMARY

The City's annual budget serves as a financial reflection of the City Council's goals and priorities. Accordingly, the City Manager's proposed Fiscal Year (FY) 2026-27 Annual Operating and Capital Budget has been developed within the framework of the Council's adopted strategic priorities and objectives. Along with presenting this report, staff is also seeking feedback on the proposed FY 2026-27 Annual Budget.

BACKGROUND

Annually, staff prepares a report outlining the development of the proposed budget. This report is presented to review operating funding requests for the upcoming fiscal year and to provide an opportunity for the Finance Committee to offer feedback, which will be incorporated into the FY 2026–27 Budget.

The Finance Committee is a standing committee of the City Council; this report and discussion are being presented first to the Committee. Feedback received will be incorporated into the proposed FY 2026–27 Operating and Capital Budget, which will be presented to the City Council on June 2.

ANALYSIS

Proposed FY 2026/27 Citywide Annual Operating Budget

The FY 2026/27 Annual Operating Budget reflects a commitment to growth, innovation, and fiscal sustainability in support of the community it serves. The proposed Operating Budget aligns with Council priorities, supports essential services, and provides a framework for thoughtful planning while upholding a strong financial foundation. As we face an uncertain future, the City remains committed to advancing its fiscal sustainability strategies, including reducing long-term liabilities, addressing deferred maintenance, and maintaining key services. This proactive approach positions the City to navigate potential economic challenges with resilience.

The proposed FY 2026-27 Annual Budget appropriations total approximately \$349.6 million, including \$17.9 million in Transfers Between funds and capital improvements of \$14.4 million. This reflects an overall decrease of \$38.2 million dollars from the adopted FY2025-26 operating and capital budget. The change is linked to the decrease in the

amount of new capital improvement projects being adopted into the proposed FY2026-27 capital budget.

	<u>FY 2025/26</u> <u>Adopted</u> <u>Budget</u>	<u>FY 2026/27</u> <u>Proposed</u> <u>Budget</u>	<u>(Increase/</u> <u>Decrease) %</u>
General Fund	130,430,925	135,363,866	4%
Special Revenue Funds	44,817,153	37,509,784	-19%
Capital/Debt	36,333,309	14,408,416	-152%
Internal Services Funds	28,201,336	31,989,471	12%
Enterprise Funds	113,108,006	112,330,505	-1%
Total Expenditures (without Transfers)	<u>352,890,729</u>	<u>331,602,042</u>	<u>-6%</u>
Transfers Between Funds	<u>34,876,690</u>	<u>17,995,750</u>	<u>-94%</u>
Total Expenditures (with Transfers)	<u>387,767,419</u>	<u>349,597,792</u>	<u>-10.9%</u>

Proposed budget for all funds

<u>EXPENSES (in thousands)</u>	<u>FY 25/26</u> <u>Amended</u>	<u>FY 26/27</u> <u>Proposed</u>	<u>FY 27/28</u> <u>Forecasted</u>
General Fund	154,333	153,040	160,523
Building Fees	7,250	7,009	7,239
Engineering Fees	11,257	12,996	13,372
Planning Fees	4,066	3,950	4,142
Gas Tax	10,158	2,420	2,557
Special Revenue	123,073	11,135	14,269
General Fund Capital	165,222	4,357	7,973
Capital	94,162	1,134	1,151
Debt	9,214	9,217	9,238
Internal Services	32,693	31,989	35,180
Water	32,986	28,244	27,959
Wastewater	52,581	28,171	28,807
Solid Waste	41,530	41,795	41,968
Storm Drain	726	996	1,014
Airport Enterprise	2,959	2,034	2,070
Transit	26,505	11,110	10,733
TOTAL EXPENDITURES	768,715	349,597	368,195

Proposed FY 2026/27 General Fund Annual Operating

The General Fund forecast presented on April 7, 2026, incorporates a 3% short-term inflation factor for expenditures, tapering to 1–2% over the long term, to help maintain the City’s current purchasing power. However, ongoing inflationary pressures and supply chain disruptions may result in non-personnel cost increases that exceed the projected 3% assumption. Should this occur, the City could incur higher-than-anticipated expenditures, potentially diminishing overall purchasing power. As the cost of goods and services has historically increased at a rate exceeding City revenue growth—primarily due to regulatory limitations—staff will continue to monitor inflationary trends and evaluate related fiscal impacts on a quarterly basis.

Below is the table from April 7, 2026, forecast that provided the financial framework for the General Fund budget process.

(In millions)

	Projected FY26	Forecast FY27	Forecast FY28	Forecast FY29	Forecast FY30	Forecast FY31
Revenue	\$174,984	\$165,420	\$170,035	\$171,736	\$173,453	\$175,187
Expense	\$160,215	\$170,111	\$170,035	\$171,736	\$173,453	\$175,187
Surplus/Deficit	\$14,769	(\$4,691)	\$0	\$0	\$0	\$0

General Fund

The following table is a summary of the General Fund Budget for, amended FY2025/26, proposed FY2026/27, and forecasted for FY 2027/28. A comprehensive Five-Year Summary has been included as Attachment A to the report.

REVENUES (in thousands)	FY25/26 (amended)	FY26/27 Proposed	FY27/28 Forecasted
Property Tax	\$ 35,879	\$ 38,124	\$ 38,506
Sales Tax	86,525	76,033	78,897
Sales Tax - Measure V	11,908	12,052	12,293
Other Taxes	6,937	7,310	7,310
Other Revenues	26,625	24,574	24,794
TOTAL REVENUES	\$ 167,874	\$ 158,093	\$ 161,800

EXPENDITURES (in thousands)	FY25/26 (amended)	FY26/27 Proposed	FY27/28 Forecasted
Personnel	\$ 73,594	\$ 70,670	\$ 74,136
Contracted Services	37,330	34,642	35,040
Supplies & Equipment	3,871	3,367	3,135
Utilities	3,372	3,382	3,382
Internal Service Charges	17,164	21,132	21,247
Capital	1,513	1,305	1,166
Other Payments	816	866	868
TOTAL EXPENDITURES	\$ 137,660	\$ 135,364	\$ 138,974

Transfers In	\$ 10	\$ 260	\$ 260
Transfers Out	(11,913)	(12,993)	(16,635)
Transfers Out: Measure V Capital	(4,761)	(4,681)	(4,914)
Total Net Transfers In/Out	\$ (16,664)	\$ (17,414)	\$ (21,289)

Total Change	13,550	5,315	1,537
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Prior Year Reserves	76,067	90,401	95,808
Use of Reserves			
Non-Spendable	13,725	28,313	27,520
Restricted	10,037	10,537	10,550
Committed	24,046	24,436	25,054
Assigned	28,994	29,391	29,864
Unassigned (deficit)	13,599	3,131	4,441
Year End Reserves	90,401	95,808	97,429

- 1) *Non-Spendable are pre-paid items for the next fiscal year, Advances to other funds (loans)*
- 2) *Restricted items include, 115 Pension Trust (related to CalPERS), and Medical Leave Balances*
- 3) *Committed – Contingency/Emergency Reserves (17%)*
- 4) *Assigned – These are intended for specific purposes, such as Economic/Budget Stability Reserves (13%), Animal Control Trust, and Prior Years budgetary carryovers*

Budget and Fiscal Sustainability Funding Planning

The Council's Fiscal Sustainability Strategies, established as part of the fiscal year 2023 budget process, have played a significant role in preserving the City's fiscal stability and mitigating future liabilities. While these strategies were originally intended to remain in effect through fiscal year 2028, the projected decline in sales tax revenue has resulted in all strategies—except those related to City services and programs—being removed from the proposed budget. The following table reflects funding that has been allocated through these strategies to date:

City Council's Fiscal Sustainability Strategies					
	Actual FY23	Actual FY24	Actual FY25	Budgeted FY26	Total To Date
CalPERS Liability Prefunding	\$2M	\$2.5M	\$0	\$0.5M	\$5M
Retiree Medical Program	\$2M	\$2.5M	\$0	\$0	\$4.5M
Public Safety Facilities				\$11M	\$11M
Deferred Mtc. - Buildings				\$0.5M	\$0.5M
Deferred Mtc - Streets	\$3M	\$3.8M	\$4.2M	\$2.5M	\$13.5M
Deferred Mtc - Parks	\$2M	\$2.5M	\$2.5M	\$1.0M	\$8.0M
City Services-Programs	\$3M	\$3.7M	\$2.4M	\$2M	\$11.1M
Total	\$12M	\$14.9M	\$9.1M	\$17.5M	\$53.5M

Public Safety Facilities

At the March 10th Special Finance committee meeting, staff provided a report and sought directions on funding and project prioritization of Public Safety Facilities. As part of the FY2025/26 Fiscal Strategies, City Council had committed \$11m towards funding Public Safety Facilities. The committee recommended utilizing a portion of the funding as follows:

CIP	Project Name	Amount
71113	Station 91 Renovations	2,235,000
71139	Police Substation	500,000
71140	Fire Station 97 Relocation	2,500,000
		5,235,000

At the April 7th City Council meeting, staff presented the funding recommendations and potential funding plan for the new facilities. Station 91 would be fully funded to complete the necessary renovations. For the Police Substation and Relocation of Fire Station 97, additional funding beyond the above commitments would be needed to be fully funded as depicted in the following table:

Project	Total Project Cost	General Fund Responsibility	Impact* Fees	Other Funding Sources
Police Substation	\$19,000,000	\$9,497,536	\$9,502,464	\$0
Fire Station 97 - Valpico Relocation	\$12,000,000	\$1,673,699	\$5,856,301	\$4,470,000
Fire Station 91	\$2,600,000	\$2,600,000	\$0	\$0
Total	\$33,600,000	\$13,771,235	\$15,358,765	\$4,470,000

** The City collects development impact fees, which are one-time charges assessed on new development to fund public infrastructure and facilities needed to serve growth. These fees are restricted to eligible capital improvements and may not be used for ongoing operational expenses. The City also prepares a Nexus Study to identify the share of new public safety facilities, such as police and fire stations, that are needed to serve future growth. This study determines the portion of project costs that can legally be funded through Public Safety Impact Fees paid by new development. The portion not attributed to growth is expected to be allocated through the City's General Fund.*

As part of the report to council, there were proposed adjustments to other General Fund projects to re-allocate to the Public Safety Facilities. Staff were directed to return with a funding plan to be included as part of the FY2026/27 Budget. The proposed funding plan also includes the remaining balance of the public facilities funding as follows:

Police Substation – Estimated Cost \$19,000,000

Funding Source	FY2025/26*	FY2026/27
71133 - Public Safety Facilities*	500,000	5,765,000
General Fund - Measure V Interest		750,000
71120 - General Plan Update		500,000
77588 - Master Plan Update New Jerusalem		250,000
71110 - PD Range		375,000
73206 FY2025/26 Pavement Management Plan		1,357,536
TIMP - Public Safety Loan**		9,502,464
		19,000,000

Fire Station 97 – Valpico Re-Location – Estimated Cost \$12,000,000

Funding Source	FY2025/26	FY2026/27
71133 - Public Safety Facilities*	2,235,000	(561,301)
TIMP - Public Safety – Loan**		5,856,301
Other Funding Sources		4,470,000
		<u>12,000,000</u>

*FY2025/26 Fiscal Sustainability Funding

**TIMP - Public Safety (Loan), staff will return at a later date to discuss the loan from general fund to the Impact Fees.

FY 2026/27 Proposed Annual Operating and Capital Budget Personnel and Programs

This budget includes funding for additional positions requested by various departments. See Attachment B for a summary of the requests.

Department	Position
City Manager’s Office	(1) Communications Coordinator
City Manager’s Office	(1) Arts Program Assistant
Public Works	(1) Cross Connection Control Specialist

Citywide, across all funds there are \$8.35 million in augmentations. See Attachment C for additional details for all budget augmentations included in the FY2026/27 budget.

Total Request Amount	Other Fund On-Going	Other Fund One-Time	General Fund Ongoing	General Fund One-Time
\$8,350,417	\$5,508,189	\$ 878,664	\$995,253	\$ 968,311

Capital Improvement Program

Ongoing evaluation of capital improvement needs is essential for effective budget planning and infrastructure development. Staff will be conducting a CIP workshop with City Council in the fall to discuss the 5-Year program. The following FY 2026-27 requests are those that have General Fund impacts:

Project Number	Project Name	Request FY26-27
71137	Annual Arterial Landscaping Tree	796,500
71135	Police Radio Replacement 5 Year (Second Year)	675,000
73207	Annual Road Improvements - PW Streets	650,000
71124	SSJCFA - Replacements	530,450
71141	Centralized Computing 5 Year	155,000
71142	Cyber Security Infrastructure Replacement 5 Year	150,000
Total		2,956,950

71137 Annual Arterial Landscaping, Tree Maintenance & Removal (LMD) - Annual Maintenance Project Pursuant to Prop 218, revenue generated from the assessed zones in the LMD should not be utilized to support efforts which are considered a general benefit to the public. Per the Engineer's LMD report, arterial roadways are considered a general benefit to the community as individuals, businesses, and non-profits utilize them for ease of transportation and connectivity throughout the community.

71135- Police Radio Replacement – The Police Department is transitioning to a new radio system that requires the purchase of new hand held units that are compatible with the new system. Partial conversion has already occurred such that the FY 2026-27 need is for approximately 64 new units to complete the conversion.

73207 - Annual Road Improvements (Public Works Maintenance) - This project represents the Streets Division’s annual maintenance funding within Public Works. It enables crews to target specific areas and extend the lifespan of city streets.

71124 - City of Tracy Apparatus Replacement (SSJCFA) - The City, as a member agency under the SSJCFA joint powers agreement, owns and maintains the fire engines at each of its respective fire stations. On December 21, 2021, the SSJFCA board adopted a resolution (2021-034) approving the apparatus replacement plan. This project is to accumulate funding for future replacements.

71141 - Centralized Computing Replacement - The IT Department is establishing a Capital Improvement Program (CIP) to support the lifecycle management and timely replacement of the computer platform hardware that underpins the organization’s virtual environment. This infrastructure is critical to the delivery of core business applications, data storage, and virtualized services relied upon across all departments. Ensuring that the computer platform remains current is essential for maintaining optimal performance, scalability, and system reliability, while also reducing exposure to hardware failures, capacity constraints, and evolving cybersecurity risks. As demand for processing power and storage continues to grow, proactive investment in this infrastructure is necessary to sustain operational efficiency and service continuity.

71142 - Cyber Security Infrastructure Replacement - The IT Department is establishing a Capital Replacement Program (CIP) to ensure the timely and strategic replacement of critical infrastructure hardware. Maintaining up-to-date infrastructure is essential to supporting reliable system performance, safeguarding data security, and minimizing the risk of service disruptions that could impact daily operations and public services. As technology continues to evolve, aging hardware becomes increasingly vulnerable to failures, cyber threats, and compatibility issues, making proactive replacement a critical component of organizational resilience.

Measure V Interest Allocation:

At the October 15, 2025, Tracy Finance Committee meeting, staff presented an informational report on how interest earned on Measure V funds is allocated. The City invests cash according to its adopted investment policy, and interest earnings are distributed proportionally among City funds.

Recent increases in interest rates, along with maturing long-term investments and a large unused Measure V balance being temporarily held before capital projects begin construction, have significantly increased interest earnings. Much of the Measure V capital funding has not yet been spent because projects are still in the planning phase, so the cash remains in the General Fund until contracts are executed and expenditure is needed.

The committee requested that interest earnings be reviewed annually by the City Council to help determine how those funds should be used each fiscal year. As of December 31, 2025, approximately \$1.4 million in interest earnings may be available for allocation to existing or new capital projects or for one-time General Fund expenses.

At the April 21st meeting, City Council directed staff to allocate the funding as follows:

Project Number	Project Name	Request FY26-27
78194	McDonald Park Improvements	650,000
71139	Police Substation	750,000

78194 McDonald Park Improvements - This project would replace the oldest General Fund playground in the City's park system and include renovations to existing sport courts, replacement of site furnishings, and other landscape improvements. Construction of the McDonald Park Improvements project would begin in FY 27/28 and be completed by FY 28/29. McDonald Park is currently included in the Capital Improvement Program (CIP #78191) in combination with Edgar Thoming Park, with a limited scope focused on sport court renovations. This proposal would separate the two into individual projects to allow for a more comprehensive improvement at McDonald Park, which is a higher priority.

STRATEGIC PLAN

This item supports the City's Government Accountability priority by ensuring transparency, compliance with applicable laws, and responsible financial management.

ACTION REQUESTED OF THE FINANCE COMMITTEE

Staff recommends that the Tracy Finance Committee, as a part of the Fiscal Year (FY) 2026-27 budget development process, provide direction on the proposed FY2026-27 Annual Budget and proposed funding from the General Fund for Capital Improvement Projects for FY2026-27.

Prepared by: Felicia Galindo, Budget Officer

Reviewed by: Sara Castro, Director of Finance
Arturo M. Sanchez, Assistant City Manager
L. David Nefouse, City Attorney

Approved by: Midori Lichtwardt, City Manager

ATTACHMENTS

Attachment A – Summary of Proposed Revenues and Expenditures for General Fund

Attachment B – FY2026-27 Staffing Requests

Attachment C - FY2026-27 Budget Augmentations

SUMMARY OF PROPOSED REVENUES AND EXPENDITURES FOR THE GENERAL FUND

REVENUES (in thousands)	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29
	Actuals	Projected	Proposed	Forecasted	Forecasted
Property Tax	\$ 35,682	\$ 35,879	\$ 38,124	\$ 38,506	\$ 38,891
Sales Tax	82,911	86,525	76,033	78,897	80,408
Sales Tax - Measure V	11,899	11,908	12,052	12,293	12,539
Other Taxes	7,279	6,937	7,310	7,310	7,310
Other Revenues	36,004	26,625	24,574	24,794	25,021
TOTAL REVENUES	\$ 173,775	\$ 167,874	\$ 158,093	\$ 161,800	\$ 164,169
EXPENDITURES (in thousands)					
Personnel	\$ 68,975	\$ 73,594	\$ 70,670	\$ 74,136	\$ 77,978
Contracted Services	30,355	37,330	34,642	35,040	36,131
Supplies & Equipment	2,794	3,871	3,367	3,135	3,135
Utilities	3,589	3,372	3,382	3,382	3,382
Internal Service Charges	14,852	17,164	21,132	21,247	21,367
Capital	(1,406)	1,513	1,305	1,166	1,166
Other Payments	906	816	866	868	870
TOTAL EXPENDITURES	\$ 120,065	\$ 137,660	\$ 135,364	\$ 138,974	\$ 144,029
Transfers In	\$ 224	\$ 10	\$ 260	\$ 260	\$ 260
Transfers Out	(25,260)	(11,913)	(12,993)	(16,635)	(16,660)
Transfers Out: Measure V Capital	(6,853)	(4,761)	(4,681)	(4,914)	(5,156)
TOTAL NET TRANSFERS IN/(OUT)	(31,889)	(16,664)	(17,414)	(21,289)	(21,556)
Total Change in Net Position	21,821	13,550	5,315	1,537	(1,416)
Prior Year Reserves	55,255	76,067	90,401	95,808	97,429
<u>Use of Reserves</u>					
NonSpendable	13,064	13,725	28,313	27,520	26,927
Restricted	10,465	10,037	10,537	10,550	10,561
Committed	21,189	24,046	24,436	25,054	25,915
Assigned	26,389	28,994	29,391	29,864	30,522
Unassigned (deficit)	4,960	13,599	3,131	4,441	2,169
Year End Reserves	76,067	90,401	95,808	97,429	96,094

FY 2026/27 Proposed Annual Operating and Capital Budget Personnel

Department	Division	Position	Funding Source	General Fund	Other
City Manager's Office	Communications	Communications Coordinator	61% General Fund & 39% Other Funds	12,292	7,859
City Manager's Office	Cultural Arts	Arts Program Assistant	74% General Fund & 26% Other Funds	77,893	27,351
Public Works	Utilities	Cross Connection Control Specialist	75% Water & 25% Wastewater		198,723
				<u>\$ 90,185</u>	<u>\$ 233,933</u>

City Manager's Office

Communications Coordinator

Funding Source: General Fund (61%) and Other Funds (39%)

Justification: This request is for an additional position in the Communications Division. The Communications Division provides essential support for a wide range of City meetings, events, and public information initiatives, many of which occur outside standard business hours. Core functions include staffing and documenting meetings and events, maintaining and troubleshooting audiovisual (AV) systems in City facilities, and producing photo and video content for official communications and projects.

At present, effective meeting support requires a minimum of two trained staff members; however, current ACA/PERS part-time staffing limitations constrain the Division's ability to consistently meet operational demands. The addition of a consolidated position is recommended to improve service delivery by ensuring reliable coverage for meeting operations, AV system maintenance, and multimedia production. This approach will strengthen organizational efficiency, enhance accountability, and provide greater continuity of service to City departments, public meetings, and community events.

Arts Education Program Assistant

Funding Source: General Fund (74%) and Other Funds (26%)

Justification: This request is for an additional position for Cultural Arts; it will increase capacity for Arts Education Program development, customer service

and rentals. Benefits can be quantified in the number of public facility hours, classes, camps, workshops, etc., as well as increasing Arts Education Program revenue.

Public Works

Cross Connection Control Specialist

Funding Source: Water (75%) & Wastewater (25%)

Justification: This request is to add (1) Cross-Connection Control Specialist position to the Utilities Division. This is necessary to effectively administer the City's Cross-Connection Control Program in compliance with California drinking water regulations. This role is responsible for ensuring consistent inspections, testing, and enforcement of backflow prevention requirements, thereby minimizing the risk of water contamination, regulatory non-compliance, fines, and potential service interruptions. Establishing this position will help protect public health and reduce the likelihood of significant financial and operational impacts to the City.
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Department	Augmentation Title	TYPE	Total Request Amount	Other Fund Ongoing	Other Fund One-Time	General Fund Ongoing	General Fund One-Time
City Attorney	New Printer	Supplies	4,000		1,640		2,360
City Managers Office	(1) Communications Coordinator	Personnel	23,702	7,859	1,385	12,292	2,166
City Managers Office	(1) Arts Program Assistant	Personnel	105,244	27,351		77,893	
City Managers Office	CAD - Presenting - Entertainment	Contract Services	100,000		21,000		79,000
City Managers Office	CAD - Presenting - Equipment Rental	Contract Services	23,322		13,800		9,522
City Managers Office	CAD - Presenting - Travel	Contract Services	14,320		8,000		6,320
City Managers Office	CAD - Presenting - Food	Supplies	4,000		840		3,160
City Managers Office	CAD - Marketing - Brochure & Website	Contract Services	42,660		13,225		29,435
City Managers Office	CAD - Marketing - Printing	Contract Services	4,000		840		3,160
City Managers Office	CAD - Marketing - Advertising & Publications	Contract Services	91,172		50,934		40,238
City Managers Office	CAD - Marketing - Social Media	Contract Services	8,950		5,000		3,950
Community & Economic Development	Office services - Increased marketing collateral	Contract Services	100,000				100,000
Community & Economic Development	Increase to Professional Services	Contract Services	145,000				145,000
Human Resources	Settlement Agreements	Contract Services	50,000			50,000	
Human Resources	Employee Engagement	Supplies	50,000	15,500		34,500	
Innovation & Technology	Increase for Microsoft Licenses	Contract Services	73,824	18,456		55,368	
Parks, Recreation & Community Services	New Shelter Operator (Contract Increase)	Contract Services	661,500			661,500	
Parks, Recreation & Community Services	Restroom Services	Personnel	100,000				100,000
Parks, Recreation & Community Services	Chemicals/Turf Maintenance	Contract Services	48,000				48,000
Parks, Recreation & Community Services	Site Furnishing Replacement Program (GF Parks)	Supplies	50,000				50,000
Parks, Recreation & Community Services	Site Furnishing Replacement Program (TSC)	Supplies	50,000				50,000
Parks, Recreation & Community Services	Fencing/Backstop Repair	Contract Services	25,000				25,000
Police	Red Dot Sights (RDS)	Supplies	101,000				101,000
Police	Police Academy for Recruits	Contract Services	31,000				31,000
Police	Professional Staff Vehicles	Capital	139,000				139,000
Public Works	Increase funding to Purchase Vehicle Parts (Fleet)	Supplies	100,000	39,000		61,000	
Public Works	Increase funding to Purchase Vehicle Services (Fleet)	Contract Services	50,000	19,500		30,500	

Department	Augmentation Title	TYPE	Total Request Amount	Other Fund Ongoing	Other Fund One-Time	General Fund Ongoing	General Fund One-Time
Public Works	Increase Technician Training (Fleet - Electric)	Contract Services	10,000	3,900		6,100	
Public Works	Increase Equipment (Fleet - Electric)	Supplies	10,000	3,900		6,100	
Public Works	(1) Cross Connection Control Specialist	Personnel	201,723	198,723	3,000		
Public Works	(2) Vehicles - Construction Management	Capital	129,000		129,000		
Public Works	Construction Mgmt./Design Engineer	Contract Services	74,000	74,000			
Public Works	Traffic Responses/Grants (consultants)	Contract Services	100,000	100,000			
Public Works	Increase in Chemical Costs	Supplies	250,000	250,000			
Public Works	Increase in the cost of water contracts	Contract Services	750,000	750,000			
Public Works	Increase for Meter testing program	Contract Services	300,000	300,000			
Public Works	Purchase Additional Water Meter Replacements	Supplies	200,000	200,000			
Public Works	Equipment (Ut Maint) Water Plant	Capital	100,000	100,000			
Public Works	Increase for Supplies - Lab	Contract Services	25,000	25,000			
Public Works	Increase for Pre-Treatment due to increase in regulatory compliance	Contract Services	100,000	100,000			
Public Works	Replacement Lab Equipment	Capital	100,000		100,000		
Public Works	Increase Training collections line maint	Contract Services	25,000	25,000			
Public Works	Increase Equipment collections line	Supplies	100,000		100,000		
Public Works	Increase Tracy Disposal Garbage	Contract Services	2,000,000	2,000,000			
Public Works	Increase Tracy Disposal Recycling	Contract Services	1,000,000	1,000,000			
Public Works	Channel Ways & Basin Maintenance	Contract Services	250,000	250,000			
Public Works	Increase in Transit Service Contract	Contract Services	200,000		200,000		
Public Works	Transit Contract - Telephone Upgrade	Contract Services	230,000		230,000		
			<u>8,350,417</u>	<u>5,508,189</u>	<u>878,664</u>	<u>995,253</u>	<u>968,311</u>

Proposed FY 2026-27 Annual Operating & Capital Budget



Monday, May 18, 2026



Presentation Outline

- Proposed FY 2026/27 Citywide Annual Operating and Capital Budget
- Proposed FY 2026/27 General Fund Annual Operating and Capital Budget
- FY 2026/27 Proposed Annual Operating and Capital Budget Personnel



Presentation Outline

- Fiscal Sustainability Funding Plan
- FY 2026/27 Proposed Annual Operating and Capital Budget
General Fund Projects
- Questions

Proposed FY 2026/27 Citywide Annual Operating and Capital Budget

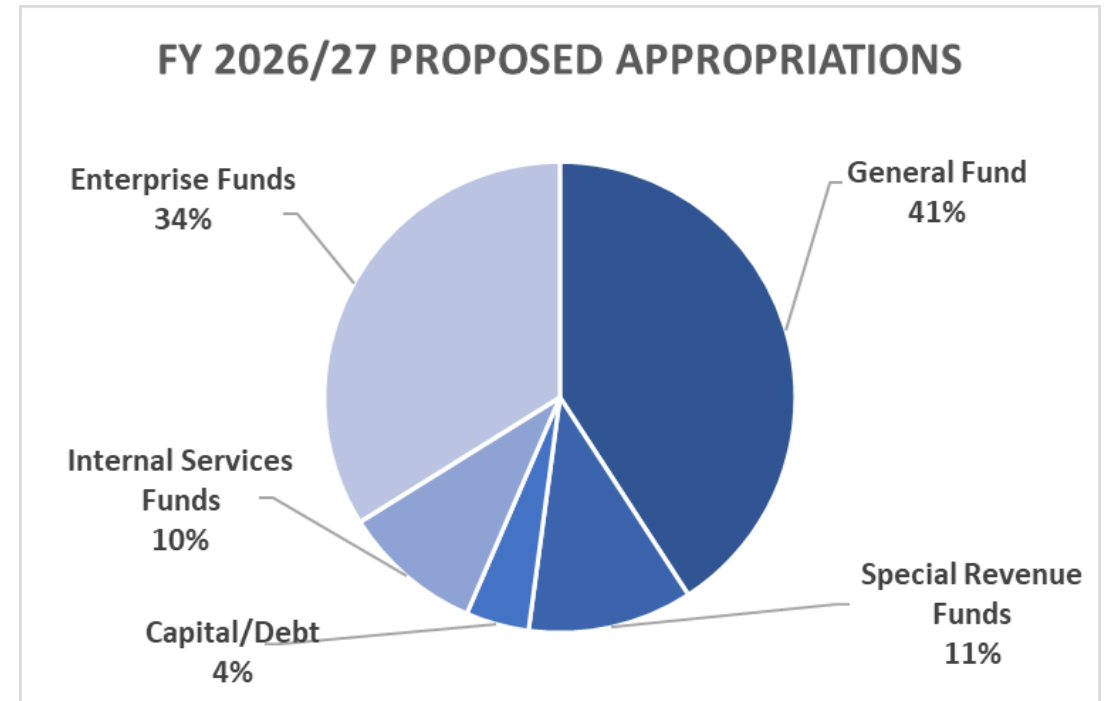


City Wide Budget

<u>EXPENSES (in thousands)</u>	<u>FY 25/26</u> <u>Amended</u>	<u>FY 26/27</u> <u>Proposed</u>	<u>FY 27/28</u> <u>Forecasted</u>
General Fund	154,333	153,040	160,523
Building Fees	7,250	7,009	7,239
Engineering Fees	11,257	12,996	13,372
Planning Fees	4,066	3,950	4,142
Gas Tax	10,158	2,420	2,557
Special Revenue	123,073	11,135	14,269
General Fund Capital	165,222	4,357	7,973
Capital	94,162	1,134	1,151
Debt	9,214	9,217	9,238
Internal Services	32,693	31,989	35,180
Water	32,986	28,244	27,959
Wastewater	52,581	28,171	28,807
Solid Waste	41,530	41,795	41,968
Storm Drain	726	996	1,014
Airport Enterprise	2,959	2,034	2,070
Transit	26,505	11,110	10,733
TOTAL EXPENDITURES	768,715	349,597	368,195

City Wide Budget

	<u>FY 2025/26</u>	<u>FY 2026/27</u>	
	<u>Adopted</u>	<u>Proposed</u>	<u>(Increase/</u>
	<u>Budget</u>	<u>Budget</u>	<u>Decrease) %</u>
General Fund	130,430,925	135,363,866	4%
Special Revenue Funds	44,817,153	37,509,784	-19%
Capital/Debt	36,333,309	14,408,416	-152%
Internal Services Funds	28,201,336	31,989,471	12%
Enterprise Funds	113,108,006	112,330,505	-1%
Total Expenditures (without	352,890,729	331,602,042	-6%
Transfers Between Funds	34,876,690	17,995,750	-94%
Total Expenditures			
(with Transfers)	387,767,419	349,597,792	-10.9%



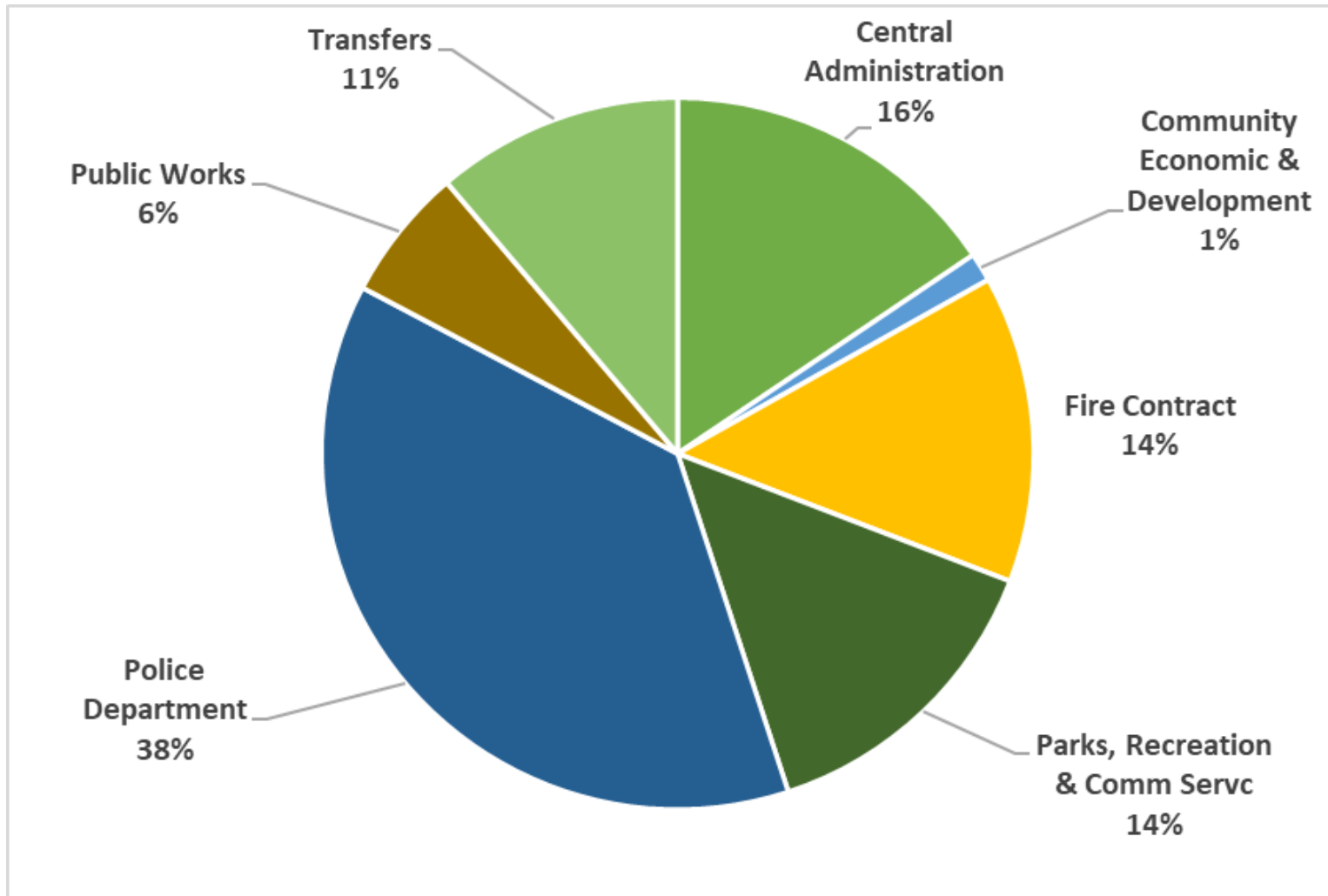
Proposed FY 2026/27 General Fund Annual Operating and Capital Budget



Proposed FY2026/27 General Fund

	<u>FY24/25</u>	<u>FY25/26</u>	<u>FY26/27</u>	<u>FY27/28</u>	<u>FY28/29</u>
REVENUES (in thousands)	Actuals	Projected	Proposed	Forecasted	Forecasted
Property Tax	\$ 35,682	\$ 35,879	\$ 38,124	\$ 38,506	\$ 38,891
Sales Tax	82,911	86,525	76,033	78,897	80,408
Sales Tax - Measure V	11,899	11,908	12,052	12,293	12,539
Other Taxes	7,279	6,937	7,310	7,310	7,310
Other Revenues	36,004	26,625	24,574	24,794	25,021
TOTAL REVENUES	\$ 173,775	\$ 167,874	\$ 158,093	\$ 161,800	\$ 164,169
<u>EXPENDITURES (in thousands)</u>					
Personnel	\$ 68,975	\$ 73,594	\$ 70,670	\$ 74,136	\$ 77,978
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Supplies & Equipment	2,794	3,871	3,367	3,135	3,135
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Transfers Out: Measure V Capital	(6,853)	(4,761)	(4,681)	(4,914)	(5,156)
TOTAL NET TRANSFERS IN/(OUT)	(31,889)	(16,664)	(17,414)	(21,289)	(21,556)
Total Change in Net Position	21,821	13,550	5,315	1,537	(1,416)

General Fund Expenditures by Department



Proposed FY2026/27 Requests

Department	Total Request Amount	Other Fund On-Going	Other Fund One-Time	General Fund Ongoing	General Fund One-Time
City Attorney	4,000		1,640		2,360
City Managers Office	417,370	35,210	115,024	90,185	176,951
Community & Economic Development	245,000				245,000
Human Resources	100,000	15,500		84,500	
Innovation &	73,824	18,456		55,368	
Parks, Recreation & Community Services	934,500			661,500	273,000
Police	271,000				271,000
Public Works	6,304,723	5,439,023	762,000	103,700	
	\$8,350,417	\$5,508,189	\$ 878,664	\$995,253	\$ 968,311

FY 2026/27 Proposed Annual Operating and Capital Budget Personnel



Proposed FY2026/27 Requests

Department	Position
City Managers Office	(1) Communications Coordinator
City Managers Office	(1) Arts Program Assistant
Public Works	(1) Cross Connection Control Specialist

FY 2026/27 Fiscal Sustainability Funding Plan



FY 2026/27 Fiscal Sustainability Funding Plan

City Council's Fiscal Sustainability Strategies					
	Actual	Actual	Actual	Budgeted	Total
	FY23	FY24	FY25	FY26	To Date
CalPERS Liability Prefunding	\$2M	\$2.5M	\$0	\$0.5M	\$5M
Retiree Medical Program	\$2M	\$2.5M	\$0	\$0	\$4.5M
Public Safety Facilities				\$11M	\$11M
Deferred Mtc. - Buildings				\$0.5M	\$0.5M
Deferred Mtc - Streets	\$3M	\$3.8M	\$4.2M	\$2.5M	\$13.5M
Deferred Mtc - Parks	\$2M	\$2.5M	\$2.5M	\$1.0M	\$8.0M
City Services-Programs	\$3M	\$3.7M	\$2.4M	\$2M	\$11.1M
Total	\$12M	\$14.9M	\$9.1M	\$17.5M	\$53.5M

CIP	Project Name	Amount
71113	Station 91 Renovations	2,235,000
71139	Police Substation	500,000
71140	Fire Station 97 Relocation	2,500,000
		5,235,000



FY 2026/27 Fiscal Sustainability Funding Plan



71140 - Station 97		
Funding Source	FY2025/26	FY2026/27
71133 - Public Safety Facilities	2,235,000	(561,301)
TIMP - Public Safety (Loan)		5,856,301
CORE - Public Safety		4,470,000
		12,000,000

FY 2026/27 Fiscal Sustainability Funding Plan

71139 - Police Substation

Funding Source	FY2025/26	FY2026/27
71133 - Public Safety Facilities	500,000	5,765,000
General Fund - Measure V Interest		750,000
71120 - General Plan Update		500,000
77588 - Master Plan Update New Jerusalem		250,000
71110 - PD Range		375,000
73206 FY2025/26 Pavement Management Plan		1,357,536
TIMP - Public Safety (Loan)		9,502,464
		19,000,000



FY 2026/27 Proposed Annual Operating and Capital Budget General Fund Projects



Proposed General Fund Capital Projects for FY2026/27

Project Number	Project Name	Request FY26-27
71137	Annual Arterial Landscaping Tree	796,500
71135	Police Radio Replacement 5 Year (Second Year)	675,000
73207	Annual Road Improvements - PW Streets	650,000
71124	SSJFA - Replacements	530,450
71141	Centralized Computing 5 Year	155,000
71142	Cyber Security Infrastructure Replacement 5 Year	150,000

Total: 2,956,950

Proposed General Fund Measure V Interest Capital Projects for FY2026/27

Project Number	Project Name	Request FY26-27
78194	McDonald Park Improvements	650,000
71139	Police Substation	750,000

Total: 1,400,000



Questions