



TO: Financial Commission

FROM: Jon Maginot, Staff Liaison

SUBJECT: Draft Fiscal Year 2025/26 Operating Budget and Five-Year Capital Improvement and Major Maintenance Program

RECOMMENDATION:

Review the draft Fiscal Year 2025/26 Operating Budget and Five-Year Capital Improvement and Major Maintenance Program

BACKGROUND

Each year, the City adopts an operating budget and five-year Capital Improvement and Major Maintenance Program (CIMMP). The Operating Budget and CIMMP provide direction on use of City funds to provide services to the community, achieve the City's Mission and City Council Priorities.

The draft Operating Budget was completed as part of a zero-based budget and has been designed to accomplish the goals and priorities of the City while being fiscally responsible at the same time. The City is projecting that FY26 General Fund revenues will exceed expenditures and that fund balances will be maintained at appropriate levels. In addition, the City will maintain a 20% operating reserve balance.

General Fund

Staff is proposing a FY26 budget with General Fund revenues of \$64,215,521. This represents a 3% increase over estimated revenues for FY25. The primary driver of General Fund revenue continues to be property tax (\$38.2 million). Other significant revenue sources include Utility Users Tax (\$4.1 million), Sales Tax (\$3.5 million) and other taxes, including Transient Occupancy Tax (\$4.7 million).

General Fund expenditures are projected at \$56,505,433 which represents a 10% increase over FY25 estimates. This increase is driven by a number of factors including increased personnel costs (which includes the filling of previously vacant positions), an increase in the City's contract with Santa Clara County Fire, an increase in the City's contract for animal control services, and the implementation of a new parking management program which includes contracting with an outside vendor for parking enforcement.

As part of the proposed budget, staff is recommending transfers from the General Fund to The Capital Projects Fund and various internal service funds. With these transfers, the City is projected to have an expected surplus (Revenues over Expenditures/Transfers) of approximately \$3.2 million.

CIMMP

The Financial Commission received a presentation on the draft CIMMP at its April 21, 2025 meeting. Since that meeting, staff has further refined the CIMMP to include those projects that staff is confident can be completed in FY26 and are priorities within the City. The CIMMP includes a total of 52 projects across a variety of funds. A number of these projects are already underway and simply represent a rollover of funds to complete the respective projects.

It is recommended that the Financial Commission review the proposed FY 2025/26 Operating Budget and provide feedback as necessary. The draft Operating Budget and CIMMP will be presented to the City Council at a Study Session on May 27, 2025.

Attachments

1. Draft Fiscal Year 2025/26 Budget – General Fund and Enterprise Funds Summary
2. Draft Fiscal Year 2025 and Fiscal Year 2026 Fund Balance Summary
3. Draft Fiscal Year 2025-30 Capital Improvement and Major Maintenance Program detail summary