



Folsom City Council Staff Report

MEETING DATE:	1/13/2026
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 11534 - A Resolution Authorizing the City Manager to Amend the FY2025-26 Budget with an Additional Appropriation for Development Engineering Services Contracts in the Amount of \$850,000 in the General Fund (Fund 010)
FROM:	Community Development Department

RECOMMENDATION / CITY COUNCIL ACTION

Staff respectfully recommends that the City Council move to approve Resolution No. 11534 - A Resolution Authorizing the City Manager to Amend the FY2025-26 Budget with an Additional Appropriation for Development Engineering Services Contracts in the Amount of \$850,000 in the General Fund (Fund 010)

BACKGROUND

All engineering plans for proposed development on private property in the City of Folsom are submitted to the Community Development Department, Engineering Division. The submittals are reviewed by qualified plan check staff for conformance to engineering standards and best practices prior to issuance of site improvement permits. Once the site improvement permits are issued and construction begins, qualified construction inspection staff will inspect the site to ensure construction is consistent with the approved plans and requirements.

Development activity in the City each year fluctuates in response to a variety of factors including but not limited to economic conditions, market demand, land use trends, and land availability and readiness. Regardless of the fluctuation, the City is obligated to review plans, issue permits, and conduct inspections in a timely manner.

With the reorganization of services and staffing among various City Departments in October 2025, the Community Development Department Development Engineering Division includes modest baseline staffing levels with five full time equivalent positions for development engineering plan review and inspection services as listed in the table below.

CDD Engineering Positions	# Staff
Development Engineering Manager	1
Senior Civil Engineer	1
Assistant Civil Engineer	2
Senior Construction Inspector	1

With the recent transition of two senior engineering staff (City Engineer and Principal Civil Engineer) to the Public Works Department and a vacancy in our Senior Construction Inspector, Community Development Engineering team is currently operating at about 30% of capacity at a time when construction activity and corresponding demand for plan check and inspection services are relatively high.

Regardless of the current staffing shortages, the City has experienced consistently high levels of citywide development activity over the last ten years exceeding staff capacity in development engineering, especially with new development in the Folsom Plan Area Specific Plan (FPASP). To meet the customer needs for these higher levels of building development activity and staff vacancies, the City has employed supplemental contract services (on call service contracts) for development engineering, construction inspection, and on-call surveying services paid for by corresponding revenue for services collected under each applicable project.

As authorized by City Council under Resolution 9673 and consistent with Measure W, development activity in the FPASP shall be full cost recovery using a deposit-based system with “time and materials” billing approach for staff time and consultant services associated with development activity. City Council has long authorized staff to manage assignment and oversight of consultant work for both off-site engineering (backbone infrastructure) and on-site engineering work on private development within the FPASP. The City continues primary work assignments under separate contracts with Pinnacle for plan check and inspections and Gerry Young for surveying/mapping work in the FPASP. Additionally, City Council recently approved new on call engineering contracts intended to serve primarily development north of Highway 50 with the occasional assignment for on-site (private development) services at full cost recovery in the FPASP.

For each fiscal year budget, the Community Development team prepares projections for anticipated development activity Citywide for planning, development engineering, and building plan check and inspection services with corresponding revenue estimates based on current fees for projected activity. Each year, the proposed budget includes more conservative estimates for revenue associated with development activity and a flat contract budget allocation is appropriated for each of the primarily service areas as an estimated operational expense for each division. As development activity occurs throughout the fiscal year, revenue and corresponding demand for services (in-house staffing and supplemental contract) are appropriated and adjusted as needed with City Council authorization.

The table below shows historical projected and actual revenue and contract expense data for development engineering services for the last full five-year period (including the pandemic). The table also includes revenue and contract expenditure data for the first six months of this fiscal year. Revenue has consistently exceeded projections by significant amounts. As a direct

correlation, contract costs for supplemental plan check and inspection service demands over that same five-year period have consistently exceeded contract budget expense allocations. See the projected and actual revenue numbers for development engineering, as well as the initial and actual budget allocation for contract engineering services for the last full five-year period in the table below. The table also includes projected and actual revenue and contract numbers for the first 6 months of the current fiscal year.

CDD Development Engineering Revenue and Contract Expense History				
Fiscal Year	Projected Revenue	Actual Revenue	Initial Contracts Budget Amount	Actual Contract Expense
FY 2020/21	\$1,042,708	\$2,473,221	\$75,000	\$ 1,657,199
FY 2021/22	\$1,824,500	\$2,309,522	\$90,000	\$ 2,257,112
FY 2022/23	\$1,268,643	\$1,722,910	\$550,000	\$ 2,596,382
FY 2023/24	\$976,958	\$1,785,758	\$690,000	\$ 1,879,224
FY 2024/25	\$993,908	\$3,140,431	\$690,000	\$ 1,425,708
FY 2025/26*	\$882,200	\$1,450,560	\$690,000	\$851,682
* 6-month data July 1 through Dec 31, 2025				

While the total annual consultant costs reflect services both north and south of Highway 50, most consultant costs involved pass through funding for consultant engineering services in the FPASP south of Highway 50 for both backbone infrastructure (off sites) and private development (on sites). Over the last full five-year period, annual engineering consultant costs varied widely from a low of \$1,467,821 and a high of \$2,596,382 in response to the volume, type, and level of services required to meet the customer need. Generally, engineering fees are collected at project or permit submittal, but for backbone infrastructure and larger projects south of Highway 50, the reconciliation of deposit and reimbursement or payment of final invoices owed can lag behind the actual completion of the work by many months (overlapping fiscal year periods). Ultimately, the full cost recovery system for development activity in the Folsom Plan Area ensures that the expense for engineering services will not exceed the revenue required for same engineering services.

As shown in the table above, actual development engineering revenue in the first half of this fiscal year is 160% of the total revenue projected for this year. With higher-than-expected workload, we’ve also recognized increased expenses for contract work in this first half of the fiscal year. Specifically, with invoices received to date, contract expenses of \$851,682 in the first half of the year are 125% of the total contract budget of \$690,000. This is exacerbated by the staff transitions and vacancies in development engineering and we expect it will take another three or four months to be fully staffed in development engineering.

Staff recommends the City Council approve an amendment to the FY2025-26 budget with an additional appropriation for development engineering services contracts in the amount of \$850,000 in the General Fund (Fund 010) to cover anticipated contract expenses for the second half of the fiscal year. The contract expense will continue to track with engineering project and permit revenue for full cost recovery.

POLICY / RULE

As set forth in Section 5.05H of the City Charter, prior to the City Council making any supplemental appropriation, the City Manager shall certify that monies in excess of those estimated in the budget are available for appropriation. Any such supplemental appropriation may be made for the fiscal year by resolution up to the amount of any available excess funds.

ANALYSIS

As described in the background section of this report, Folsom has experienced consistently high volumes of development engineering permit, plan check, and inspection activity over the last ten years exceeding our baseline staffing capacity. In order to meet the engineering service demand that exceeds our staff capacity and/or expertise, Folsom has utilized consultant service contracts for development engineering plan check, surveying, and/or inspection services. For development activity north of highway 50 and for some on-site private development activity south of highway 50, engineering staff assign work to on-call contractors who receive a percentage of our plan check fee or a flat hourly rate for inspection services. For development activity south of highway 50, engineering staff utilize separate contracts for backbone infrastructure, off site engineering work on public property, and some on-site work with deposit and reimbursement agreements for full cost recovery. All contract revenue and expenses are accounted for in the City's general fund through the same contract account.

The current fiscal year budget includes engineering revenue projections of \$882,200 and contract expense appropriation of \$690,000. In the first six months of this year, Community Development prepares revenue projections based on discussions with potential developers, landowners, and stakeholders about approved or planned entitlements and projects to predict the level of development activity for the next fiscal year. This projection is used to identify any additional staffing needs/costs and to estimate supplemental contract services needs/costs. Historically, the City's adopted budget includes a conservative percentage of the Staff revenue projection for development activity. For the last ten-year period, actual development activity and corresponding revenue and consultant contract costs have exceeded both the City's adopted budget and the Staff projections.

Actual development engineering revenue in the first half of this fiscal year is \$1,450,560, which is 160% of the total revenue projected for this year. With higher-than-expected workload, Community Development engineering division also recognized increased expenses for contract work in this first half of the fiscal year. Contract expenses in the first half of the year are \$851,682, which is 125% of the total contract budget of \$690,000. With two staff transfers associated with the City's departmental reorganization and one vacancy on the engineering team, the engineering staff is now operating at about 30% of capacity with increasing need for contract support over the next few months. As such, staff recommends the City Council appropriate additional funds up to \$850,000 for engineering contract support which will be offset by the increase in revenue as well as salary and benefit savings from staffing vacancies in the current fiscal year.

FINANCIAL IMPACT

The cost of third-party development engineering, construction inspection, and on-call surveying services is offset by revenue generated by Engineering Plan Check and Inspection Fees adopted by City Council Resolution.

The Community Development Engineering Division contract budget in the General Fund (Fund 010) is established by City Council budget authorization. In the current FY 2025-26 budget, funds in the amount of \$690,000 are budgeted in the contracts line item for all Engineering Division contracts. Cumulative contract expenditures have exceeded \$690,000 annually for the last 10 years, offset by additional Engineering Plan Check and Inspection Fee revenue each year, and staff is now requesting the City Council appropriate additional funds in the Community Development Engineering Division contract budget in the General Fund (Fund 010) for FY 2025-26 in the amount of \$850,000, for a total engineering contract budget of \$1,540,000. This additional appropriation is offset by a corresponding increase in Community Development Department revenue.

ENVIRONMENTAL REVIEW

The project is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061 b (3) (General Rule Exemption) of the CEQA Guidelines.

ATTACHMENT

Resolution No. 11534 - A Resolution Authorizing the City Manager to Amend the FY2025-26 Budget with an Additional Appropriation for Development Engineering Services Contracts in the Amount of \$850,000 in the General Fund (Fund 010)

Submitted,



Pam Johns, Community Development Director