

Principles and Strategies for Preparation and Implementation of Fiscal Year 2026-27 Budget

Budget Principles

- As in prior years, the essential FY 2026-27 Budget goal is to maintain quality service levels while balancing annual revenues with annual expenditures. One-time revenues will not be used to support ongoing expenditures. Capital improvements will be forecast for five years, with one year of expenditures budgeted.
- Appropriate reserves will be maintained as required by the City Council Reserve Policy, last revised in June 2013.
- The City's tax base and revenue opportunities will be carefully monitored.
- Maintenance of Coronado's physical assets will not be deferred.
- The City will prioritize the delivery of quality services to meet the City Council's vision.
- Service and systems improvements to maximize efficiency, enhance revenue, and increase quality of services will be sought.

Budget Strategies

- 1) The basic budget model is a line-item budget. With some exceptions, line items in the FY 2025-26 budget will form the basis for FY 2026-27. Line-item budgets are the most common and familiar budget types and lend themselves to simplicity, especially with the City's lean fiscal management staff.
- 2) Separate funds (sub-funds of the General Fund) will continue to be used for the activities of the Community Development and Recreation and Golf Services departments. Staff will continue to assess, through fee studies, the cost of service delivery to develop recommendations for cost recovery.
- 3) After the General Fund operating expenditures have been budgeted, the next element for consideration is the contribution to the Facilities Replacement Fund (Fund 436). The Facilities and Asset Management Funding Formula was approved in December 2015, and contributions will be budgeted according to the formula. After General Fund operations and Fund 436 have been funded from available revenues, an allocation to General Fund Capital Improvement Projects for FY 2026-27 will be considered.

- 4) Fee increases for enterprise activities will be recommended to account for service level demands and planning for necessary system investments. Staff is conducting a wastewater rate study and systems assessment for presentation to the City Council. A Proposition 218 hearing process for rate adjustment will occur in Spring 2026, with rate implementation expected in July 2026, or as soon after as is possible.
- 5) With the exception of the Storm Drain Fund 530, enterprise activities are expected to be self-supporting. Staff is working with a consultant to determine the most appropriate rate study approach for the storm drain system. The project will immediately follow the wastewater rate adjustment process.
- 6) Community Grant funding will be programmed at 1.35% of the FY 2026-27 budgeted General Fund revenues and will be administered in accordance with the policy adopted by the City Council. Community Grant funding applications will be considered at the June 16, 2026, City Council meeting.
- 7) Employee compensation for the three bargaining groups and self-represented employees will be budgeted based on the existing Memoranda of Understanding and Personnel Authorization and Compensation Plan.
- 8) The budget for pension costs will be projected based on the Unfunded Accrued Liability and Employer Normal Cost Rate provided by CalPERS, applied to projected employees' eligible base salary costs. The anticipated remaining excess funds will be distributed to the pension stabilization fund.
- 9) Treasury management will be performed by City Finance staff. The approach for all investments will be based on the primary objectives of the City's investment policy, in priority order: to ensure safety of the principal, maintain sufficient liquidity to meet all operating requirements of the City, and attain a market rate of return, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.
- 10) Basic assumptions, such as revenue and expenditure growth assumptions, will be reviewed with the City Council on May 5, 2026, as part of a multi-year financial projection. A budget workshop will be held on May 19, 2026. Budget adoption will be on June 2, 2026.