



City Manager's Proposed FY 2024-25 Operating and Capital Budgets City Council Presentation – May 28, 2024



The Budget Process

- The Proposed Budget can be thought of as a “draft” by the City Manager.
- The Council’s duty is to take the draft and deliberate, request more information as needed, and make any changes they desire.
- The only constraint is that the result needs to be a balanced budget, and it must be adopted by the Council by June 30th or the Proposed Budget automatically becomes the FY2024-25 Budget.
- The City Manager does not vote on the Budget.

The Budget Process (cont.)

- The process starts with the City Manager seeking direction on the allocation percentages for the General Fund “pie.”
- For the current FY2023-24 Budget, this City Council ***unanimously approved*** the pie allocation.
- This City Council also ***unanimously approved*** the FY2023-24 Budget with one public hearing.
- And this City Council also ***unanimously approved*** the General Fund allocation “pie” that served as the foundation for the FY2024-25 Budget you’re hearing tonight.

Financial Concerns and Constraints

- We're facing structural deficits.
- Our General Fund unassigned fund balance (our "rainy day" fund) is low and cannot cover these predicted shortfalls.
- We have a concerning flattening sales tax revenue trend.
- We have at least \$20 million annually of unfunded or underfunded needs citywide.
- We face uncertainty due to CalPERS.
- We are drawing from the reserve balance of the Risk Management Fund and not replenishing it.
- We have growing service level needs south of Highway 50.

The Challenge

- The Budget continues to grow, just at a slower rate.
- No departments have been “cut” or “defunded” either in the past budget or in this proposed budget.
- All departments have ***a bigger budget*** now than they did last year, and that is proposed once again.
- There were requests for 71 positions and over \$38.7 million of asks for the General Fund; this proposed budget provides for 11 positions (8 of them funded in the budget) and \$3.4 million in requests.

What “Not Fully Funded” Looks Like



- There will be a noticeable decline in park maintenance.
- We will be unable to buy many requested Police vehicles (\$500,000 worth of vehicles rather than \$930,000).
- We’ve turned down many high priority technology requests for the Fire Department.
- We cannot fund more firefighters once Fire Station 34 opens, so overtime starts to be a costly issue again.
- This is just a sampling. There are hundreds of examples.

Liken the Situation to One's Household Budget

- This is not catastrophic, but far from ideal.
- We will (continue) to live within our means.
- We can take care of some things with our slower revenue growth, but we're, very unfortunately, having to push off a lot of other things.

- Homeless Outreach Team – six new positions in the Police Department (1 Sergeant, 1 Corporal, and 4 Officers).
- Shift of encampment responsibilities from Code to Police, at Chief Hillman's request.
- The concept of over-hiring.

City Manager FY2024-25 Major Proposals (cont.)



- Division Chief for the Fire Department – new position.
- Position eliminated in 2008 – long overdue to bring it back.

City Manager FY2024-25 Major Proposals (cont.)



- Over 140 acres of new parks and 30 miles of trails and trail bridges are planned for south of 50.
- Also an abundance of work related to supporting renovation needs of our city's existing parks and facilities.
- Park Planner II – new position for the Parks and Recreation Department (primarily for Folsom Plan Area).
- Maintenance Worker position – new position for the Parks and Recreation Department (primarily for Folsom Plan Area).

City Manager FY2024-25 Major Proposals (cont.)



- Two new Maintenance Worker positions for the Public Works Department.

City Manager FY2024-25 Major Proposals (cont.)



- Conversion to Bluebeam plan check program and cloud-based permit software to improve service and efficiency to our Community Development Department customers.

City Manager FY2024-25 Major Proposals (cont.)



- Renovation of Kids Play Park (one-time use of unassigned fund balance).

City Manager FY2024-25 Major Proposals (cont.)



- New tables, chairs, and kitchen equipment for the Folsom Community Center (one-time use of unassigned fund balance).

City Manager FY2024-25 Major Proposals (cont.)



- Replacement of failing lighting control system and malfunctioning doors at the Folsom Public Library (one-time use of unassigned fund balance).

City Manager FY2024-25 Major Proposals (cont.)



- Network storage replacement in Information Systems Division (one-time use of unassigned fund balance).

The Rest of It

- Enterprise Funds (i.e. not General Fund).
- Many “true-ups” – just looking rising costs in the eye and accounting for them in Budget line items.

Balancing the Budget

	Original Budget FY 23-24	Increase to Projected Revenue	Previously Approved Cost Increases	Cost of Proposed Additional Positions	Other Proposed Budget Additions	Proposed Use of Unassigned Fund Balance	Total Proposed Budget FY 24-25
Revenue	\$108,560,133	\$ 6,771,315	\$ -	\$ -	\$ -	\$ 1,737,599	\$ 117,069,047
Expenditures	(108,560,133)	-	(5,045,976)	(1,509,339)	(216,000)	(1,737,599)	(117,069,047)
Difference	\$ -	\$ 6,771,315	\$ (5,045,976)	\$ (1,509,339)	\$ (216,000)		\$ -

General Fund Budget Additions



Cost of Service Increases – Personnel Costs:

\$ 4,000,495 Salary and benefit increases (net)

Cost of Service Increases – Operations and Maintenance:

\$ 279,910	HVAC loan - annual payment
186,865	Software contract increases
123,500	Training and education (Fire and Police Departments)
80,000	Hazard tree work and structural pruning
75,000	Vehicle maintenance
70,000	Vet bills increase
70,000	Recreation guide printing and postage costs
59,400	Annual physical exams (Fire Department)
50,000	Park maintenance contract increase
41,800	Department supplies increase (Fire and Public Works (Fleet) Departments)
33,600	Fleet inventory management and household hazardous waste disposal contract increases
30,000	Annual PPE inspection (Fire Department)
30,000	Open space weed abatement costs
78,350	All other budget “true-ups” across all General Fund departments (net)

Balancing the Budget

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General Fund Budget Additions



FY 2024-25 Proposed Additional Positions:

\$ 140,997	Park Planner II – Folsom Plan Area
100,539	Parks Maintenance Worker I – Folsom Plan Area
238,450	Two Public Works Streets Maintenance Worker I/II – Folsom Plan Area
242,472	Police Sergeant - Homeless Outreach Team
215,690	Police Corporal - Homeless Outreach Team
183,995	Four Police Officers - Homeless Outreach Team (One funded in budget, three funded by annual vacancy savings)
<u>387,216</u>	Fire Division Chief to oversee training
\$1,509,339	

FY 2024-25 Proposed Budget Additions:

\$ 155,000	Community Development software upgrades
<u>60,000</u>	Election costs
\$ 216,000	

Balancing the Budget

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General Fund Budget Additions



FY 2024-25 Proposed Use of Unassigned Fund Balance (Emergency Reserve):

\$1,100,000 - Renovation of Kids Play Park

497,599 - Replace kitchen equipment, tables, and chairs at the Folsom Community Center

80,000 - Replace malfunctioning doors and lighting control system at the Folsom Public Library

60,000 - Replace City's primary data storage system that has reached end of life

\$1,737,599

General Fund Budget Additions



FY 2024-25 Request Summary:

Requests:

- Total PLS requests from General Fund Departments: \$38,734,223
- Total new positions requested: 71

Included in Proposed Budget:

- PLS requests recommended: \$3,462,938 (includes \$1,737,599 use of unassigned fund balance)
- New positions recommended: 11 (8 funded in budget)

General Fund Appropriations



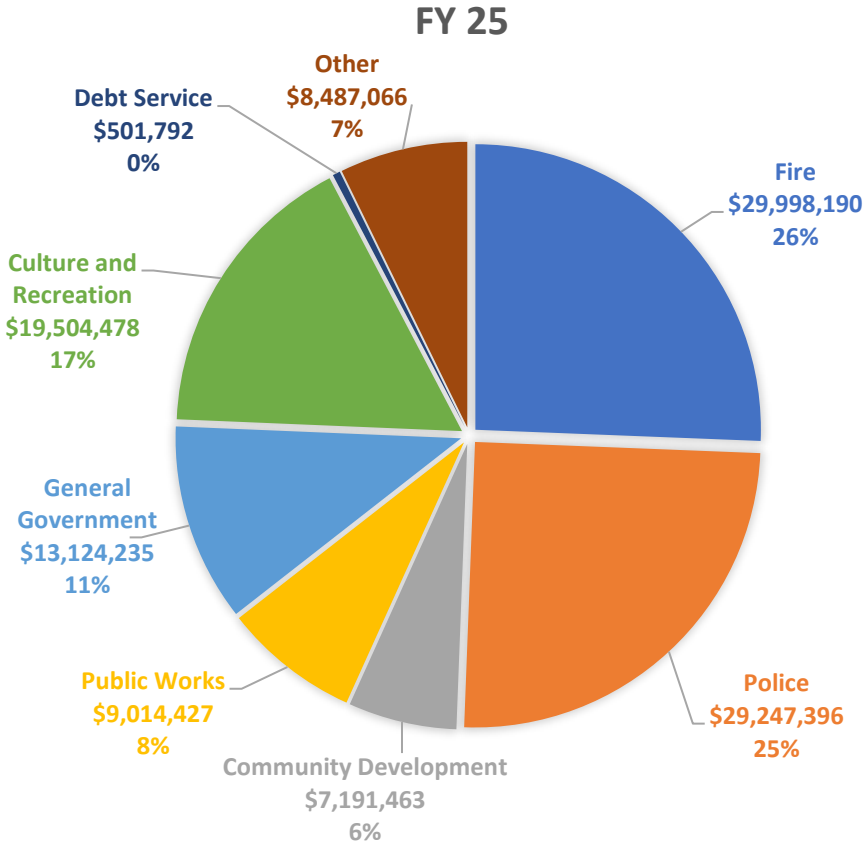
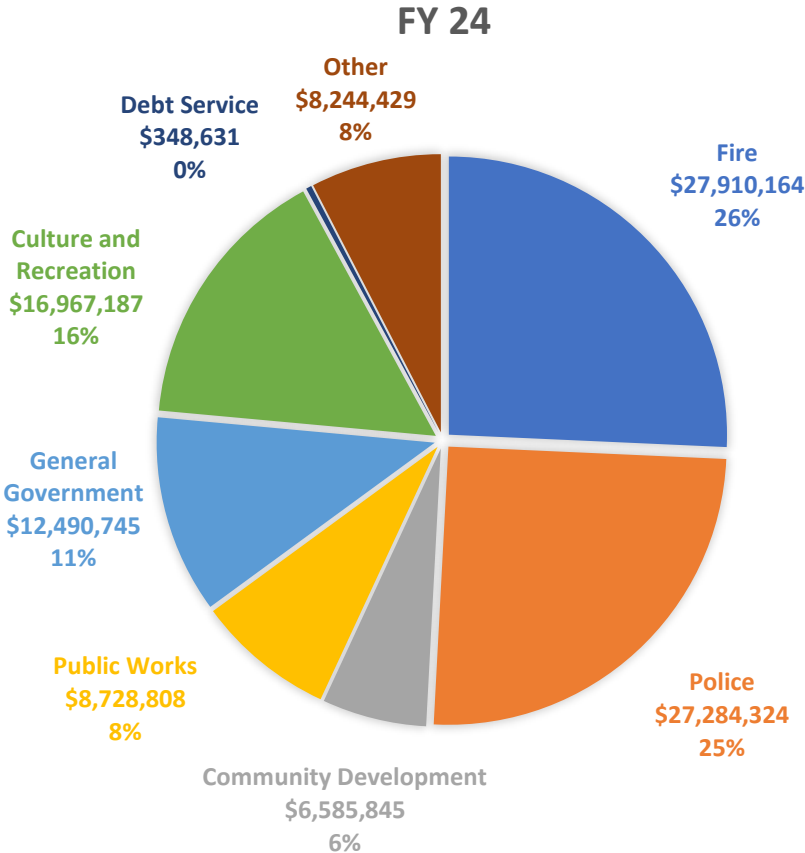
	FY 21-22	FY 22-23	FY 23-24	FY 24-25		
	Actual	Actual	Budget	Proposed	\$ Change	% Change
Salaries & Benefits	\$67,264,731	\$71,850,855	\$78,439,202	\$83,949,037	\$5,509,835	7%
O&M	25,642,712	32,412,057	27,087,300	28,785,619	1,698,319	6%
Capital Outlay	4,389,415	2,278,990	2,685,000	3,782,599	1,097,599	41%
Debt Service	874,366	970,953	348,631	501,792	153,161	44%
Transfers Out	-	-	-	50,000	50,000	0%
Total Expenses	\$98,171,224	\$107,512,855	\$108,560,133	\$117,069,047	\$8,508,914	8%

General Fund Appropriations



	FY 24	FY 25	
Budget by Category	Budget	Proposed	\$ Diff
Fire	\$27,910,164	\$29,998,190	\$2,088,026
Police	\$27,284,324	\$29,247,396	1,963,072
Community Development	\$6,585,845	\$7,191,463	605,618
Public Works	\$8,728,808	\$9,014,427	285,619
General Government	\$12,490,745	\$13,124,235	633,490
Culture and Recreation	\$16,967,187	\$19,504,478	2,537,291
Debt Service	\$348,631	\$501,792	153,161
Other	\$8,244,429	\$8,487,066	242,637
Total Appropriations	\$108,560,133	\$117,069,047	\$8,508,914

General Fund Appropriations



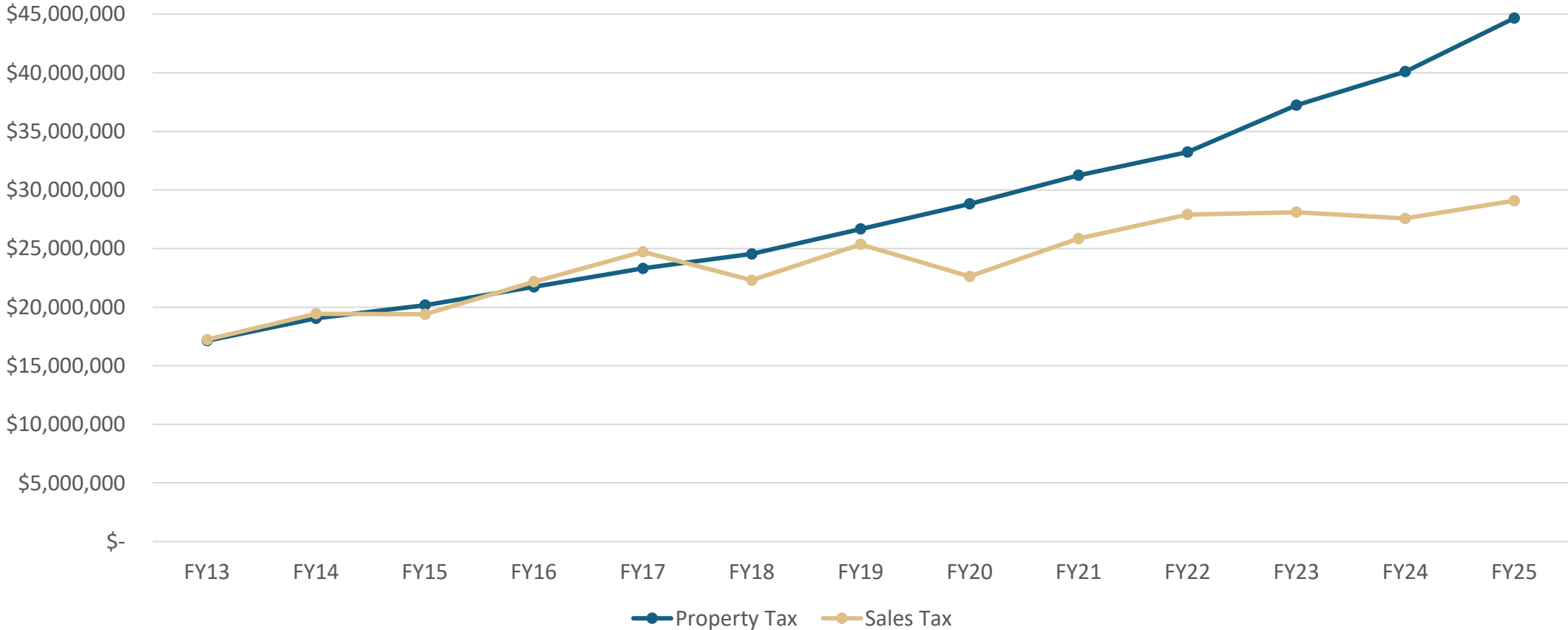
Authorized Positions

	General Fund	Water / Wastewater	Solid Waste	Total
FY 21-22	352.80	53.00	55.45	461.25
FY 22-23	366.80	56.00	56.45	479.25
FY 23-24	373.05	58.00	59.45	490.50
FY 24-25	384.05	60.00	59.45	503.50
Change	11.00	2.00	0.00	13.00

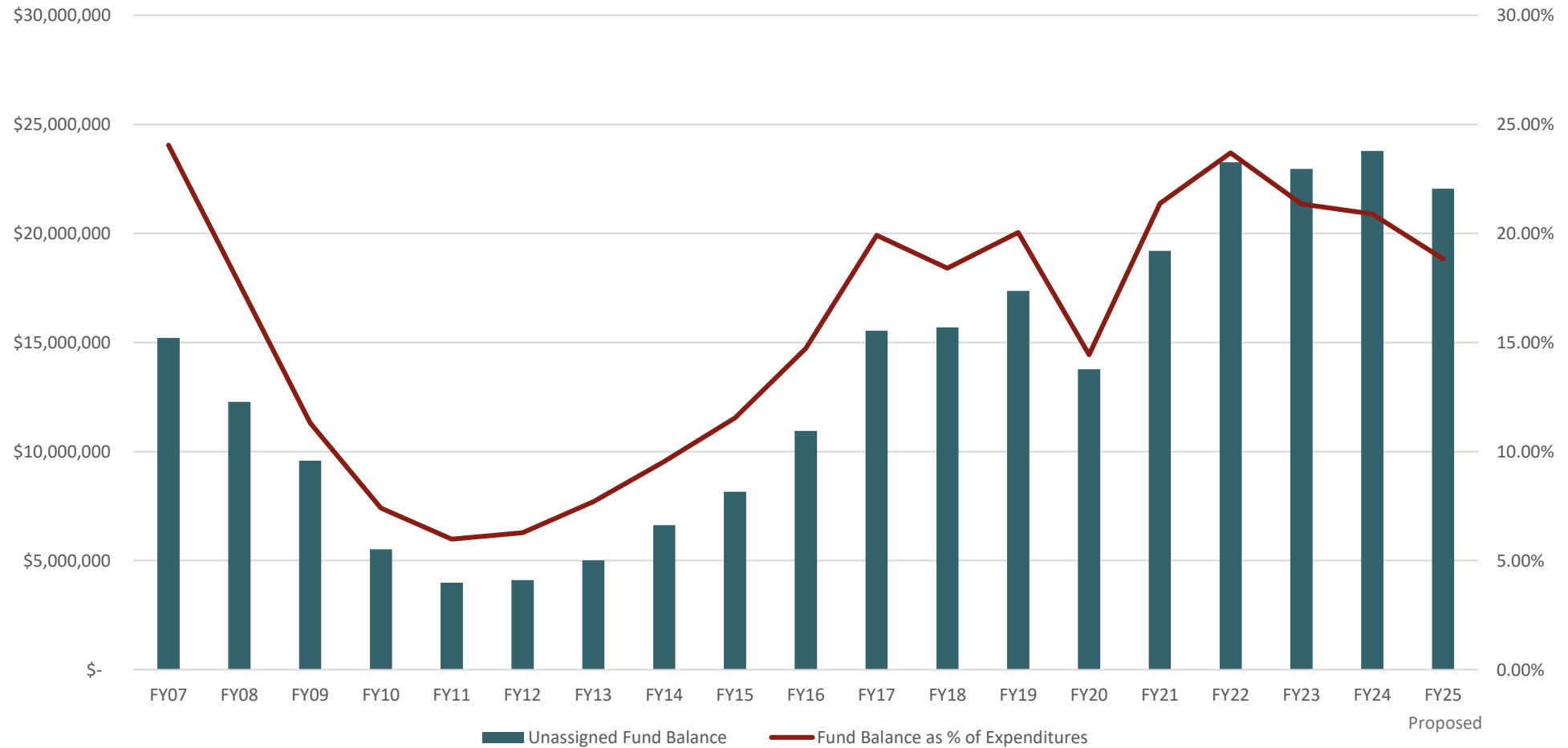
Revenue Summary

	FY 23-24	FY 24-25
	Budget	Proposed
Property Tax	\$40,094,946	\$44,658,430
Sales Tax	29,257,969	29,075,767
Transient Occupancy Tax	2,375,000	2,500,000
Charges for Services	12,196,372	13,994,978
Licenses, Permits & VLF	12,788,635	14,418,031
All other	4,362,487	4,577,087
Revenue Before Transfers In	\$101,075,409	\$109,224,293
Transfers In	7,484,724	6,107,155
Total Revenue	\$108,560,133	\$115,331,448

General Fund Tax Revenue Trends



Unassigned General Fund Balance



Enterprise Funds



Enterprise Fund - Water



	Budget		Proposed	
	FY 23-24		FY 24-25	
Program Revenues	\$	19,003,300	\$	18,910,976
Salaries & Benefits	\$	6,374,455	\$	6,769,171
Operating Expenses		7,559,854		7,823,661
Transfers Out		896,657		1,025,772
Debt Service		1,842,428		1,842,428
	\$	16,673,394	\$	17,461,032
Capital Expenses	\$	6,517,379	\$	3,440,781
Working Capital			\$	21,093,354

Enterprise Fund - Wastewater



	Budget		Proposed	
	FY 23-24		FY 24-25	
Program Revenues	\$	11,867,700	\$	12,116,435
Salaries & Benefits	\$	3,414,645	\$	4,015,501
Operating Expenses		2,156,776		2,224,823
Transfers Out		717,679		817,743
	\$	6,289,100	\$	7,058,067
Capital Expenses	\$	4,582,140	\$	2,201,618
Working Capital			\$	16,752,628

Enterprise Fund – Solid Waste



	Budget FY 23-24		Proposed FY 24-25	
Operating Revenues	\$	25,200,000	\$	26,300,000
Salaries & Benefits	\$	8,252,956	\$	8,620,854
Operating Expenses		9,421,783		10,034,554
Transfers Out		1,655,593		1,994,729
	\$	19,330,332	\$	20,650,137
Capital Expenses	\$	3,277,576	\$	2,240,000
Working Capital			\$	14,749,343

Capital Improvement Plan



CIP – Major Projects



	FY 24-25 Budget Proposal	Total Project Budget
Basin 4 Sewer Phase 2	\$ 4,340,160	\$ 4,630,598
Benevento Family Park	7,480,000	7,973,288
Davies Park	1,083,976	1,140,113
Folsom/Placerville Trail	200,000	3,233,828
FPA Fire Station #33	130,000	12,360,000
FPA Fire Station #34	689,442	11,860,200
FPA Mangini Ranch Trails	3,200,000	3,380,240
FPA Prospector Park	918,435	10,948,137
Intelligent Transportation System Master Plan	1,000,000	4,878,312
Kids Play Park	1,100,000	1,100,000
Orangevale Ave/Mountain Oak PS	2,770,000	3,250,000
Storm Water Basins Rehabilitation	150,000	1,095,055
Tower Tank Rehabilitation Project	3,960,000	4,363,950
Water System Flow Control	1,788,882	2,005,000
Water System Rehabilitation Project #3	1,717,040	1,949,000
Water System Rehabilitation Project #4	1,065,015	1,127,400
Water Treatment Plant Caustic Soda System Project	2,592,500	3,222,500

Appropriations by Fund

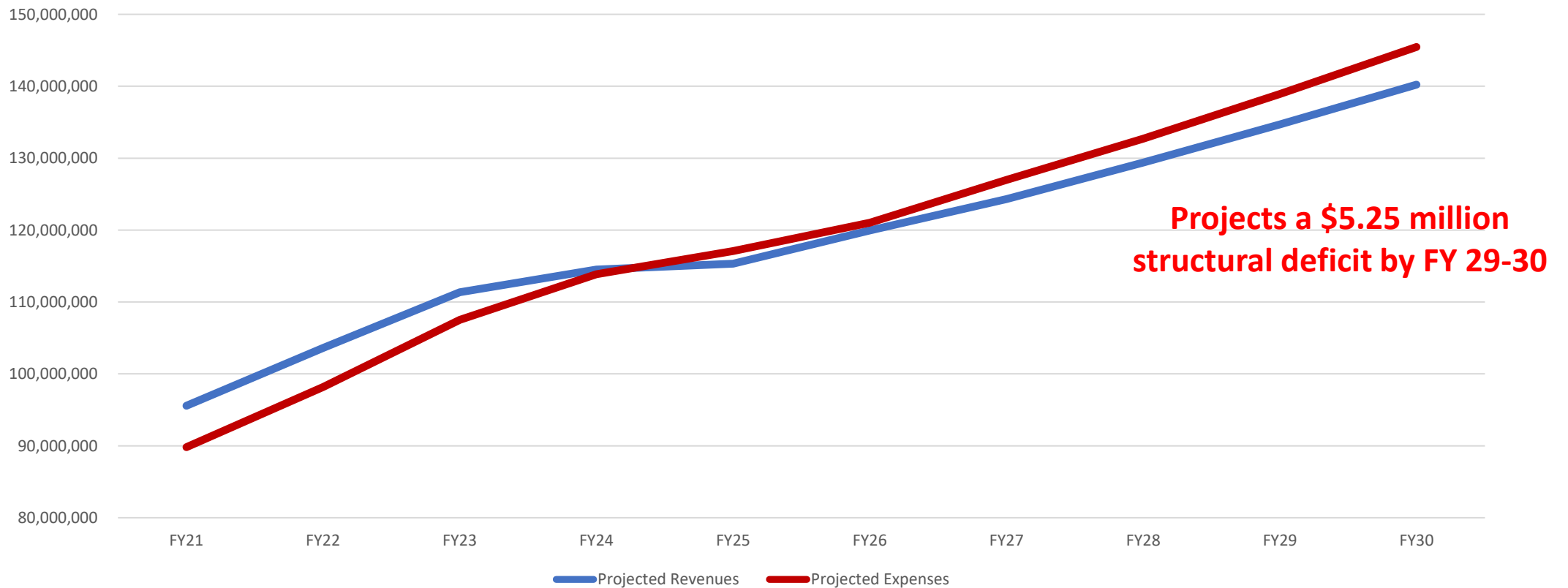
	FY 24 Adopted Budget	FY 25 Proposed Budget
General Fund	\$108,560,133	\$117,069,047
Enterprise Funds	57,879,757	54,116,756
Special Revenue Funds	15,196,930	11,936,049
Debt Service Funds	11,125,085	11,683,847
Capital Project Funds	12,342,707	7,114,733
Internal Service Funds	21,988,471	23,924,211
Fiduciary Funds	19,177,854	21,371,665
Total	\$246,270,937	\$247,216,308

Five-year Budget Forecast



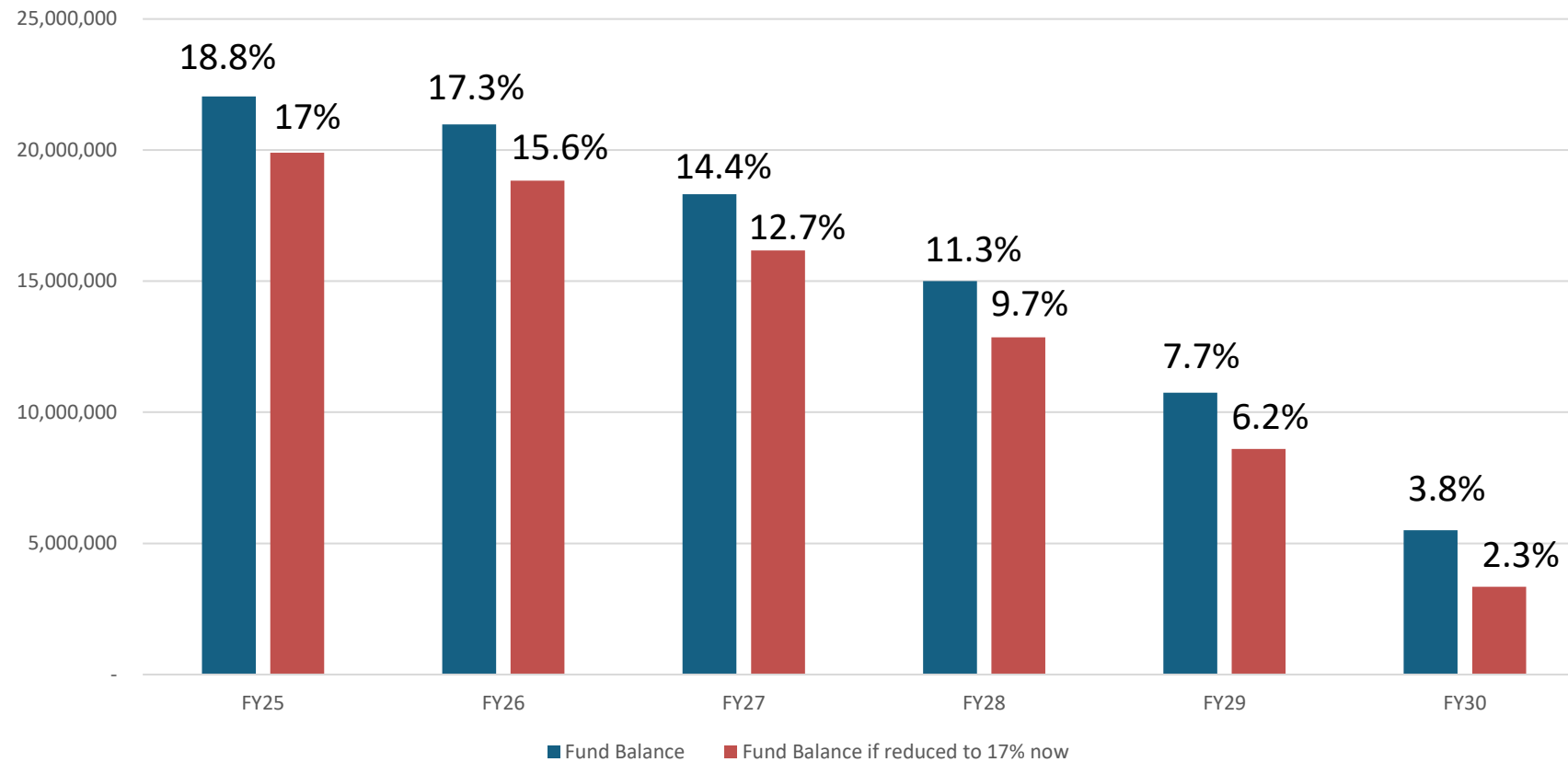
Major Budgetary Concerns – FY 26-FY 30

1. The five-year forecast predicts a General Fund structural deficit as the cost to provide services grows at a faster pace than revenues.



Major Budgetary Concerns – FY 26-FY 30

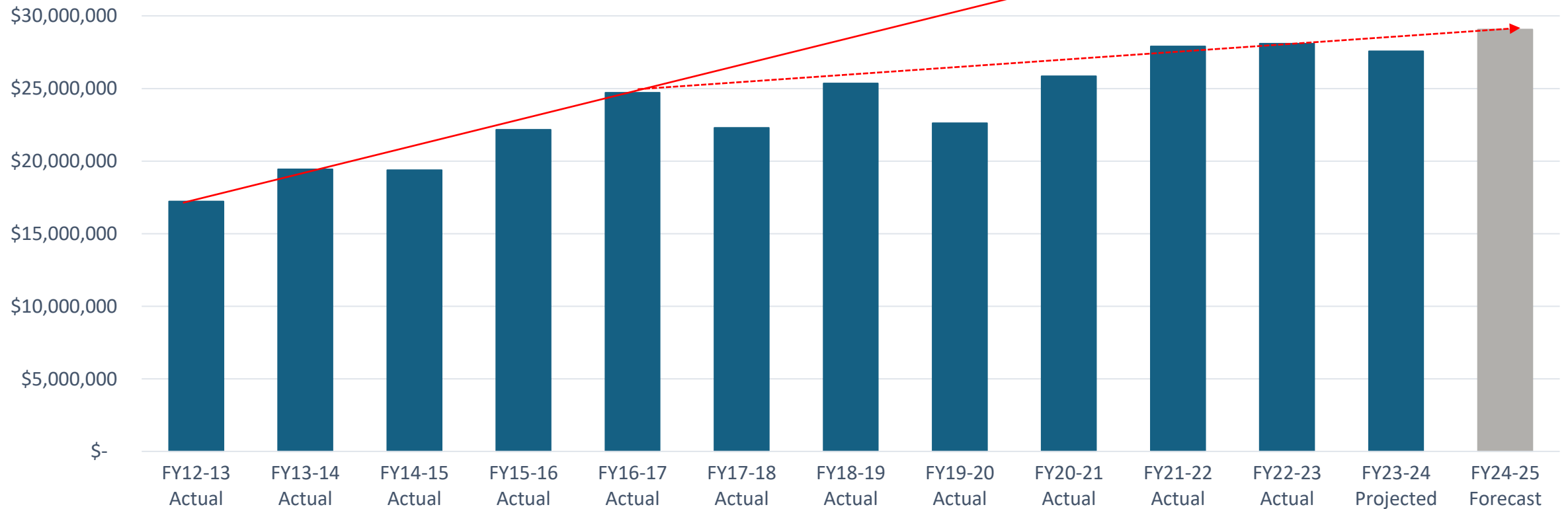
2. Projected Unassigned Fund Balance if Used to Cover Annual Budget Shortfalls



Major Budgetary Concerns – FY 26-FY 30



3. Flattening sales tax revenue trend – now averaging 2% growth per year



Major Budgetary Concerns – FY 26-FY 30

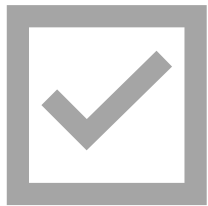


4. There are millions of dollars (estimated at \$20 million annually) of unfunded or underfunded needs that the City has been deferring, year after year

	One-Time Costs Years 1 - 5	Annual Costs Years 1 - 5	One-Time Costs Future (5 years+)	Additional Positions Needed
Police	\$ 9,551,814	\$ 8,417,858	\$ 7,888,590	50
Fire	15,909,521	6,653,145	15,000,000	25
Parks and Recreation	10,782,000	3,986,700	140,350,849	13
Community Development	985,000	450,000	-	8
Public Works	1,379,400	1,077,845	70,100,000	6
Total	\$38,757,735	\$20,585,548	\$233,339,439	102

Source: Budget Workshop slides presented to the City Council February 8, 2022

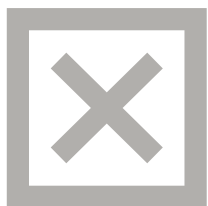
FY 24-25 Budget Summary



Structurally sound and balanced budget



Maintains the balance of expenditures by department



Budget draws upon the City's unassigned fund balance but leaves overall reserves within the 17% - 20% range policy



Leaves millions of dollars in infrastructure, equipment repair and replacements, staffing needs and other items unfunded

May 28, 2024 - presentation of the proposed budget

June 11, 2024 - public hearing and first opportunity for budget adoption

- Per the City's municipal code, the budget must be adopted by the last working day of the fiscal year (June 30)
- If the City Council does not adopt the budget by June 30, the budget as proposed by the City Manager shall be deemed adopted