



Folsom City Council Staff Report

MEETING DATE:	6/24/2025
AGENDA SECTION:	Old Business
SUBJECT:	Resolution No. 11401– A Resolution Adopting the Fiscal Year 2025-26 Operating and Capital Budgets for the City of Folsom, the Successor Agency, the Folsom Public Financing Authority, and the Folsom Ranch Public Financing Authority (Continued from June 10, 2025)
FROM:	City Manager's Office

RECOMMENDATION / CITY COUNCIL ACTION

Staff recommends that the City Council adopt Resolution No. 11401 – A Resolution Adopting the Fiscal Year 2025-26 Operating and Capital Budgets for the City of Folsom, the Successor Agency, the Folsom Public Financing Authority, and the Folsom Ranch Public Financing Authority.

BACKGROUND / ISSUE

On Tuesday, May 27, 2025, the City Council held a budget workshop at the Folsom Library. The meeting was well attended with members of the public present. Staff presented the initial draft of the FY 2025/2026 budget in a new format. The City Council and members of the public had the opportunity to provide input and ask questions about the proposed budget.

On Tuesday, June 10, 2025, the City Council held a public hearing on the FY 2025/2026 budget. Staff presented information to the City Council that included historical revenue and expenditure trends. The proposed FY 2025-2026 General Fund budget presented that evening anticipated revenues of \$114,442,459 and Transfers In of \$5,546,145 for a grand total in revenues of \$119,988,604. The projected expenditures totaled \$121,877,171 with Transfers Out of \$1,601,982 for a grand total for expenses of \$123,479,153. The budget intended to use \$3,490,549 of unassigned General Fund Balance to maintain current services.

To provide additional time for the City Council and the public to review the proposed budget City staff asked that the City Council continue the public hearing on the budget until Tuesday, June 24, 2025. This time has allowed staff to further review the budget as well as receive feedback from the public and City Council. The budget staff report from the June 10, 2025 City Council meeting has been included in Attachment 2.

As part of the proposed budget process staff recommended that additional budget reviews take place in September/October 2025 and February/March 2026 so that budget reductions for FY 2026/2027 could be developed. Feedback received over the last couple weeks asked if some cuts could be made sooner to try to limit the use of General Fund Reserve in FY 2025/2026. Recognizing the value of this feedback, City staff reassessed the budget to see if General Fund reductions could be made now so that the deficit could be reduced.

Proposed Budget Reductions:

Although there is much more work to do over the coming months staff is recommending that the City Council adopt a FY 2025/2026 Preliminary Budget that includes the following reductions.

- 1) Eliminate the Park Attendant position at Cummings Family Skate and Bike Park. This will produce on-going staff cost savings of approximately \$40,000 per year. If approved, the savings anticipated for FY 2025/2026 are \$25,000. Currently, the lighting system at the park is turned on and off manually. The lighting system needs to be upgraded so it can be set on a timer system that will turn the lights on and off automatically. The cost to convert to this system is about \$15,000.

GF Cost Reduction: \$25,000

- 2) Eliminate the proposed \$500,000 annual contribution to the City's Public Entity Investment Trust for Retiree Health Obligations (Trust held outside City funds). The savings to the General Fund (Fund 010) of eliminating the FY 2025-26 contribution is \$426,647. The Water, Wastewater and Solid Waste Enterprise Funds contribute the remaining \$73,353.

GF Cost Reduction: \$426,647

Proposed General Fund Cost Reduction Total: \$451,647

The proposed modified preliminary FY 2025-2026 General Fund budget looks as follows:

No changes are being made to the projected revenue figure of \$114,442,459 and Transfers In of \$5,546,145 for a grand total in revenues of \$119,988,604. However, the projected expenditures total is now being reduced by \$451,647 from \$121,877,171 to \$121,425,524. These changes lower the grand total for General

Fund expenses from \$123,479,153 to \$123,027,506. The use of the unassigned General Fund balance will be reduced by \$451,647 from \$3,490,549 to \$3,038,902.

Additional Staff Actions Going Forward:

- 1) Explore bringing back the use of prison labor to maintain open space and trail areas
- 2) Assess City owned properties to see what properties could be sold or deeded to non-profits or community organizations that could maintain the property better than the City while still maintaining the property as a community asset.
- 3) Have the Housing Fund reimburse the General Fund for the sale of the former City property located on Persifer Street. Currently, Habitat for Humanity is building 10 housing units on that property. It is anticipated that this could bring \$635,000 to General Fund. Staff would recommend that these one-time funds be used for one-time renewal and replacement expenditures.

POLICY / RULE

Folsom Municipal Code, Section 3.02.030, Budget

“An Annual Budget shall be prepared by the City Manager, with the assistance of the Finance Director. . . . (G) The City Council shall adopt the annual budget by Resolution by fund and program by affirmative vote of at least three members, on or before the last working day of the last month of the current fiscal year. If the City Council fails to adopt the budget by the last working day of the current fiscal year, the budget as presented by the City Manager shall be deemed adopted.”

ANALYSIS

Budget Structure and Overview:

The Operating Budget for the City of Folsom is a complex document that manages the revenues and expenditure of over 150 separate Fund Accounts. A summary of these accounts is found in Attachment 2. Many of these fund accounts have specific rules and requirements that dictate how these funds can be used.

For example, funds collected from the water bills that are paid for by residents each month can only be used to cover the costs associated with maintaining and operating the water system. These funds cannot be used to cover public safety or any other non-water related expenses.

The four largest and most familiar Fund Accounts in the budget are 1) General Fund; 2) Solid Waste Fund, 3) Sewer Fund; and 4) Water Fund.

- 1) ***General Fund (Fund 010)*** – This fund accounts for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The

General Fund accounts for all financial resources of a governmental unit which are not accounted for in other funds.

- 2) **Solid Waste (Fund 540)** – This fund accounts for the revenues and expenses of the City’s solid waste operations.
- 3) **Sewer Fund (Fund 530)** – This fund accounts for the revenues and expenses of the City’s sewer operations.
- 4) **Water Fund (Fund 520)** – This fund accounts for the revenues and expenses of the City’s water operations.

All City Funds Budget Analysis:

The City Manager’s Fiscal Year 2025-26 Proposed Preliminary Budget, as presented on June 10, totaled \$266,480,640 in proposed expenditures. Recommended reductions to the General Fund discussed above and the City Council’s June 10 direction to restore funding to Natoma Station L&L District, are included in the updated totals in the chart below, for a total of \$266,070,437 in proposed expenditures, and \$7,508,127 in transfers. The Budget Summary by Fund in the online budget document will be updated to reflect the approved totals after City Council adoption.

Below is a breakdown by Fund category

Fund Category	FY 2025-26 Proposed Amounts
General Fund	\$ 121,425,524
Enterprise Funds	53,700,278
Special Revenue Funds	13,418,596
Debt Service Funds	16,761,774
Capital Projects Funds	10,624,850
Internal Service Funds	25,060,360
Fiduciary Funds	25,079,055
Total	\$ 266,070,437

The City Manager’s proposed Fiscal Year 2025-26 Preliminary Budget also includes 513.5 full and permanent part-time positions across all funds. This proposed budget provides for 8 new positions all funded by Enterprise Funds. The added positions are listed below along with the department.

Department	Position
Environmental and Water Resources	Senior Civil Engineer
Solid Waste	Refuse Driver (6)
Solid Waste	Senior Office Assistant

The City Manager's Fiscal Year 2025-26 Proposed Preliminary Budget is available on the City's web site at https://www.folsom.ca.us/government/finance/city-budget/-folder-366#docfold_14_786_600_366.

Recommended Budget Approval Process

- May 27, 2025 – City Council held public workshop on the budget at the Folsom Library.
- June 10, 2025 – City Council held budget public hearing and continued the public hearing to the June 24, 2025, City Council meeting allowing for more public dialogue.
- 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 review their budgets and develop cost cutting proposals and 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:
 - o At a City Council meeting in either September or October City staff will have another budget review with the City Council that will allow additional public input from the community. This budget 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 Mid-Year Budget Review – February/March 2026:
 - o At a City Council meeting in either February or March City staff will conduct a Mid-Year Budget review with the City Council. Any adjustments needed for the current year will be approved by the City Council at that time. Staff will be seeking direction from the Council as to what cuts they would consider including in the FY 2026-2027 budget.

CONCLUSION:

The City of Folsom cannot continue to provide the General Fund services it presently provides to the community. With the recommended budget reductions there is a projected \$3.0 million General Fund deficit for FY 2025-2026. To live within its means the City will need to reduce its expenditures which translates into reductions in services.

Staff proposes using General Fund Reserves to fund the FY 2025-2026 budget but aggressively pursue a strategy to reduce costs and services in preparation for the FY 2026-2027 budget period that begins on July 1, 2026.

ATTACHMENTS

1. Resolution No. 11401 – A Resolution Adopting the Fiscal Year 2025-26 Operating and Capital Budgets for the City of Folsom, the Successor Agency, the Folsom Public Financing Authority, and the Folsom Ranch Public Financing Authority
 - a. Exhibit A - Budget Summary by Fund – Projected Balance 2025-26 and Summary of General Fund Revenues and Expenditures
 - b. Exhibit B – Staffing Detail 2025-2026
 - c. Exhibit C – FY 2025-2026 Budget Request Proposal Detail Listing
2. Budget Staff Report from the June 10, 2025 City Council meeting.

Submitted,

Bryan Whitemyer, City Manager