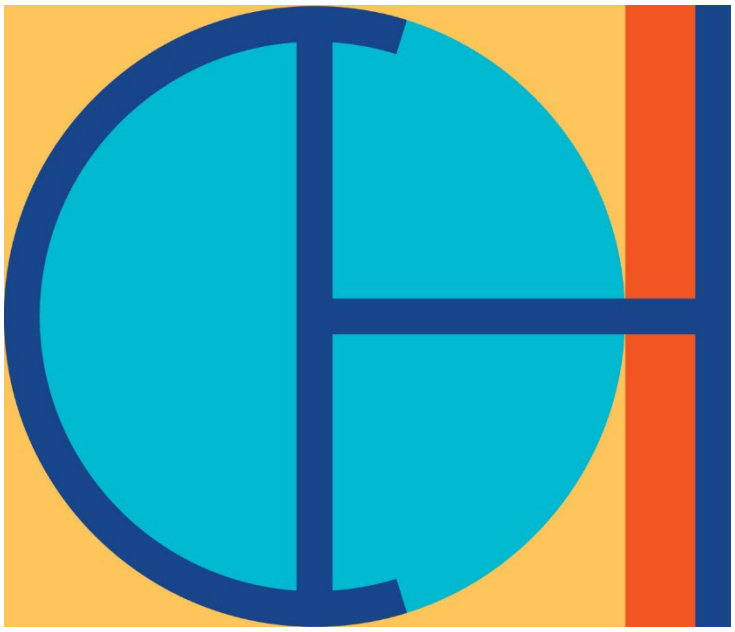


CITY OF CITRUS HEIGHTS

Fiscal Year 2026-27

MID-CYCLE BUDGET AMENDMENT

An amendment to the Biennial Budget for Fiscal Years 2025-26 and 2026-27,
adopted by the City Council in June 2025

Adopted by Resolution No. 2026-054 FY2026/27 Mid-Cycle Budget Adjustment & Resolution No. 2026-070 Amended Salary Table w/COLA and Market Equity Adjustments

CITY OF CITRUS HEIGHTS

Transmittal — FY 2026-27 Mid-Cycle Budget Amendment

To: City Manager Feeney, Honorable Mayor and Members of the City Council

From: Susan Talwar, Administrative Services Director

Date: Aug 1, 2026

Subject: Amendment to the FY 2025-26 / FY 2026-27 Biennial Budget for Fiscal Year 2026-27

The City of Citrus Heights operates on a two-year budget, adopted by the City Council in June 2025 for Fiscal Years 2025-26 and 2026-27. Consistent with the City's biennial budget practice, the second year of the cycle is subject to a mid-cycle review before it takes effect. That review allows the Council to update revenue and expenditure projections against current conditions without reopening the full two-year plan.

Following the mid-cycle review, the City Council adopted an amended General Fund budget for Fiscal Year 2026-27 by Resolution No. 2026-054 and by Resolution No. 2026-070 Amended Salary Table w/COLA and Market Equity Adjustments. This section documents that amendment and restates the affected schedules. No other fund was amended; the appropriations adopted in June 2025 for all other funds, and for Fiscal Year 2025-26, remain unchanged.

Summary of the amendment

Amended General Fund revenue for FY 2026-27 totals $47,095,388, an increase of $172,991 (0.4%) over the $46,922,397 adopted in June 2025. Amended General Fund expenditures total $46,975,400, an increase of $1,225,852 (2.7%) over the $45,749,548 originally adopted.

Because expenditures were amended upward by more than revenue, the projected General Fund operating balance narrows from $1,172,849 at original adoption to $119,988 as amended. The budget remains balanced: ongoing revenue continues to exceed ongoing expenditures, and the remaining balance is added to General Fund reserves.

The expenditure amendment reflects updated salary schedules and labor agreements approved by the Council, together with operational adjustments identified during the review. The revenue amendment reflects a downward revision to Sales Tax and Intergovernmental revenue, more than offset by a $700,000 increase in projected investment earnings.

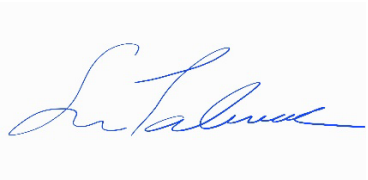
Effect on reserves

The General Fund reserve is projected to end FY 2026-27 at approximately $33.1 million, which represents roughly 70% of annual General Fund expenditures, or about 8.5 months of operating costs. That balance remains above both the City Council's adopted policy minimum of 17% and the City Manager's working target of 25%.

Reserves are maintained for economic downturns, emergencies and one-time needs, and serve as the local match that makes the City competitive for state and federal grants. They are not a recurring revenue source. A dollar drawn from reserves to meet an ongoing cost must be found again the following year, which is the consideration behind the structural adjustments reflected in this amendment.

This letter is submitted for inclusion in the adopted FY 2025-26 / FY 2026-27 Biennial Budget as the record of the Council's mid-cycle and total compensation action. The schedules that follow restate FY 2026-27 General Fund revenue, expenditures and fund balance on an Adopted / Amendment / Amended basis. All other pages of the adopted budget remain as published in June 2025.

Respectfully submitted,



Susan Talwar
Administrative Services Director

The Biennial Budget and the Mid-Cycle Review

Citrus Heights adopts a budget covering two fiscal years at a time. The City Council adopted the current budget in June 2025 for Fiscal Years 2025-26 and 2026-27. Adopting two years at once gives departments a longer planning horizon, reduces the administrative cost of an annual budget cycle, and lets the Council weigh spending decisions against a multi-year picture rather than a single year in isolation.

The trade-off is that the second year is adopted well before it begins. To manage that, the City conducts a mid-cycle review in the first year of the biennium, before the second year takes effect. The review compares the assumptions behind the second year against current conditions and recommends adjustments where the two have diverged.

What is a mid-cycle review?

A mid-cycle review is a modification, not a new budget. It does not reopen the two-year plan, re-examine every program, or restate Council priorities. It updates the numbers where the evidence has changed and leaves the rest of the adopted budget intact. The full budget development process, including department requests, Council priority-setting and public hearings, resumes in 2027 for the FY 2027-28 / FY 2028-29 biennium.

A mid-cycle amendment also differs from the financial forecasts the City prepares during the year. A forecast is a projection: it estimates where revenue and costs are heading under a set of assumptions, and it changes as those assumptions are refreshed. An amendment is an appropriation: it is the legal authority to spend, adopted by the City Council by resolution. Only an amendment changes the budget. Forecasts inform amendments but do not constitute them.

What Changed

The amended General Fund budget for FY 2026-27 now totals $47,095,388 in revenue and $46,975,400 in expenditures, compared with $46,922,397 and $45,749,548 as originally adopted in June 2025. That's a revenue increase of $172,991 (+0.4%) and an expenditure increase of $1,225,852 (+2.7%).

Because expenditures grew faster than revenue, the projected General Fund operating balance for the year narrows from $1,172,849 at original adoption to $119,988 under the amended budget, a reduction of just over $1 million. The budget remains balanced, with revenue still exceeding expenditures, and the small remaining surplus is added to the City's reserve fund.

$47.1M Amended General Fund revenue	**$47.0M** Amended General Fund expenditures	**$120K** Projected operating balance	**58%** Of spending supports police services

Bottom line:

- The operating budget is balanced.
- Police remain the largest General Fund investment.
- Reserves remain above policy requirements.
- Ongoing services are supported by ongoing revenue.

Summary of Amendments

The mid-cycle review amended appropriations in the General Fund only. All other funds remain as adopted in June 2025.

General Fund operating position

	Adopted June 2025	Amendment	Amended
Total revenue	$46,922,397	+$172,991	$47,095,388
Total expenditures	$45,749,548	+$1,225,852	$46,975,400
Operating balance	**$1,172,849**	**–$1,052,861**	**$119,988**

The amended balance of $119,988 is positive but narrow. It represents about one quarter of one percent of General Fund revenue. The budget remains balanced, but it has substantially less margin than it did at original adoption, and a modest revenue shortfall during the year would be enough to erase it. That is the principal fiscal consequence of this amendment, and it is the reason the structural changes reflected here were made rather than deferred.

Schedule A — General Fund Revenue

Fiscal Year 2026-27, as adopted June 2025 and as amended at mid-cycle.

	Adopted June 2025	Amendment	Amended
Taxes and Franchises	$27,104,748	−$492,966	$26,611,782
Intergovernmental	$12,420,883	−$34,043	$12,386,840
Use of Money	$1,200,000	+$700,000	$1,900,000
Licenses and Permits	$1,780,597	—	$1,780,597
Charges for Services	$1,260,998	—	$1,260,998
Fines and Forfeitures	$1,112,100	—	$1,112,100
Other Revenue	$2,043,071	—	$2,043,071
Total General Fund Revenue	$46,922,397	+$172,991	$47,095,388

The revenue story at mid-cycle is a trade-off, not a straight increase: projected Taxes and Franchises revenue was revised down by about $493,000 primarily due to Sales Tax, and Intergovernmental revenue dipped slightly, but that was more than offset by a $700,000 upward revision to Use of Money revenue, largely interest earnings on City reserves and investments. All other revenue categories were unchanged from the original adoption. Taxes and franchises still make up the majority of General Fund revenue at 56.5%, with intergovernmental sources having the second-largest category at 26.3%.

Schedule B — General Fund Expenditures by Department

Fiscal Year 2026-27, as adopted June 2025 and as amended at mid-cycle.

	Adopted June 2025	Amendment	Amended
Police	$26,865,810	+$364,694	$27,230,504
Administrative Services	$9,175,893	+$387,270	$9,563,163
General Services	$3,860,574	+$197,603	$4,058,177
Community Development	$2,007,284	+$112,394	$2,119,678
City Manager’s Office	$1,600,404	+$59,979	$1,660,383
Economic Development & Community Engagement	$1,171,583	+$61,912	$1,233,495
Other Citywide Obligations	$1,068,000	+$42,000	$1,110,000
Total General Fund Expenditures	$45,749,548	+$1,225,852	$46,975,400

Every expenditure category increased at mid-cycle, consistent with updated salary schedules and labor agreements and operational needs approved by the Council this summer. Police remains the City's single largest General Fund commitment, representing nearly 58 cents of every dollar spent, a reflection of the Council's continued prioritization of public safety. That investment supports the patrol coverage, response times, criminal investigations, and community policing services residents rely on every day.

Schedule C — General Fund Balance

Projected change in General Fund reserve, Fiscal Year 2026-27.

	Adopted June 2025	Amendment	Amended
Beginning fund balance	$36,589,637	—	$36,589,637
Total revenue	$46,922,397	+$172,991	$47,095,388
Total expenditures	($45,749,548)	($1,225,852)	($46,975,400)
General Fund street investment	($4,000,000)	—	($4,000,000)
One-time adjustment — Casa Bella	—	+$385,000	$385,000
Ending fund balance	**$33,762,486**	**−$667,861**	**$33,094,625**
Council policy minimum 17%	$7,777,423		$7,985,818
City Manager's Reserve Fund Target: 25%	$11,437,387		$11,743,850

The amended ending fund balance remains above both the City Council's adopted policy minimum of 17% of General Fund expenditures and the City Manager's working target of 25%.

What a reserve is

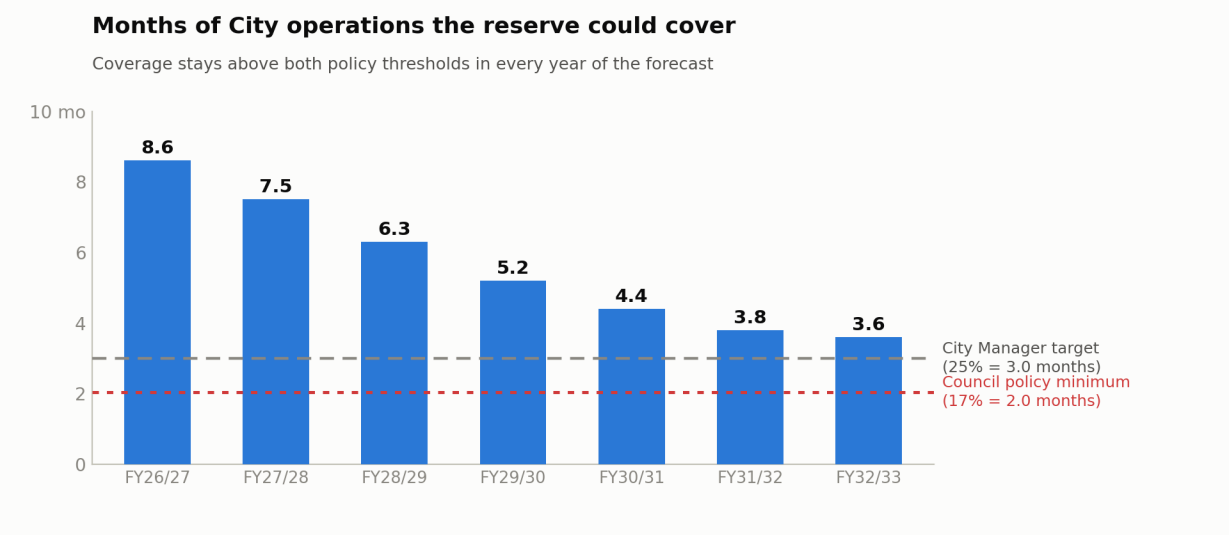
A General Fund reserve is accumulated fund balance money the City has received in past years and not spent. It exists because revenue and expenditures rarely match exactly in any given year. When ongoing revenue exceeds ongoing costs, the difference accumulates. Over time that accumulation becomes the City's financial cushion.

The closest household comparison is an emergency fund: savings built up out of income over time, held against the possibility that income falls or an unexpected cost arrives. Like a household emergency fund, it is real money, it is available, and spending it is a decision with consequences for the year after.

Why the City holds a reserve

The reserve does four distinct jobs, only the first of which is commonly recognized:

- **It absorbs economic downturns.** Sales tax and other economically sensitive revenues fall in a recession, often sharply and with little warning. A reserve allows the City to maintain services through a downturn rather than making abrupt cuts at the moment residents most need stability, and to make any necessary reductions deliberately rather than under emergency conditions.
- **It covers emergencies and one-time costs.** Natural disasters, major equipment failures, litigation and unanticipated infrastructure needs do not wait for the budget cycle. The reserve is the City's capacity to respond immediately without borrowing.
- **It provides local match for grants.** Most competitive state and federal infrastructure grants require the applicant to contribute a share of project cost. Having local funds available is often what makes an application viable. The FY 2026/27 Capital Improvement Program directs $31.7 million in grants, restricted funds and other non-General Fund resources into Citrus Heights infrastructure, and the City's ability to commit local dollars is part of what makes that leverage possible.
- **It earns investment income.** The reserve is invested while it is held, and the earnings are General Fund revenue that supports ongoing services. Investment revenue is projected at $1.9 million in FY 2026-27 the same line that was amended upward by $700,000 at mid-cycle. A smaller reserve earns less, so drawing down the balance reduces ongoing revenue as well as the cushion itself.



Infrastructure Investment Continues

Citrus Heights transfers $4 million from the General Fund to street work every single year. That is an ongoing, discretionary choice, it is not required, and most jurisdictions in the region do not do it at this level. By FY 2032/33 the projected balance is $14.2 million just under 30% of that year's operating costs, and less than half of today's balance. It still clears the City Manager's Reserve Fund 25% target, by $2.3 million, and the Council's 17% floor by $6.1 million. The reserve is not projected to breach either policy within the forecast period.

Outside the General Fund, the FY 2026/27 Capital Improvement Program directs $31.7 million in grants, restricted funds, and other non-General Fund resources to infrastructure, on top of the City's recurring $4 million annual General Fund commitment to streets and priority projects. Citrus Heights is one of the few jurisdictions in the region to sustain this level of recurring General Fund investment in infrastructure, which has helped expand annual roadway improvements from about 2 centerline miles to as many as 52 centerline miles.

Schedule D — Authorized Positions

Changes to authorized full-time equivalent (FTE) positions adopted as part of the mid-cycle amendment.

Department / Classification	Adopted FTE	Amendment	Amended FTE
Administrative Services	17.00		17.00
City Manager's Office	5.00		5.00
Community Development	13.00		13.00
Economic Development & Community Engagement	3.00		3.00
General Services	31.00	3.00	34.00
Police Department	146.00	-12.00	134.00
Total authorized positions	215.00	-9.00	206.00

Position changes

On July 8, 2026, the City Council approved a reorganization together with updated salary schedules and memoranda of understanding. The reorganization reduces authorized positions by nine full-time equivalents over two years and was structured to offset the ongoing cost of the compensation agreements approved at the same meeting. The Traffic Unit was eliminated, with its four officers reassigned to fill vacant patrol positions and its sergeant reassigned to patrol. One police sergeant position and one police lieutenant position are eliminated through attrition as incumbents retire. Three non-sworn positions are eliminated; one police services manager position is reclassified as police communications manager, and one community services officer position is reclassified as program technician. Animal Services transfers from the Police Department to General Services. Because the sworn reductions occur through attrition and reassignment rather than layoff, no existing sworn employee is separated.