



Folsom City Council Staff Report

MEETING DATE:	10/14/2025
AGENDA SECTION:	Old Business
SUBJECT:	Resolution No. 11482 – A Resolution Approving Phase Two General Fund Cost Saving Measures for Fiscal Year 2025-26 and Beyond
FROM:	City Manager's Office

RECOMMENDATION / CITY COUNCIL ACTION

Staff recommends that the City Council adopt Resolution No. 11482 – A Resolution Approving Phase Two General Fund Cost Saving Measures for Fiscal Year 2025-26 and Beyond.

BACKGROUND / ISSUE

On Tuesday, May 27, 2025, the Folsom City Council held a budget workshop at the Folsom Public Library. The meeting was well attended with members of the public present. Staff presented the initial draft of the FY2025/26 budget in a new format providing a comprehensive line-item presentation that offers more transparency and detail. The City Council and members of the public had the opportunity to provide input and ask questions about the proposed budget and the new budget cycle/process.

On Tuesday, June 10, 2025, the City Council held a public hearing on the FY 2025-26 budget. Staff presented information to the City Council that included historical revenue and expenditure trends. The proposed FY 2025-26 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.

On Tuesday, June 24, 2025 the City Council reviewed additional budget modifications that lowered the General Fund deficit from \$3,490,549 to approximately \$3,000,000. In adopting the FY 2025-26 budget, the City Council recognized that staff would continue pursuing cost-saving opportunities to bring forward to both the Council and the public in the September/October 2025 timeline (See June 24, 2025 Staff Report as Attachment 2).

On Tuesday, September 23, 2025 the City Council adopted Resolution No. 11463 approving Phase One of the General Fund cost savings measures for FY 2025-26 totaling \$3,093,130 and ongoing full-year savings of \$3,772,392 for FY 2026-27. Those cost savings were a result of proposed staff reductions (20 total) through elimination of mostly vacant positions and strategic reduction of positions in the Fire Department, Police Department, Finance/IT Department, City Attorney's office, and Library. This report identifies Phase Two with additional General Fund cost savings for City Council consideration associated with service reorganization and increased use of other funds for the City's Community Development, Parks and Recreation, Public Works, and Environmental & Water Resources/Utilities Departments (See September 23, 2025 Staff Report as Attachment 3).

ANALYSIS

Given the current and projected future City budget shortfall, the City Manager is focused on ensuring that City expenditures do not exceed City revenues. The City Manager directed each Department and Division to develop a plan to reduce General Fund expenditures by focusing on core competencies, looking for organizational efficiencies, considering other revenue sources, and evaluating potential service level reductions. Analysis and recommendations from each Department or Division were vetted through the City Manager and his recommendations for General Fund cost savings are being presented to the City Council and community in two phases.

Phase One cost savings were considered and adopted by City Council on September 23, 2025 (Resolution No. 11463 with General Fund cost savings of \$3,093,130 for FY 2025-26 and ongoing full-year savings of \$3,772,392 for FY 2026-27). The cost savings reflect staff reductions (20 total, mostly vacant positions) in the Fire Department, Police Department, Finance/IT Department, City Attorney's office, and Library. City Council also discussed the annual General Fund subsidy for the Zoo Sanctuary and directed staff to explore options for community partnerships.

Phase Two of the proposed General Fund cost savings outlined in this report includes cost savings associated with reorganization of services and staffing, as well as improved use of special revenue funds for the Community Development (CD), Parks and Recreation (P&R), Public Works (PW), and Utilities (U) Departments. The reorganization of engineering-related services reflects several weeks of coordination and collaboration among the four Departments. Directors discussed what works well, where there is room for improvement, how to maximize resources and reorganize services for efficiency, changes or shifts in service priorities, and any reductions in service levels that should be considered. The Directors also reached out to their

counterparts in other agencies to consider best practices and lessons with management and delivery of similar services.

Ultimately, the four Directors agreed on a reorganization of services that the City Manager supported and then went to work on reorganization of resources (staff and services) in each department accordingly. See Attachment 4 for Existing and Proposed Service Organization Charts. Notable changes are summarized below with additional details by Department:

- Community Development will refocus efforts on planning services for development activity and community building, maximize efficiencies and cost recovery for building services including code enforcement, and focus development engineering for private property with improved collaboration with Public Works for public improvements and acceptance.
- Parks & Recreation will continue to oversee the planning, improvement and maintenance of parks, open space, trails, and municipal landscapes with focus on planning and delivery of those capital projects in partnership with Public Works on the Active Transportation Plan. The Department will consider improved cost recovery for recreation facilities and programs, as well as strengthen strategic community partnerships.
- Public Works will focus on delivery of capital projects, transportation planning and traffic engineering, public property improvement and acceptance, as well as stormwater management. There will be improved collaboration with Community Development related to private property development and related public improvements as well as with Parks & Recreation on capital project support.
- EWR will be expanded to a broader Utilities Department to include other enterprise funded utility services (solid waste and recycling) as well as fleet services in addition to water and wastewater services, operation and maintenance, and infrastructure capital improvement projects.

Like the Phase One cost savings, the summary table of budget reductions for Phase Two includes staff changes but not necessarily in the form of staff reductions. Rather, the overall cost savings represent minor reduction in vacant positions, repurposing both filled and vacant positions, underfilling or reclassifying positions, strategic promotions, and reallocating the funding for positions (in part or in full) to qualifying special revenue and other funds. The table below summarizes recommended staffing revisions and funding allocation with annual (full fiscal year) General Fund salary and benefit savings totaling \$2,318,473.

Department Staffing FTE = Full Time Equivalent	EXISTING FTE			PROPOSED FTE			General Fund Annual S&B Savings
	General Fund	Other Fund	Total	General Fund	Other Fund	Total	
Community Development	27	1	28	25.25	2.75	28	\$493,011
Parks and Recreation	49	3	52	46.2	5.8	52	\$703,571
Public Works	28.55	0.45	29	16.10	14.90	31	\$1,111,137
Utilities*	8.0	127.45	135.45	8.0	127.0	135.0	\$10,754
Total	112.55	131.9	244.45	95.55	150.45	246	\$2,318,473
<i>*Majority of utilities staff are enterprise funded.</i>							

The cost savings reflected in the table above represent full fiscal year cost savings (FY 2026-27) in small part from changes in staff positions and in large part from increased use of special revenue funds. In the current fiscal year, there will be cost savings associated with implementation of these changes for approximately half of the current fiscal year. The expectation is that the General Fund cost savings will be at least half of the full year savings for the current FY 2025-26 period. This estimate is based on the fact that there are currently funded positions that are unfilled, the time it will take for reclassification and recruitment, and the time to execute cost recovery on special revenue and current project funds for the November 2025 through June 2026 period. Fifty percent of the estimated annual salary and benefit savings of \$2,318,473 for FY 2026-27 and \$1,293,550 for FY 2025-26.

In addition to the recommended changes to staffing and funding for the four departments listed herein, additional operational cost savings were proposed and will be implemented over time as directed by the City Manager. Two examples of such operational cost savings include:

1. CDD Housing Fund Transfer for Habitat Discounted Land Sale \$615,000 (one-time transfer from Housing Fund to General Fund)
2. P&R Prospector Park Maintenance \$52,200 (annual cost to CFD 18)

Any additional operational cost savings that require formal action of the City Council will be scheduled for City Council consideration at a future meeting as appropriate.

A description of the reorganization priorities and cost saving strategies for each of the four departments are listed below. The staff listing and funding for each department is included in Attachment 1 Exhibit A, with the resulting City Staffing Budget Detail as Attachment 1 Exhibit B. Additionally, Attachment 5 includes the proposed organizational charts for each department by position and Attachment 6 identifies details for the other revenue sources utilized for General Fund cost savings.

Community Development Department

Community Development is primarily a pay-for-service Department including city planning and housing services, development engineering and arborist services, building safety and inspection services, and code enforcement. Since the recession in 2008, Community Development has maintained a baseline staffing level with supplemental contract services for peak levels of development activity (e.g., plan check and inspections) and specialized projects and services (e.g., land surveying, mitigation monitoring). Development processing and permit fees were updated in 2024 and 2025 to better reflect full cost recovery but there are also mandated and desired services provided to the public by Community Development with no corresponding revenue (public inquiries and information, public record requests, Commission staffing, and initial code enforcement responses).

Community Development recommendations for General Fund cost savings include evaluation of special revenue funds, reorganization of select service responsibilities and staffing, retention of essential staff, and recommendations for service level reductions. These recommended changes for Community Development result in an annual salary and benefit cost savings of \$493,011. This annual salary and benefit cost savings represents a 9% reduction in the General Fund expense City Council approved FY 2025-26 budget for CDD salary and benefits (\$5,349,071).

Notably, there is no change to the number of FTE staff in CDD (28 FTE approved, 28 FTE proposed). Rather, these solutions include use of Housing and Tree Funds for a total of 2.75 FTE (2 staff entirely funded and 3 staff partially funded using special revenue funds based on qualifying workload and fund expense). Community Development solutions also underfill or consolidate mid-management responsibilities with new classifications and reclassifications to maximize efficiencies and right size services, particularly for development engineering and code enforcement services. (See Attachment 1 Exhibit A for CDD specific staff and fund solutions, as well as Attachment 6 for information regarding other revenue funds for CDD).

Proposed cost savings include reorganization and strategic repurposing of positions and use of special revenue funds for qualifying staff resources. With no change to the total number of employees in CDD, the total annual General Fund salary and benefit cost savings proposed total **\$493,011**.

Parks & Recreation Department

The Parks & Recreation Department oversees parks, open space, municipal landscapes, trails, facilities, and recreation and community services. The Department receives revenue from grants, service charges, rentals, donations, special revenues, impact fees, and other sources.

In June 2025, the City Council approved a fee increases for the Zoo Sanctuary and the Community Rental Fees that is projected to generate more than \$300,000 annually beginning in FY 2025-26. Staff is in the process of updating the Book of Fees to be completed by January 2026 with additional program fee increases. The projected revenue from the fee increases is

not included in this analysis. To further reduce General Fund reliance, staff will continue to expand strategic partnerships. Currently our department manages more than 50 partnerships with community organizations providing 31,938 volunteer service hours. These partnerships save the City over \$1,000,000 annually. Our goal is to increase the support from volunteers and partnerships this fiscal year by 10-15%. The upcoming Folsom Kids Play Park/Castle Park Community Build Project, along with two new partnerships agreements currently underway to support park and open space maintenance, will help us achieve that goal.

Staff have developed organizational changes as well as a plan to strategically utilize special revenue funds to create additional General Fund savings. Current staffing levels of the Parks and Recreation Department are at 52 full-time equivalent positions. The proposed organizational changes show that a vacant position will be eliminated and replaced with a shared position with Public Works to support delivery of Capital Infrastructure projects in both departments. Staff is proposing to upgrade one position to better align with duties and responsibilities. The total savings to the General Fund by using appropriate available special revenue funds to offset staffing costs estimated at **\$703,571** annually. (See Attachment 1 Exhibit A for P&R specific staff and fund solutions, as well as Attachment 6 for information regarding other revenue funds for P&R).

Public Works Department

The Public Works Department oversees Folsom's transportation planning, traffic operations, stormwater management, and roadway infrastructure improvements (both related to capital projects and development). In addition to receiving General Fund and Enterprise funds Public Works also receives funding allocations from special revenue funds like Measure A, SB-1, state and federal grants, and developer funded operational projects.

Changes in services have been considered as part of the Phase One and Phase Two reorganization. New services to the Public Works Department include enhanced grant writing, citywide improvement standards management, mapping of public property, public land acquisition and disposition, transportation and encroachment permits, enhanced major facility capital projects, and a citywide capital improvement and asset management program. Many of these services are self-sustaining through fees or other capital revenue sources but were conservatively omitted in this analysis.

Like the proposals of other departments, the Public Works Department also proposes a reduction in General Fund positions by leveraging cost recovery through special revenue funds and active state and federal grants for capital projects. Following a thorough review of revenues, expenditures, and cost recovery efforts, opportunities to retain essential staff while lessening the burden on the General Fund were daylighted by adjusting billing policies and practices. This approach to cost recovery provided a path to reduce the number of positions funded by the General Fund from 28.55 to 16.10 with 14.90 FTEs funded through special revenue funds. This proposal reduces the number of General Fund FTEs by 12.45 positions, resulting in net savings of **\$1,111,137** or 22% reduction of the Department's impact to the

General Fund. (See Attachment 1 Exhibit A for PW specific staff and fund solutions, as well as Attachment 6 for information regarding other revenue funds for PW).

Utilities (Formerly Environmental & Water Resources) Department

This City-wide organizational effort will combine three Enterprise Fund operations (Solid Waste, Water, and Wastewater), along with Fleet Services, into a newly named Utilities Department. Attachment 4 shows the proposed organizational chart for the Utilities Department.

For the new Utilities Department there is likely to be minor savings to the General Fund. Based on recent years, the cost allocation plan shows that the General Services Manager and Fleet Manager represent about 68% of actual costs associated to non-General Fund sources. Currently in Fiscal Year 2025-26 and in previous fiscal years, these two positions are budgeted at 65% of costs allocated to non-General Fund sources.

CONCLUSION:

In June 2025, the city was facing a \$3.0 million operational deficit for FY 2025-26. On September 23, 2025, City Council adopted Phase One General Fund cost savings of \$3,093,130 for FY 2025-26 and ongoing full-year savings of \$3,772,392 for FY 2026-27. The proposed Phase Two General Fund estimated cost savings total \$1,159,236 for FY 2025-26 and \$2,318,473 for FY 2026-27.

In the Phase One cost savings proposal personnel reductions in IT services were included with the expectation that the City would explore a contract for IT management services. The City has received an interim proposal from Mid-Valley IT to provide managed IT services for a six-month period. If annualized the total cost of the proposed IT services is approximately \$80,000 lower than if the City had retained two IT positions. The contract also includes far more resources than two FTEs employed by the City.

The estimated total from the two phases of recommended General Fund cost savings are listed in the table below:

General Fund	FY 2025-26	FY 2026-27
Phase One Budget Reductions (Resolution 11463)	\$3,093,130.00	\$3,772,392.00
Phase Two Budget Reductions (Resolution XXXXX)	\$1,159,236.00	\$2,318,473.00
IT Management Services Contract	(\$271,200.00)	(\$406,800.00)
Revised General Fund Budget Reduction Figures	\$3,981,166.00	\$5,684,065.00

ATTACHMENTS

1. Resolution –11482 - A Resolution Approving Phase Two General Fund Cost Saving Measures for Fiscal Year 2025-26 and Beyond
 - Exhibit A: General Fund Cost Saving Measures for Fiscal Year 2025-26
 - Exhibit B: Position Detail Summary
2. June 24, 2025 Budget Staff Report Packet
3. September 23, 2025 Phase One Cost Savings Staff Report Packet
4. Existing and Proposed Department Service Reorganization Matrix
5. Department Proposed Organizational Charts
6. Other Revenue Fund Descriptions and Balances

Submitted,

Bryan Whitemyer, City Manager