City Manager's Proposed FY 2025-26 Operating and Capital Budgets City Council Presentation – June 24, 2025

CITY OF FOLSOM
DISTINCTIVE BY NATURE

FY 2025-2026 Budget Process

- May 27, 2025 – Held City Council budget workshop at the Folsom Library. Meeting was open to the public and well attended.

- June 10, 2025 – City Council received budget presentation, held public hearing and continued public hearing to the June 24, 2025, City Council meeting. City Council and public had additional time to review the proposed budget and provide feedback

FY 2025-2026 Budget Process

- June 24, 2025 – City Council holds budget public hearing, receives public input and approves the FY 2025-2026 Preliminary Budget.

- July – September 2025 – City departments develop cost cutting proposals that will be reviewed at the Review of the Final Budget in September/October 2025.

FY 2025-2026 Review of Final Budget - September/October 2025:

- In either September or October, the City Council conducts budget review that will allow additional public input from the community. This review will allow the City to work with the actual ending fund balance numbers for FY 2024-2025.

- Possible FY 2026-2027 General Fund budget reductions discussions will take place.

FY 2025-2026 Review of Final Budget - September/October 2025:

- In either February or March, the City Council conducts a Mid-Year Budget review.

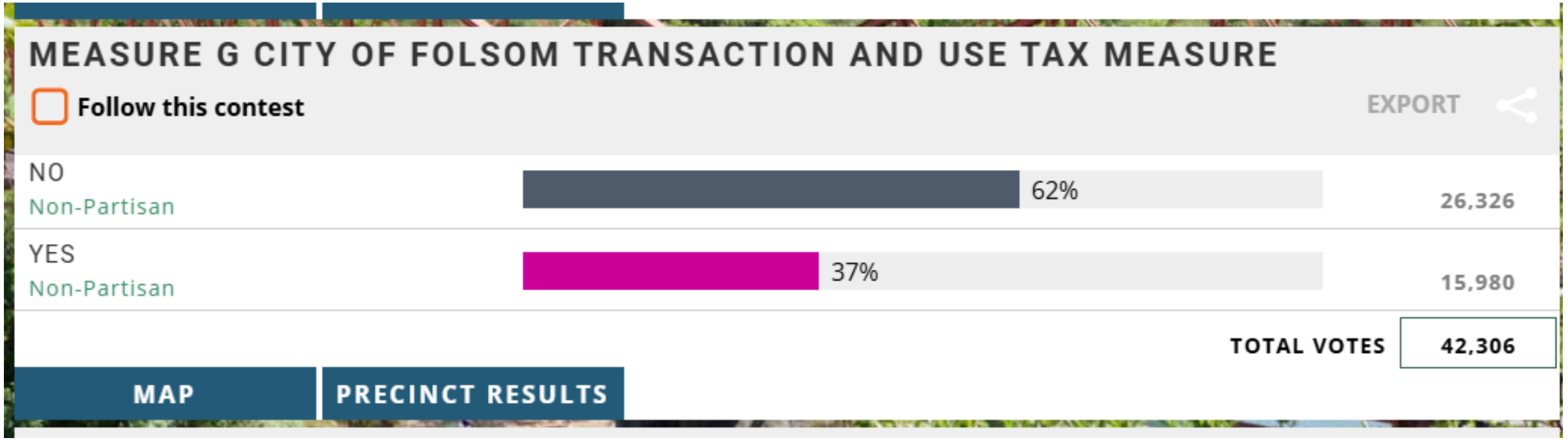
- Budget adjustments needed for the current year will be approved by the City Council at that time. Staff will seek direction from the Council as to what cost reductions they would consider including in the FY 2026-2027 budget.

Budget Development Options

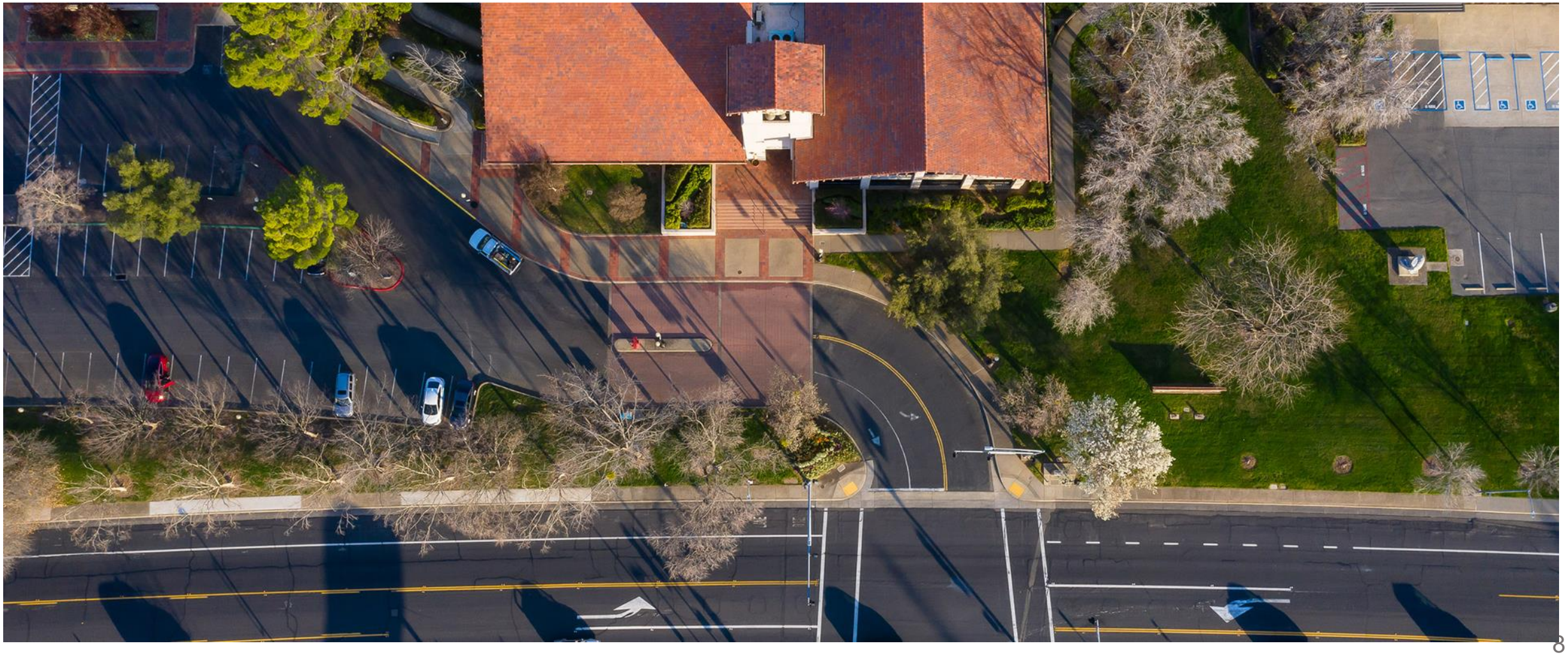
Options:

1) Live Within Means (Develop budget with expenditures below revenues)
2) Find new revenue sources
3) Keep things as they are

Measure G


MEASURE G CITY OF FOLSOM TRANSACTION AND USE TAX MEASURE
Follow this contest
EXPORT
NO
Non-Partisan
62%
26,326
YES
Non-Partisan
37%
15,980
TOTAL VOTES
42,306
MAP
PRECINCT RESULTS

FY 2025-26 Proposed Budget



Balancing the Budget – General Fund

	Original Budget FY 24-25	Remove One-time approvals from FY 24-25	Increase to Projected Revenue	Salary, Benefit and Insurance Cost Increases	"True Up" to Operating Accounts	Proposed Budget Reductions	Proposed Use of Unassigned Fund Balance	Total Proposed Budget FY 25-26
Revenue	$115,331,448	$ -	$ 4,657,156	$ -	$ -	$ -	$ 3,038,902	$ 123,027,506
Expenditures	(117,069,047)	2,021,617	-	(5,456,628)	(2,975,095)	451,647		(123,027,506)
Difference	**$ (1,737,599)**	**$ 2,021,617**	**$ 4,657,156**	**$ (5,456,628)**	**$ (2,975,095)**	**$ 451,647**	**$ 3,038,902**	**$ -**

Cost of Service Increases – Operations and Maintenance

Department	Amount
General Government	$22,157
Community Development	4,467
Facilities	152,500
Fire Department	731,762
Fleet	-
Library	19,219
Parks and Recreation	1,617,990
Police Department	427,000
Public Works	-
Non-Departmental	-
Total "True Up" Requests	**$2,975,095**

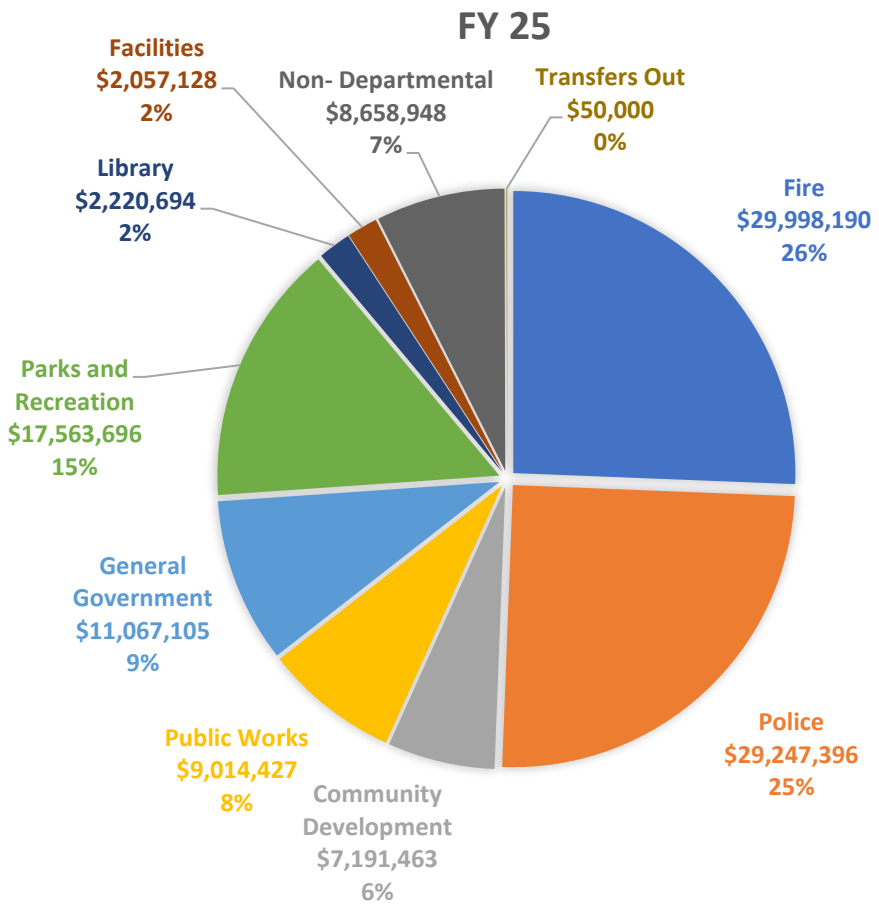
General Fund Appropriations

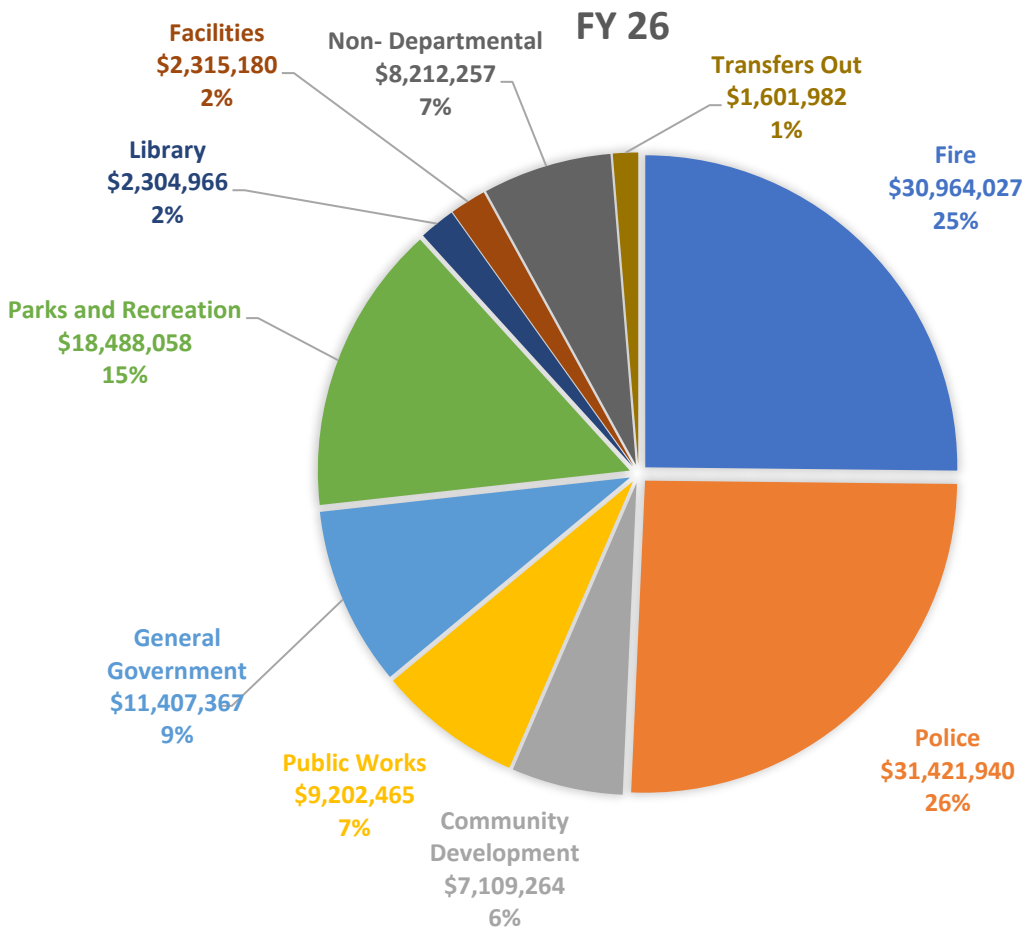
Budget by Category	FY 24-25 July 1 Adopted Budget	FY 25-26 Proposed	$ Diff
Fire	$29,998,190	$30,964,027	$965,837
Police	$29,247,396	$31,421,940	2,174,544
Community Development	$7,191,463	$7,109,264	(82,199)
Public Works	$9,014,427	$9,202,465	188,038
General Government	$11,067,105	$11,407,367	340,262
Parks and Recreation	$17,563,696	$18,488,058	924,362
Library	$2,220,694	$2,304,966	84,272
Facilities	$2,057,128	$2,315,180	258,052
Non- Departmental	$8,658,948	$8,212,257	(446,691)
Transfers Out	$50,000	$1,601,982	1,551,982
Total Appropriations	**$117,069,047**	**$123,027,506**	**$5,958,459**

New Funds for General Fund Capital Expenditures

Capital Fleet Fund (601)	
Non-Safety Vehicles	$ 125,000
Capital IT Fund (603)	
Info System Equipment	$ 150,000
Fire Equip/Cap Fund (608)	
11 ECG Monitors (Fire)	$ 756,000
Police Equip/Cap Fund (607)	
New Vehicles (Police)	$ 520,982
Capital Facilities Fund (602)	
Roof Replacement (Library)	$ 1,300,000
HVAC Replacement (Library)	$ 1,800,000
Small Vehicle Roof Repair (Fleet)	$ 300,000
Slope Roof Replace (City Hall)	$ 240,000
Total Fund 602	$ 3,640,000
Total Capital Expenditures	**$ 5,191,982**

General Fund Appropriations





Authorized Positions

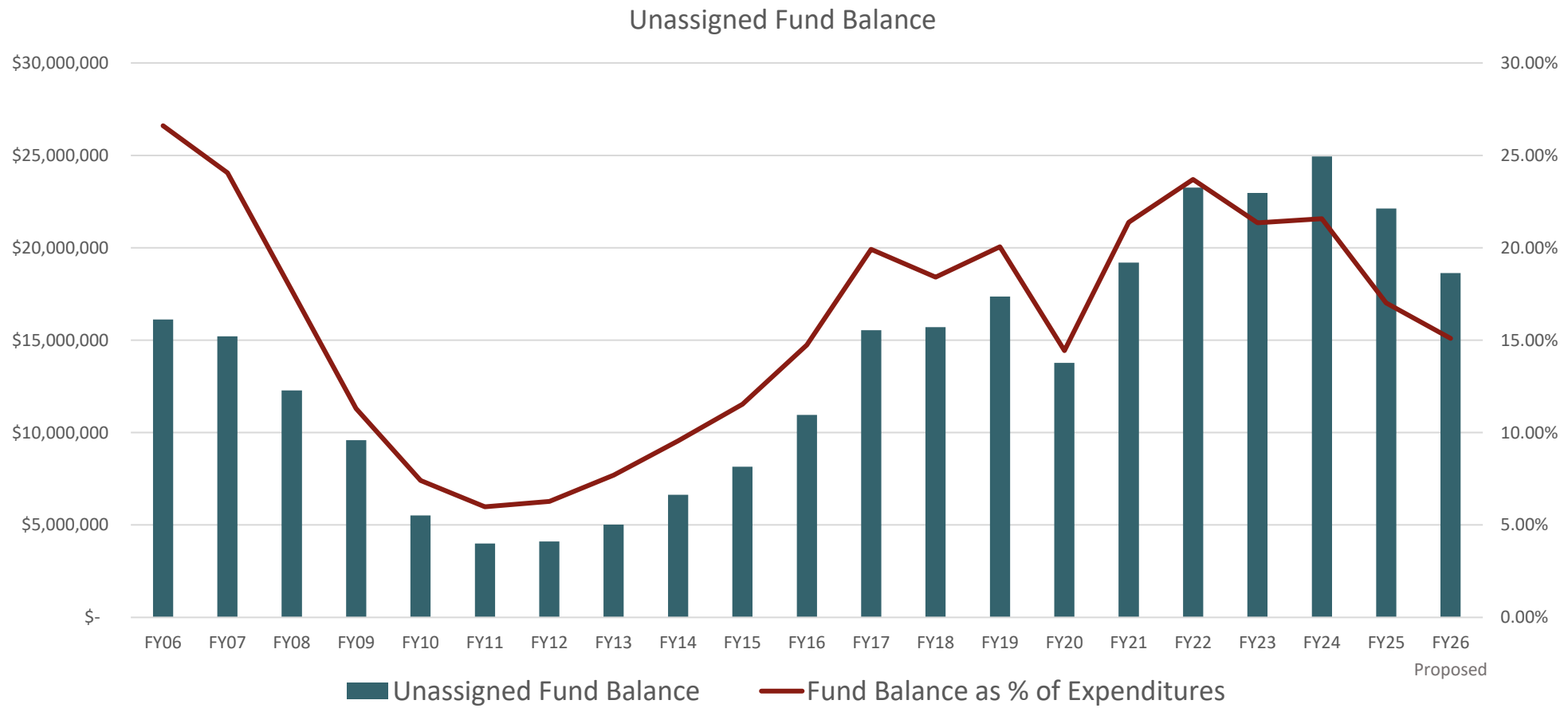
	General Fund	Water / Wastewater	Solid Waste	Total
FY 21-22	352.80	53.00	55.45	461.25
FY 22-23	366.80	56.00	56.45	479.25
FY 23-24	373.05	58.00	59.45	490.50
FY 24-25	384.05	60.00	59.45	503.50
FY 25-26	386.05	61.00	66.45	513.50
Change	2.00 *	1.00	7.00	10.00

* Park Planner and Arborist approved during FY 24-25

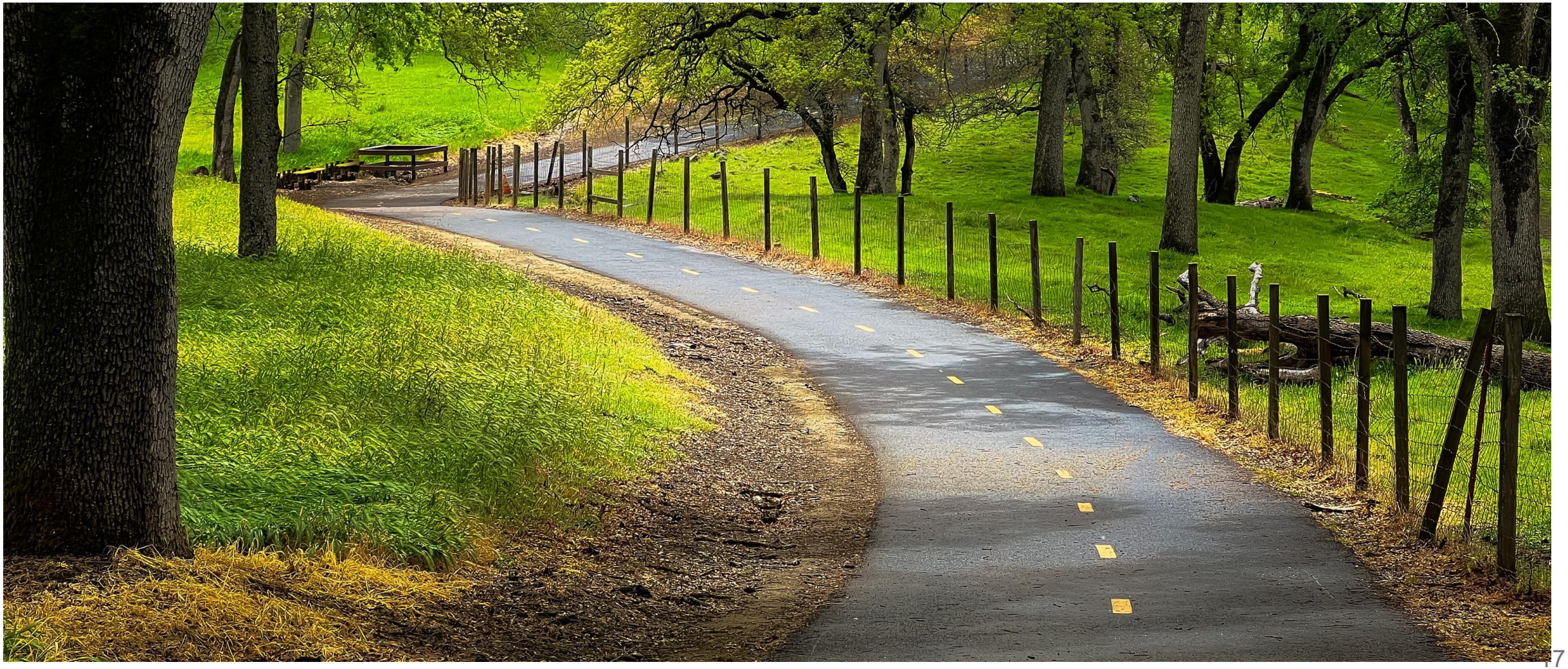
Revenue Summary

	FY 24-25 Budget	FY 25-26 Proposed
Property Tax	$44,658,430	$47,922,692
Sales Tax	29,075,767	27,970,000
Transient Occupancy Tax	2,500,000	2,550,000
Licenses and Permits	3,916,089	4,068,598
Intergovernmental	10,959,022	11,251,068
Charges for Services	13,994,978	16,908,910
All other	4,120,007	3,771,191
Revenue Before Transfers In	**$109,224,293**	**$114,442,459**
Transfers In	6,107,155	5,546,145
Total Revenue	**$115,331,448**	**$119,988,604**

Unassigned General Fund Balance



Capital Improvement Plan



CIP – Major Projects

Project Name	Project No.	Budget Prior to FY2026	Current Budget Request FY2026	Total Project Budget
Empire Ranch Road Interchange	PW1804	$ 4,282,081	$ 500,000	$ 4,782,081
Water System Rehabilitation Project No. 3	WA2301	$ 1,949,000	$ 871,260	$ 2,820,260
Water System Rehabilitation Project No. 1	WA1603	$ 2,442,877	$ 248,501	$ 2,691,378
Storm Drain Ponds	PW1401	$ 1,095,055	$ 600,000	$ 1,695,055
Water System Rehabilitation Project No. 4	WA2403	$ 1,127,400	$ 231,985	$ 1,359,385
Livermore Community Park Phase V	002643	$ 800,000	$ 400,000	$ 1,200,000
National Pollution Discharge Elimination System	PW2001	$ 150,000	$ 700,000	$ 850,000
Oak Avenue Lift Station and Force Main Project	New	$ -	$ 768,000	$ 768,000

Appropriations by Fund

	FY 24-25 July 1 Adopted Budget	FY 25-26 Proposed Transfers Out	FY 25-26 Proposed Expenditures	FY 25-26 Total
General Fund	$117,069,047	$1,601,982	$121,425,524	$123,027,506
Enterprise Funds	54,116,756	4,033,203	53,700,278	57,733,481
Special Revenue Funds	11,936,049	1,345,516	13,418,596	14,764,112
Debt Service Funds	11,683,847	-	16,761,774	16,761,774
Capital Project Funds	7,114,733	527,426	10,624,850	11,152,276
Internal Service Funds	23,924,211	-	25,060,360	25,060,360
Fiduciary Funds	21,371,665	-	25,079,055	25,079,055
Total	**$247,216,308**	**$7,508,127**	**$266,070,437**	**$273,578,564**

Question #1

Question:
"The City is in this mess because of the bad deal we got with the County when annexing Folsom Ranch."

Response:
On average the portion of the 1% ad valorem tax (property tax) collected from homes in the Folsom Plan Area is 11% higher than the other parts of Folsom north of Highway 50.

Breakdown:
The City keeps 21% of the property tax revenue collected north of Highway 50. The City's share of the property tax revenue collected under the new tax sharing agreement for south of Highway 50 averages about 32%

Question #2

Question:
The City should fix the sales tax sharing with the County through state lobbying efforts.

Response:
Currently, under California's Bradley-Burns **Uniform Local Sales Tax**, local sales tax (1%) is typically allocated to the **origin location**—meaning the city that houses the distribution/fulfillment center where the sale "occurs"

- Example: Sales shipped from Amazon Fulfillment in Fresno flow directly to Fresno's city coffers

The City of Folsom is a member of CalCities. CalCities has formed a working group made up of City Managers from across the state in an effort to negotiate a compromise formula that splits the sales tax collected at distribution centers so that originating location doesn't receive all the sales tax.

Question #3

Question:

How much is our (CalPERS) Unfunded Accrued Liability costing us and when can we expect that to level off with our current policies?

Response:

Annual Unfunded Liability Cost (in millions)

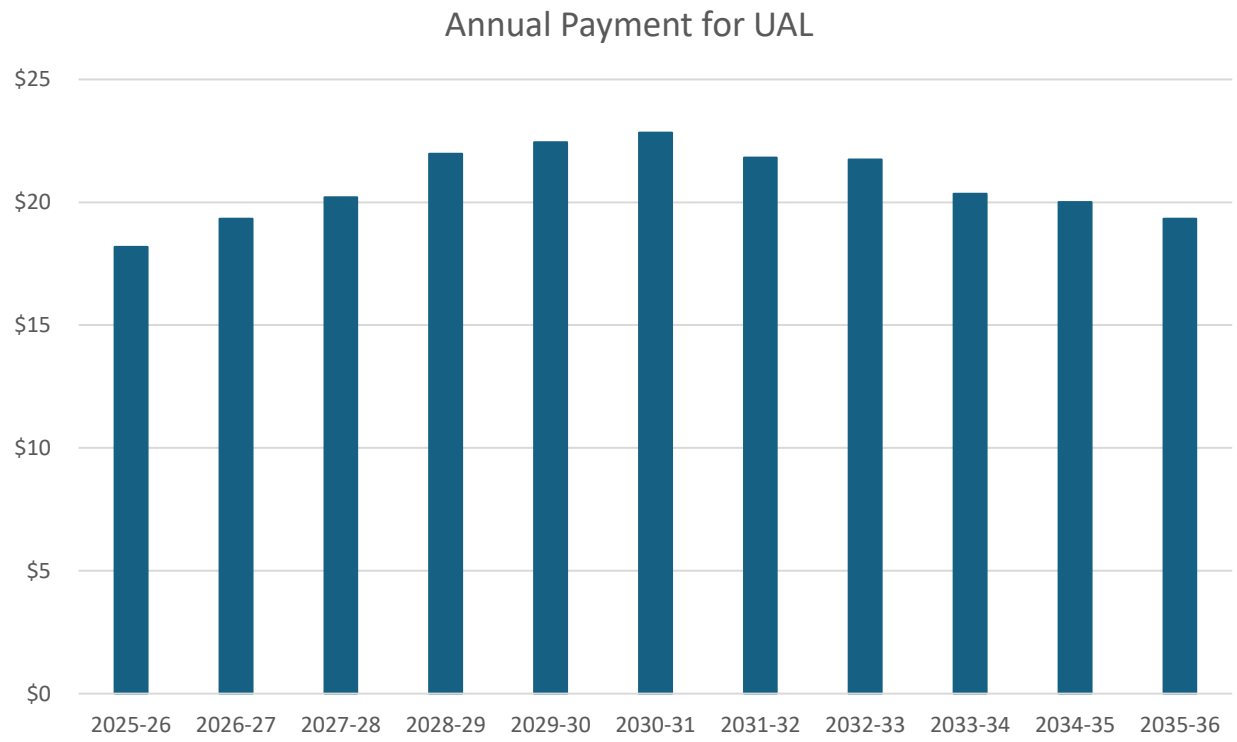
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Miscellaneous Plan	$9.24	$9.84	$10.27	$11.21	$11.45	$11.66	$10.86	$10.80	$10.03	$9.83	$9.44
Safety Plan	8.94	9.49	9.93	10.76	10.99	11.17	10.96	10.94	10.32	10.18	9.89
Total	**$18.18**	**$19.33**	**$20.20**	**$21.97**	**$22.44**	**$22.83**	**$21.82**	**$21.74**	**$20.35**	**$20.01**	**$19.33**

Question #3

Question:

How much is our (CalPERS) Unfunded Accrued Liability costing us and when can we expect that to level off with our current policies?

Response:



Question #4

Question:

What's our funding ratio look like compared to other municipalities and agencies?

Response:

CITY	FUNDED RATIO			
	MISCELLANEOUS		SAFETY	
	FY 24/25	FY 25/26	FY 24/25	FY 25/26
FOLSOM	63.6%	63.9%	61.3%	61.1%
RANCHO CORDOVA	78.7%	78.2%	X	X
RANCHO CORDOVA (PEPRA)	87.3%	86.9%	X	X
ROSEVILLE	61.9%	62.1%	67.0%	67.8%
CITRUS HEIGHTS	75.7%	74.9%	78.2%	77.8%
CITRUS HEIGHTS (2ND TIER)	87.9%	86.4%	87.7%	86.4%
CITRUS HEIGHTS (PEPRA)	87.7%	87.5%	86.0%	86.3%
SACRAMENTO	70.2%	70.3%	65.0%	64.7%
ROCKLIN	72.4%	74.1%	72.8%	72.7%
ROCKLIN (PEPRA)	X	X	89.2%	89.9%

Question #5

Question:
How much of our General Fund money comes from the state and federal government?

Response:

Intergovernmental Revenues	FY 2022-23	FY2023-24
Vehicle License Fees (VLF)	$ 8,912,025	$ 9,724,021
American Rescue Plan (ARPA)	2,591,787	2,594,037
All Other Intergovernmental Revenue	1,396,382	1,707,085
Total Intergovernmental Revenue	**$ 12,900,194**	**$ 14,025,143**

Question #6

Question:
Regarding the increase in the Police Investigations (Division 2113) proposed budget on page 6 of the Summary of General Fund Revenues and Expenditures. There is an increase of $817,262 over last years adopted and amended budget. What proposed expenses account for this large increase?

Response:
The increase is related to salary, benefit and insurance cost increases.
In addition, the budget for three positions was moved from Division 2112 (Operations) to Division 2113 (Investigations) to correct the budget for FY 25-26.

Question #7

Question:
Are the Lighting and Landscaping Districts still included in the pie chart in Parks & Rec Budget, thereby showing a huge deficit (between revenues and expenses for the department)?

Response:
Yes, the Municipal Landscaping Division (Division 3805), which includes the staff to maintain the Lighting and Landscaping Districts, CFD maintenance areas, as well as many other General Fund functions, is shown the Parks and Recreation budget in the pie chart. The division costs are partially offset by revenue from the districts to cover their administrative costs.

Question #8

Question:

Why is income from the rental spaces not show as income for Park & Recreation since those sites are managed by Parks & Recreation.

Response:

The revenue is allocated to Parks & Recreation indirectly, as the Parks & Recreation department has a General Fund contribution, and the rental space revenue makes up part of that contribution.

Question #9

Question:

What is the ratio of HOT team to the number of reported homeless in the City?

Response:

The City's Homeless Outreach Team is staffed by 3. Based on the last Point in Time (PIT) count that was conducted, it is estimated that there are 22 individuals per HOT member. This is a daily moving target as the number can fluctuate significantly based on a number of different variables.

Question #10

Question:
How does the budget reflect adherence to the current Strategic Plan?

Response:
The strategic plan includes Goal A: Financial Stability and Sustainability, Goal B: Public Safety and Infrastructure, Goal C: Economic and Community Development and Goal D: Organization Effectiveness.

This budget seeks to meet the goal of Financial Stability and Sustainability, proposing no additional General Fund positions or program enhancements when faced with a deficit.
In addition, this budget supports Goal B: Public Safety and Infrastructure, by keeping Public Safety services at their current level and investing in some infrastructure maintenance using one-time funds.

Conclusion/Recommendation

- The City of Folsom cannot continue to provide the General Fund services it presently provides to the community.
- With proposed cuts, there is a projected $3.04 million General Fund deficit for FY 2025-2026.
- To “live within our means” the City will need to reduce its expenditures which translates into reductions in services.

Conclusion/Recommendation

- Staff proposes using General Fund Reserves to fund the FY 2025-2026 budget.

- However, the City will aggressively pursue a strategy to reduce costs and services in preparation for the FY 2026-2027 budget period that begins on July 1, 2026.