



City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 26-1481

Agenda Date: 6/3/2026

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DATE: June 3, 2026

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

TITLE: PUBLIC HEARING TO ADOPT THE FY 2026-27 OPERATING BUDGET AND THE FY 2026-27 CAPITAL IMPROVEMENT PROGRAM BUDGET; AND AUTHORIZE A LUMP SUM PREPAYMENT TO CALPERS

RECOMMENDATION

Staff recommends that the City Council, the Community Development Commission, and the Harbor District Board take the following actions to adopt the FY 2026-27 Operating and Capital Improvement Program Budgets; and authorize a lump-sum prepayment to CalPERS:

1. Adopt a resolution approving the Appropriation Limitation as required by Article XIII-B of the State Constitution, as modified by Proposition 111 for FY 2026-27. (Attachment A)
2. Adopt a resolution approving the FY 2026-27 City of Oceanside Operating Budget. (Attachment B)
3. Adopt a resolution approving the FY 2026-27 City of Oceanside Measure X Operating Budget. (Attachment C)
4. Adopt a resolution approving the FY 2026-27 City of Oceanside Capital Improvements Program Budget. (Attachment D)
5. Adopt a resolution approving the FY 2026-27 Community Development Commission (CDC) Operating Budget. (Attachment E)
6. Adopt a resolution approving the FY 2026-27 Small Craft Harbor District Operating Budget. (Attachment F)
7. Adopt a resolution approving the FY 2026-27 Small Craft Harbor District Capital Improvements Program Budget. (Attachment G)
8. Approve a lump-sum prepayment to CalPERS estimated at \$25.97 million for the City's annual required Unfunded Liability contribution for both Safety and Miscellaneous Retirement Plans; prepayment will provide an estimated \$868,524 in savings which will be directly applied to the City's CalPERS Unfunded Liability. (Attachment H)

BACKGROUND AND ANALYSIS

Presented for consideration are the Fiscal Year 2026-27 budgets for the City of Oceanside, the CDC, and the Harbor District, inclusive of the Capital Improvement Program (CIP). The FY 2026-27 total appropriations for all funds is \$743,695,605. The operating appropriations on an all-funds basis are \$623,627,331 and the appropriations for the CIP are \$120,068,274. Adoption of the attached resolutions will establish a balanced budget across all funds. Please refer to Attachment I for details.

A City Council Budget Workshop was held on April 15, 2026. At that time, staff provided specific recommendations for inclusion in the City's FY 2026-27 budgets. The recommendations provided by staff maintain existing service levels and continue the focus on Council's collective priorities, including maintaining the quality of life for residents, enhancing public safety, supporting economic development, supporting our youth and seniors, addressing homelessness, funding shoreline restoration and implementation of the adopted Climate Action Plan.

The purpose of this public hearing is to provide the City Council and the public with an additional overview of the budgets, receive public comments, and give final consideration to the City's FY 2026-27 budgets. The City's Appropriation Limitation resolution required for FY 2026-27 is also included for Council action (Attachment A).

The proposed budget represents the City's operating and capital spending plans across all funds, including General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds, Internal Service Funds, and Measure X Funds.

Following the April 15, 2026 Budget Workshop, the City Council directed staff to add \$26,000 in ongoing General Fund support for the Senior Transportation program for FY 2026-27. This funding supports transportation coordination staffing at the Country Club Senior Center and El Corazon Senior Center, as well as mileage reimbursement for volunteer drivers through the Senior Taxi Program.

General Fund

The City's General Fund provides for the majority of City services and comprises approximately 40 percent of the total operating appropriations on an all-funds basis. The General Fund revenues will continue to be monitored each quarter. Revenues for FY 2026-27 are projected at \$239.82 million.

The proposed General Fund budget for FY 2026-27 totals \$239.69 million in recurring expenditures, leaving a \$130,000 projected surplus. The Maintenance & Operations (M&O) budget builds off the prior year's base with a 2% cost-of-living adjustment, a modest response to current inflation trends.

Personnel costs assume a continued soft hiring freeze, with City Manager approval required to fill vacancies. A 2% salary savings assumption, equal to approximately \$3 million, reflects the average delay of two to three months in filling vacant positions. This estimate is conservative compared to the City's historical average salary savings trend.

The General Fund expenditure budget incorporates CalPERS actuarial assumptions and rate smoothing methods. For FY 2026-27, total CalPERS costs are budgeted at \$37.24 million. Within the General Fund, CalPERS costs are projected to increase by \$5.88 million over the next five years. The City has a total of \$24 million saved for future pension costs, including \$19 million in the Section 115 Pension Stabilization Trust and \$5 million in the PERS Supplemental Reserve.

To help offset increasing CalPERS costs impact, the City will continue its strategy of prepaying the FY 2026-27 CalPERS Unfunded Liability contribution of \$25.97 million, generating an estimated \$868,524 in savings. These savings will be applied directly toward reducing the Unfunded Liability. In addition, consistent with Council Policies 200-11 (Interest Earned Allocations) and 200-13 (Financial Policies), the City will make further Unfunded Liability payments using one-third of quarterly investment interest earnings and 50 percent of any remaining year-end General Fund surplus after required reserve restoration and fund balance replenishment requirements have been met.

As presented at the April 15, 2026 Budget Workshop, the FY 2026-27 General Fund proposed budget reflects \$3.14 million in recommended ongoing expenditures and \$950,000 in one-time expenditures funded from General Fund Assigned Infrastructure Reserves, with a projected surplus of approximately \$130,000. Since the Budget Workshop, adjustments have been incorporated into the proposed budget. These include an increase in ambulance billing revenue based on actual collection trends, Council-directed ongoing funding for the Senior Transportation program, a Council-approved salary adjustment for the Mayor and Council Members, and a position reclassification in the City Manager's Office shifting 60% of this position's cost to General Fund from Grants in FY 2026-27 and making the position permanent. Attachment J summarizes the General Fund Revenue and Expenditure budget.

The proposed FY 2026-27 General Fund budget is structurally balanced, with recurring revenues of \$239.82 million fully covering recurring expenditures of \$239.69 million. The proposed budget also includes \$982,864 in one-time expenditures for non-recurring needs funded from available General Fund Assigned Infrastructure Reserves.

GENERAL FUND BUDGET In millions			
	Adopted FY 2024-25	Adopted FY 2025-26	Proposed FY 2026-27
Revenues	\$216.28	\$231.49	\$239.82
Recurring Expendi	215.28	230.16	239.69
Estimated Surplus \$	1.00	\$ 1.33	\$ 0.13
One-time/use of re\$	3.43	\$ 4.38	\$ 0.98

Measure X

The FY 2026-27 (Year 8) Measure X Spending Plan was presented at the April 15, 2026 Budget Workshop. The net available Measure X revenue for Year 8 is \$17,039,171. Consistent with the intent of Measure X to support public safety and infrastructure, the \$21,521,006 spending plan includes \$15,926,006 for improved public safety services including addressing homelessness, \$4,000,000 for street and road repairs and improvements, \$550,000 for beaches, beachfront, pier, and parks, and \$1,045,000 for Teen Works and youth programming. The difference between projected revenue and planned expenditures will be funded using available Measure X fund balance.

Proposed new projects for Year 8 include:

- Traffic and E-Bike Enforcement (one-time) - \$50,000
- On-duty Mobile Occupational Health Services for Police Department - \$85,000
- Homeless Evaluation, Assistance & Resource Team (HEART) - \$400,000

The Year 8 Spending Plan and the remaining nine-year expenditure outlook were presented at the May 7, 2026 Measure X Citizens Oversight Committee (COC) meeting. The long-term spending plan will continue to be reviewed and updated annually based on actual revenues, expenditures, and current Council priorities. The Measure X Citizens Oversight Committee voted to recommend approval of the Year 8 Spending Plan. One Committee Member voted against funding the On-duty Mobile Occupational Health Services for Police Department and recommended that it be funded with General Fund. However, the COC voted 4-1 to recommend inclusion of this program due to the following factors:

- The program is new and was never funded by General Fund.
- Healthier police officers (mentally and physically) keep our community safer.
- Less injuries in the Police Department keeps more officers on the street and reduces overtime.

Capital Improvements Program (CIP)

The CIP budget for all funds (including Water Utilities) totals \$289.61 million. Funding for the CIP budget is approved by the Council for the first year of the five-year program; the other four years are shown in the budget as a planning tool. Unused appropriations are rolled forward in subsequent years when projects are not complete; the proposed FY 2026-27 CIP budget includes \$120 million in new funding.

Community Development Commission

The appropriations for the Community Development Commission total \$34,180,699 for FY 2026-27. While no capital projects are budgeted, the following housing-related programs will be funded:

- Section 8 Housing Assistance Program - \$33,160,375
- Housing Rehabilitation Loan Program - \$430,000
- Administrative and Program Development activities - \$189,629

- CDC Successor Agency Low- and Moderate-Income Housing Fund - \$30,000
- CDC Housing CalHome Program - \$310,696
- CDC Housing Mortgage Revenue Bond - \$60,000

Harbor District

The Harbor District operating budget for FY 2026-27 totals \$10,026,998 in expenditures, supported by total revenues of \$12,698,430, resulting in a surplus of \$2,671,432 to be transferred to the Harbor Reserve. The District transfers funding to the General Fund to support Harbor Lifeguards, Harbor Fire/Marine Safety, Harbor Maintenance, Harbor Administration, and Property Management.

Capital improvement projects include:

- Replace Two Ramps at Transient Docks - \$60,000
- Repair Parking Lot 11A - \$261,600
- Repair Parking Lot 11B - \$160,800
- Replace Switchgear at Z-Dock - \$250,000

Water Utilities Department

The Water Utilities Department is responsible for delivering essential water, sewer, and solid waste services that protect public health and support the City's sustainability goals. For FY 2026-27, the Water operating budget projects revenues of \$110.31 million against expenditures of \$109.34 million, for a projected surplus of \$0.97 million. The Sewer operating budget projects revenues of \$74.02 million, with total expenditures of \$64.43 million (including an \$11.74 million transfer to capital), yielding a projected surplus of \$9.59 million. The Solid Waste and Recycling budget is projected to be at \$2.43 million in revenues and \$2.38 million in expenditures. Major cost drivers include chemicals, energy, and projected increases in water purchases related to the Mission Basin Groundwater Purification Facility upgrades. The Water and Sewer five-year Capital Improvement Program totals \$484.96 million, including \$137.61 million proposed for FY 2026-27 (\$39.37 million for water and \$98.24 million for sewer), reflecting significant advancement of major projects into construction.

FISCAL IMPACT

Adoption of the attached resolutions will establish a balanced budget across all funds. Total appropriations are summarized in Attachment I.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

Prepared by: Jill Moya, Financial Services Director

Reviewed by: Michael Gossman, Assistant City Manager

Submitted by: Jonathan Borrego, City Manager

ATTACHMENTS:

1. Attachments A - G Resolutions
2. Attachment H - CalPERS Safety and Misc Plan Actuarial Valuations
3. Attachment I - Comparative Appropriations by Category
4. Attachment J - General Fund Revenue and Expenditure Budget Worksheet
5. Attachment K - April 15, 2026 Budget Workshop Materials
6. Attachment L - Measure X Year 8 Spending Plan
7. Attachment M - Budget Workshop Follow up Memo - Senior Transportation
8. Exhibit A
9. Correspondence