



DATE: May 12, 2025

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

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

SUBJECT: Review Proposed Fiscal Year 25-26 Operating and Capital Budgets and Revised Long-Term General Fund Operating Forecast

RECOMMENDATION

It is recommended that the City Council receive a presentation from City staff and provide direction on the Fiscal Year 2025-26 Operating and Capital Budgets.

BACKGROUND

The proposed Fiscal Year 2025-26 Operating and Capital Budgets were made available to the City Council and community on May 5, 2025, at <https://cityofpetaluma.org/city-budgets>

DISCUSSION

The City Council adopts the annual budget in June each year; the budget ordinance will be brought to Council adoption on June 2. The ordinance will include any changes recommended by Council this evening. The proposed budget for FY 2025-26 totals \$348.1 million across all City funds and includes \$76.9 million of capital projects.

This budget continues the City's focus on leveraging resources and investing infrastructure to benefit the community. The City's areas of leadership for this budget cycle include:

- Organizational Development
- Renewed Economic Development Focus
- Housing For All
- General Plan and Climate Action
- Parks, Programming, and our Environmental Legacy
- Creating a "One Petaluma" experience on the City-owned fairgrounds property

The General Fund budget for the 2025-26 fiscal year is proposed at \$80.4 million, a 1.9% increase over the current fiscal year. The increase reflects increased salary and benefit costs,

insurance cost, and the rising cost of operations due to ongoing inflation. The City does anticipate that General Fund revenues will meet or exceed the expenditure budget.

PUBLIC OUTREACH

This agenda item appeared on the City’s tentative agenda document on May 5, 2025, which was a publicly-noticed meeting.

COUNCIL GOAL ALIGNMENT

This budget meets the Council goal and priority needs as discussed at the May 5, 2025, meeting. Adequate support is budgeted for departments to tackle the many priority projects in addition to their regular operations.

CLIMATE ACTION/SUSTAINABILITY EFFORTS

Adoption of this budget allows for continued funding for the City’s climate action efforts.

ENVIRONMENTAL REVIEW

The proposed action not a “project” under the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378(b)(5) because presenting the budget is a “government fiscal activity or an “organizational and administrative activity of the government” that will not result in direct or indirect physical changes in the environment. Additionally, any use of the budget will receive its own independent review under CEQA.

FINANCIAL IMPACTS

This workshop focuses on the proposed budget for the next fiscal year. Adoption of this budget in June will allow the City to expend funds in FY 2025-26 for operating and capital needs.