



CITY OF ORLAND STAFF REPORT

MEETING DATE: March 4, 2025

TO: Honorable Mayor and City Councilmembers

FROM: Pete Carr, City Manager

SUBJECT: **FY26 Budget Discussion #1 – Assumptions, Projects, Staffing**
(Discussion/Direction)

BACKGROUND:

City staff is preparing a draft budget for the fiscal year 2025-26 (FY25) which starts July 1. The budget will represent the City's best estimate of probable revenues and a spending plan to support operational services and projects consistent with Council direction identified in recent years and through the budget process. Staff will continue to analyze revenue projections and collect cost estimates to produce an evolving budget picture in anticipation of a budget ready for adoption before June 30th.

March: Assumptions, Projects, Staffing, Revenue Forecasts

April: Expenditures for General Fund, Street Funds, DIF

May: Water, Wastewater, updates and changes

June: Adopt final budget

ANALYSIS:

This evening's discussion will lay out major fiscal assumptions for the coming year, forecast major capital expenditures and projects for the coming year and discuss necessary organization and staffing levels to support these objectives.

Direction received from Council this evening will further inform staff analysis as we proceed with formulation of the final proposed budget which is planned for presentation to Council for consideration of adoption on June 3rd.

Key assumptions for FY26

1. Both statewide and local economies will experience modest growth and low unemployment, especially Q3 and Q4, improving more if interest rates continue to relax.
2. Property tax revenue will grow 2%, sales tax 1.5%.
 - a. Freight transport refueling will grow modestly while refueling of gasoline engine vehicles gains will offset declines for Orland; prices will remain at current levels, no significant change in fuel vs electric consumption.

- b. With automobile inventories improving and interest rates easing, sales could improve but will be constrained by tariffs; sales tax revenue from auto sales will increase 1%.
3. The current 16 CHIP houses in construction will be complete and 32 more will at least start in FY26.
4. The DWR water project and all ARPA-funded projects will wrap-up in FY26.
5. M½ reconstruction project will start and be completed in FY26. Several smaller paving and sidewalk projects will be planned for summers 2025 and 2026.
6. Measure J will absorb ambulance expenses; Measure A will continue to focus on upgrading the communications systems and reserving against future facility and apparatus needs.

Capital Projects and Objectives

High profile objectives include completion of the DWR Emergency Water Supply project, pursuit of upgrades for our wastewater treatment ponds, excellent strategic utilization of remaining ARPA funds, and planning with Caltrans for eventual transformation of our SR32 corridor infrastructure. Major projects envisioned are laid out in draft on the 4-quadrant worksheet, acknowledging that probably not all these projects can be afforded the time and budget resources necessary in year ahead.

Capital projects utilizing ARPA funds are shown as part of the scope of projects but will also be shown separately on the ARPA Use Worksheet for funding purposes.

Fire and Police fleet schedules are being updated, to be funded via Measure A Public Safety Fund. Public Works fleet and capital equipment schedules will be updated and incorporated into General Fund and utility fund budgets.

Staffing

City Hall, Library, and Recreation will each add one part-time year-round position. Police, Fire and Public Works Departments will maintain current staffing, acknowledging the challenge in filling currently funded police and skilled public works positions. The previously grant-funded SRO position will be funded by the City this year unless grant funding can be made available to offset.

Attachments (3):

- A. Updated Organization Chart
- B. Established, Authorized and Funded Positions DRAFT schedule for FY26
- C. Capital improvement and other DRAFT project objectives for FY26

RECOMMENDATION

Provide direction at Council discretion. Staff will proceed with budget preparation accordingly.

Fiscal Impact of Recommendation:

Budget will balance revenues with expenditures as it provides for operational and improvement project objectives and will maintain or build fund reserves.