

CITY OF CHINO
MEMORANDUM

ADMINISTRATION
DEPARTMENT

DATE: June 2, 2026

TO: Honorable Mayor and Members of the City Council

FROM: Linda Reich, City Manager
 Kim Sao, Director of Finance

SUBJECT: FY 2026-27 Proposed Budget & 5-Year Capital Improvement Program (CIP) Budget

We are pleased to present the FY 2026-27, Proposed Operating and Capital Improvement Project Budget. Included with the budget is a 5-Year Capital Improvement Plan. This document is the product of many staff members working collaboratively to align resources that are consistent with the City Council’s priorities, while continuing to maintain fiscal responsibility. In the development of the City Council’s budget, our team incorporated our organizational values, teamwork, and collaboration on tough decisions while focusing on the improvement of the community we serve.

At the June 2, budget workshop, staff will present an overview of the FY 2026-27, Proposed Budget, including a breakdown of revenues, expenditures, and presentations from each department. The City Council will have the opportunity to review and discuss the proposed budget, ask questions, and consider public input. This workshop will guide any necessary modifications to the Proposed Budget in preparation for its formal adoption, scheduled for the regular City Council meeting on June 16, 2026.

GENERAL FUND BUDGET OVERVIEW

For Fiscal Year 2026-27, the proposed General Fund budget totals \$150,543,851 comprising \$144,602,218 for operating expenditures, \$2,100,193 for capital projects, and \$3,841,440 in transfers out to other funds. Additionally, \$8,535,255 in prior-year capital improvement project appropriations have been carried forward, resulting in a total budget of \$159,079,106.

On the revenue side, the General Fund is projected to receive \$145,407,005 in operating revenues, along with \$6,157,056 transfers in from other funds, bringing total available resources to \$151,564,061. As a result, the budget anticipates a surplus of \$1,020,210 at June 30, 2027.

	Estimated	FY 2026-27 Budget			Estimated
	Fund Balance	Revenues & Transfers In	Expenditures Trans Out/CIP	Net Inc/ (Decrease)	Fund Balance
General Fund	7/1/2026				6/30/2027
Unassigned/Available	18,310,065	151,564,061	150,543,851	1,020,210	19,330,275
Assigned for CIP (CA)	8,535,255		8,535,255	(8,535,255)	-
Operating Reserve	20,000,000		-	-	20,000,000
Non-Spendable	3,618,229	-	-	-	3,618,229
Ending Fund Balance	\$ 50,463,549	\$ 151,564,061	\$ 159,079,106	\$ (7,515,045)	\$ 42,948,504

Due to the additional revenue generated by the Measure V sales tax, which took effect on July 1, 2024, the City has been able to maintain services and balance the General Fund budget for the last two fiscal years. However, in FY 2026-27, rising costs in salaries, benefits, and new ongoing operating costs, including one-time CIP funding, required the City to use Internal Service Fund reserves to help balance the General Fund budget. As a result, the General Fund budget reflects a projected surplus of \$1,020,210 for FY 2026-27 to allow flexibility in unforeseen activities that often occur during the fiscal year.

During the budget process, staff conducted a comprehensive review of expenditures to identify potential cost savings and ensure that grant funding is fully utilized before relying on the General Fund. This approach reinforces the City’s commitment to conservative budgeting and ensuring financial resources are allocated efficiently to maintain long-term fiscal sustainability.

Additionally, City staff carefully reviewed operating expenditures to ensure that ongoing costs are supported by ongoing revenues rather than one-time sources, a practice that is essential to maintaining long-term financial stability.

Employee Position Updates

For Fiscal Year 2026-27, the Proposed Budget includes nine of the seventeen new positions that were previously approved by the City Council on February 3, 2026, as well as one part-time position pending Council approval. The estimated cost for these positions total \$1,069,510 to the General Fund and \$698,854 to other funds, reflecting salaries and benefits adjusted for a 3% cost of living (COLA) adjustment and increased benefit costs. These staffing changes represent necessary adjustments to maintain operational efficiency and support service delivery.

Department	New Positions	Funding Status	General Fund	Other Funds	FY 2026-27 Budget
<i>Approved February 3, 2026 for Recruitment Pending Available Funding</i>					
Admin	1 Deputy Director of Technology and Innovation	Funded	\$ 64,238	\$ 192,713	\$ 256,950
Admin	2 Economic Development Analyst	Funded	163,583		163,583
Admin	3 Deputy City Clerk	Funded	159,333		159,333
Finance	4 Payroll Technician	Funded	128,853		128,853
PD	5 Captain	Funded	363,095		363,095
DS	6 Housing Manager	Funded		177,017	177,017
PW	7 Associate Engineer	Funded	131,599	56,399	187,998
CSPR	8 Project Coordinator	Funded		163,708	163,708
CSPR	9 Facilities Maintenance Technician	Funded		109,017	109,017
CSPR	10 CSPR Specialist (Ayala Part-Time)	Unfunded			-
DS	11 Housing Program Coordinator	Unfunded			-
DS	12 Housing Technician	Unfunded			-
DS	13 Accessibility Specialist	Unfunded			-
PW	14 Wastewater Maintenance Worker	Unfunded			-
PW	15 Assistant Engineer-Reclass of Construction Project Coord.	Unfunded			-
PW	16 Streets Maintenance Worker	Unfunded			-
PW	17 Student Intern (Part-Time) 20 hrs @ 28.30	Unfunded			-
<i>Pending Approval</i>					
PD	18 Public Safety Dispatcher II (PT)	Funded	58,810		58,810
Estimated Total Salaries and Benefits			\$1,069,510	\$698,854	\$1,768,364

Integration of Community Services and Other Funds into the General Fund

Beginning in FY 2026-27, the City will transition Community Services Fund (330), the Landscape and Lighting Fund (360), and the Transportation Maintenance Fund (320) from the Special Revenue Fund category to the General Fund. Historically, these funds required significant annual General Fund transfers to offset operating shortfalls. Moving these programs into the General Fund eliminates the need for these recurring transfers and aligns the departments with standard budgeting practices applied to other General Fund operations. This structural change improves transparency by presenting the full cost of General Fund services within a single fund and enhances accounting efficiency by reducing interfund activities. As a result, FY 2026-27 transfers out from General Funds are significantly reduced.

General Fund Balance Summary

The table below summarizes the General Fund balance from June 30, 2024, through June 30, 2027. The FY 2025-26 estimated ending balance of \$50.5 million represents a \$10.3 million increase from the \$40.2 million balance in the prior year. This growth is driven by several factors: the June 30, 2025, beginning balance was higher than projected, revenues are expected to exceed estimates, actual expenditures are estimated to end below budget, and savings resulted from multiyear projects that were not yet completed. Additionally, because the City adopts a one-year budget, it assumes multiyear projects will be completed in FY 2026-27, even though actual completion may extend beyond that timeframe. Accordingly, the fund balance is projected to decrease to approximately \$43 million by June 30, 2027, assuming all CIP projects are completed that year.

	6/30/2024	6/30/2025	6/30/2026	6/30/2027
	FY2023-24	FY2024-25	FY2025-26	FY2026-27
General Fund Balance	Audited	Audited	Estimated	Estimated
Unassigned	30,151,505	6,865,171	18,310,065	19,330,275
Assigned (CIP)	-	9,721,797	8,535,255	-
Committed	-	20,000,000	20,000,000	20,000,000
Non-Spendable	2,305,413	3,618,229	3,618,229	3,618,229
Ending Fund Balance	\$ 32,456,918	\$ 40,205,197	\$ 50,463,549	\$ 42,948,504

OTHER FUNDS

Special Revenue Funds

Special Revenue Funds are designated to account for revenues that are legally restricted for specific purposes. Unlike the General Fund, which supports a broad range of municipal functions, Special Revenue Funds are used exclusively for defined programs or services. These funds often rely on dedicated revenue sources such as grants, taxes, or fees that must be used for their intended purpose.

For Fiscal Year 2026-27, total Special Revenue expenditures, including transfers out and capital projects, amount to \$39,853,193, while total revenue and transfers in total \$84,159,527. Transfers In of \$11.5 million come from the City's General Fund to support transportation services (\$8.1M), park funds (\$1.7M), landscape and lighting (\$722K), and Assessment District (\$961K). This financial commitment reflects the City's ongoing effort to sustain critical public services while balancing funding needs across various programs.

Enterprise Funds

For Fiscal Year 2026-27, the Enterprise Fund budget includes expenditures, capital projects, and transfers out totaling \$92,210,971, with revenues and transfers in totaling \$115,637,870. The revenue figure includes a new one-time \$25 million Emerging Contaminants grant and \$2 million Norma Torres grant, both earmarked for the State Street Water Treatment project. After accounting for all activity, the Enterprise Funds reflect a surplus of \$23,426,900.

The City's Enterprise Funds support essential utility services, including water, sanitary sewer, storm drain, and sanitation (Waste Management), ensuring reliable service for residents and businesses. These services are funded through monthly utility rates charged to customers to cover both operational costs and capital improvements, while sanitation utility rates are designed to cover operational costs only.

To maintain the long-term financial sustainability of these utility services, the City is conducting a comprehensive rate study and anticipates its completion by the end of FY 2026-27. This analysis is critical to ensure that utility rates remain sufficient to cover rising operational expenses, infrastructure maintenance, and future capital investment needs. By evaluating revenue adequacy, cost recovery, and rate structures, the study will provide a transparent and equitable framework for setting rates that support high-quality service while minimizing financial strain on ratepayers.

The City is committed to maintaining and improving the infrastructure necessary to deliver utility services efficiently. As of FY 2026-27, \$85 million has been appropriated for water capital improvements to enhance system reliability, address aging infrastructure, and support long-term sustainability. Additionally, \$3 million has been dedicated for sewer projects, \$6.6 million for storm drain, and \$4 million for alley improvements with utility components.

Internal Service Funds

The City's Internal Service Funds are used to allocate costs for centralized services across various departments, ensuring that each department contributes proportionally based on the services it receives. The City's Internal Service Funds include Central Services, Liability Insurance, Employee Benefits, Building Management, and the Equipment Management Fund. These funds are replenished annually to cover operational expenses, equipment replacement, and provide financial stability for unexpected costs.

For FY 2026-27, expenditures and transfers out total \$69,342,197, while revenues and transfers in total \$67,676,261, resulting in a shortfall of \$1,665,937. This shortfall reflects the intentional

under-allocation of Internal Service Fund charges to reduce the impact on the General Fund for the year. The difference will be covered by the available reserves in each respective fund.

As of June 30, 2027, the Internal Service Funds are projected to have a combined total fund balance of approximately \$7.4 million. City staff will continue to evaluate these funds to ensure they maintain an adequate balance to meet long-term financial needs while supporting essential municipal operations.

Conclusion

The FY 2026-27 Proposed Budget reflects the City's commitment to fiscal responsibility, sustainable financial planning, and continued investment in essential services. Through prudent budgeting practices, strategic resource allocation, and a focus on long-term financial stability, the City ensures the efficient delivery of services while maintaining accountability and transparency.

Staff will incorporate any revisions directed by the City Council and finalize the budget for adoption at the regular City Council meeting on June 16, 2026.