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DATE: June 3, 2024

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Jessie Gooch, Finance Director  
Corey Garberolio, Assistant Director of Finance

SUBJECT: Preliminary Fiscal Year 2024-2025 City of Petaluma Budget, Adoption of City Budget Resolutions and Introduction (First Reading) of Fiscal Year 2024-2025 City Appropriations Ordinance

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### **RECOMMENDATION**

It is recommended that the City Council Adopt Resolutions authorizing the Fiscal Year 2024-25 Budget, Adopt a Resolution updating the Full-Time Authorized and Funded Position Schedule and Introduce (First Reading) Fiscal Year 2024-25 Appropriations Ordinances.

### **BACKGROUND**

The City Charter requires that the annual budget be prepared and submitted by fund, department and debt repayment and approved at the same time as its appropriations ordinances. The Charter further requires that the proposed budget be presented to the City Council by the first Monday in May.

In order to present a balanced budget, departments submitted their requests to the Finance Department pursuant to strict guidelines, and those requests necessary for operations were approved. Climate action goals and initiatives were identified and implemented. Salaries, benefits, indirect costs and overhead were calculated by the Finance Department and provided to departments.

The draft budget was delivered to the City Council on May 6, 2024, and reviewed at a workshop on May 20, 2024. Staff presented and discussed the proposed fiscal year 2024-25 budget and sought Council input and direction.

### **DISCUSSION**

The total recommended budget for FY 2024-25, all funds, including the City Acting as Successor Agency to the Former Petaluma Community Development Commission and the City Acting as

Housing Successor, is \$313,816,711. This amount represents all funds of the City and their major components: operations, capital improvements, debt service and transfers.

Please note that subsequent to the City Council budget workshop on May 20<sup>th</sup> and based on Council and community feedback, the following changes have been made to the Capital Improvement Plan, and Measure M Parks fund. In addition, the FTE schedule has been updated to include the proposed authorized and funded positions with existing classifications.

- The Downtown Public Restroom and Beautification project budget has been revised and includes \$347,000 for construction in FY 24/25
- The Trestle Rehabilitation project budget has been updated to include \$675,000 for design in FY 24/25. Funding for this project phase is transferred from unspent appropriations in the HVAC & Energy Efficiency Upgrades Project
- Measure M Parks appropriations are increasing by \$100,000 for the Senior Center
- Safe Streets Quick Builds project is increasing by \$450,000. Funding for this project is transferred from unspent appropriations in the Electric Vehicle Chargers project as well as from the Downtown Public Restroom and Beautification budget revision.
- Parks Master Plan added as a future project in FY 26/27
- Alignment of D Street Sewer and Water Main Replacement Projects to occur prior to D Street Improvements

As presented, the preliminary General Fund budget for FY 2024-25 is \$77,388,523. Overall General Fund expenditures are projected to increase approximately \$2.4 million over FY 2023-24, which includes:

- Salaries are expected to be higher by \$1.6 million mainly due to negotiated cost of living adjustments and step advancements. Included in this increase are new positions in City Administration, Fire, Parks and Recreation, and Public Works & Utilities Departments.
- Benefits are expected to increase by approximately \$2.04 million. This is due to increased retirement costs as well as benefits associated with the new positions and employee benefit selections. Also contributing to the increase are benefits, costs related to ongoing negotiation impacts and an increase of Workers Compensation due to the cost of injury related claims.
- Services and supplies are increasing by approximately \$0.7 million due mainly to increased services in the parks and recreation department, animal grazing using restorative land practices, tree canopy preservation, weed abatement following IPMP best practices, and additional funds for special events at the senior center. Funds are also included to bring the City's aquatic program in house, staff trainings and operational supplies. Utilities are expected to increase by \$0.3 million.
- Intra-governmental expenditures are increasing by \$0.5 million to fund Risk Management and Information Technology services. Risk management increase is a result rising insurance rates and the ongoing cost of providing service and to maintain and build appropriate Risk reserves. Information Technology is also increasing as a result of additional investment in citywide technology improvements such as ongoing security to protect sensitive data and the rising cost of software replacements.

- Transfers out are decreasing by \$2.25 million due mainly to less transfers out to fund capital improvement projects in FY 25.

The preliminary Measure U Fund budget for FY 2024-25 is \$16,206,789. The overall decrease is \$4.9 from FY 2023/24. The appropriations provide general fund support for existing city-wide operations and continuity of services, Roads and Public Safety and Fire Facility infrastructure investments, and priority initiatives for climate, technology and capital projects.

The proposed Capital Improvement Program budget for FY 2024-25 is \$58 million. The appropriations will fund a variety of capital projects citywide such as airport facilities improvements, public safety facilities improvements and design for the new public safety building, community center exterior repairs, completing construction on the turning basin docks, swimming pool replastering, complete design of Lucchesi skate park, parks and trail improvements, citywide pavement restoration and reconstruction, citywide pedestrian improvements, transit electrification, recycled water system expansion, and water and wastewater system maintenance and upgrades.

The City Manager's Budget Message, City Budget Overview & Highlights and the Summary section of the budget document provide a comprehensive overview of the proposed budget. The proposed budget is posted on the City's website <https://cityofpetaluma.org/documents/fiscal-year-2025-proposed-budget/>

It is recommended that the City Council approve the budget by resolution and provide for the first reading of the FY 2024-25 City appropriations ordinance. A resolution is required by City Charter to adopt the City's annual budget. An Ordinance presented at the same time is required to appropriate funds for the fiscal year. The appropriations ordinance, if approved, would have their first reading and introduction at this June 3, 2024 meeting and would be adopted upon second reading at the next regular Council meeting on June 17, 2024 and go into effect 30 days from adoption. Due to the timing of this year's budget action and the need to have appropriation authority on July 1st for spending to occur, a continuing resolution will be brought forward to Council for approval prior to this date which will grant authorization for spending to begin on the first day of the new fiscal year. Any type of graphical changes will come forward with the final budget book in a month or so.

### **PUBLIC OUTREACH**

A publicly noticed budget workshop was held on May 20, 2024 which allowed for the public to provide input on the FY 2024-25 budget.

### **ENVIRONMENTAL REVIEW**

These actions are exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

## **FINANCIAL IMPACTS**

The estimated beginning fund balance for all funds is \$162,145,963. The total budget for the City, City Acting as Successor Agency and City Acting as Housing Successor, including transfers is \$313,816,711. The budget is balanced by revenues, transfers in and year-end reserve adjustments of \$285,780,636. This will result in an estimated ending balance, all funds of \$134,109,888.

## **ATTACHMENTS**

1. Resolution Adopting FY 2024-2025 Operating and Capital Improvement Program Budget
  - a. Exhibit A FY 2024-25 Budget Appropriation by Department and Fund
2. Resolution Adopting Updated Full Time Authorized and Funded Position Schedule
  - a. Exhibit A Full Time Position- Authorized and Funded
  - b. Exhibit B Authorized Staff/Position Changes 2024/25
3. Ordinance No. \_\_\_\_ N.C.S. Appropriating Funds for FY 2024-2025 Operating and Capital Improvement Program Budget
  - a. Exhibit A FY 2024-25 Budget Appropriation by Department and Fund