

FISCAL YEAR (FY) 2025/26 DRAFT OPERATING BASELINE BUDGET

Finance Subcommittee Meeting

April 24, 2025



STAFF RECOMMENDATION

Finance Subcommittee to receive a report on the FY 2025/26 Draft Operating Baseline Budget and provide recommendations, if any.

TOPICS

- Budget Development Process
- Draft Operating Baseline Budget
- Next Steps

BUDGET DEVELOPMENT PROCESS

Finance Department will use the current FY 2024/25 budget, which incorporates any mid-year changes approved by the City Council, as the starting point

Finance Department creates a “baseline budget” for FY 2025/26 by taking the ongoing revenues and expenditures included in the current FY 2024/25 budget and factoring in known or assumed changes, which department confirm, to ongoing revenues and expenditures for FY 2025/26

Departments submit requests for changes from the baseline budget to address proposed special projects or increased service levels

Finance Department and City Manager consider department requests for changes to the baseline budget and prepare a Preliminary Proposed budget for the City Council’s consideration

STRUCTURALLY BALANCED BUDGET POLICY

- Policy applies to General Fund operating budgets
- Create a proposed General Fund operating budget that is structurally balanced
- To ensure the sustainability of service and expenditure levels by requiring that ongoing General Fund operating expenditures be funded by ongoing operating revenues

BASELINE BUDGET COMPONENTS

- Recurring revenues are those that the City can reasonably expect to continue to receive on an annual basis over the next 5 to 10 years, such as:
 - Tax revenues (property, sales, utility users', franchise, etc.)
 - Fines
 - Interest income
 - Licenses and permits
 - Charges for services
- Recurring expenditures are ongoing costs that relates to an ongoing City services or activities, such as:
 - Salaries
 - Benefits
 - Utilities
 - Maintenance
 - Mandated agreements

NON-RECURRING BUDGET ITEMS

- Excluded from baseline budget
- Non-recurring revenues are typically one-time receipts, such as:
 - One-time sale of property
 - Grant awards
- Non-recurring expenditures are costs that related to activities that are not ongoing, such as:
 - Council-directed initiatives
 - Staff recommended budget additions for special projects
 - Capital improvement projects

GENERAL FUND BASELINE BUDGET HIGHLIGHTS

- Baseline budget revenues and expenditures are consistent with the prior forecast as there are no major changes to assumptions
 - Status quo staffing and service levels
- New sales tax revenue expected to generate approximately \$2.6 million
- City's baseline budget position indicates a positive balance this point as ongoing revenues exceed ongoing expenditures, however, other operating funds that require General Fund support show negative balances
- CalPERS contribution increasing approximately \$600,000

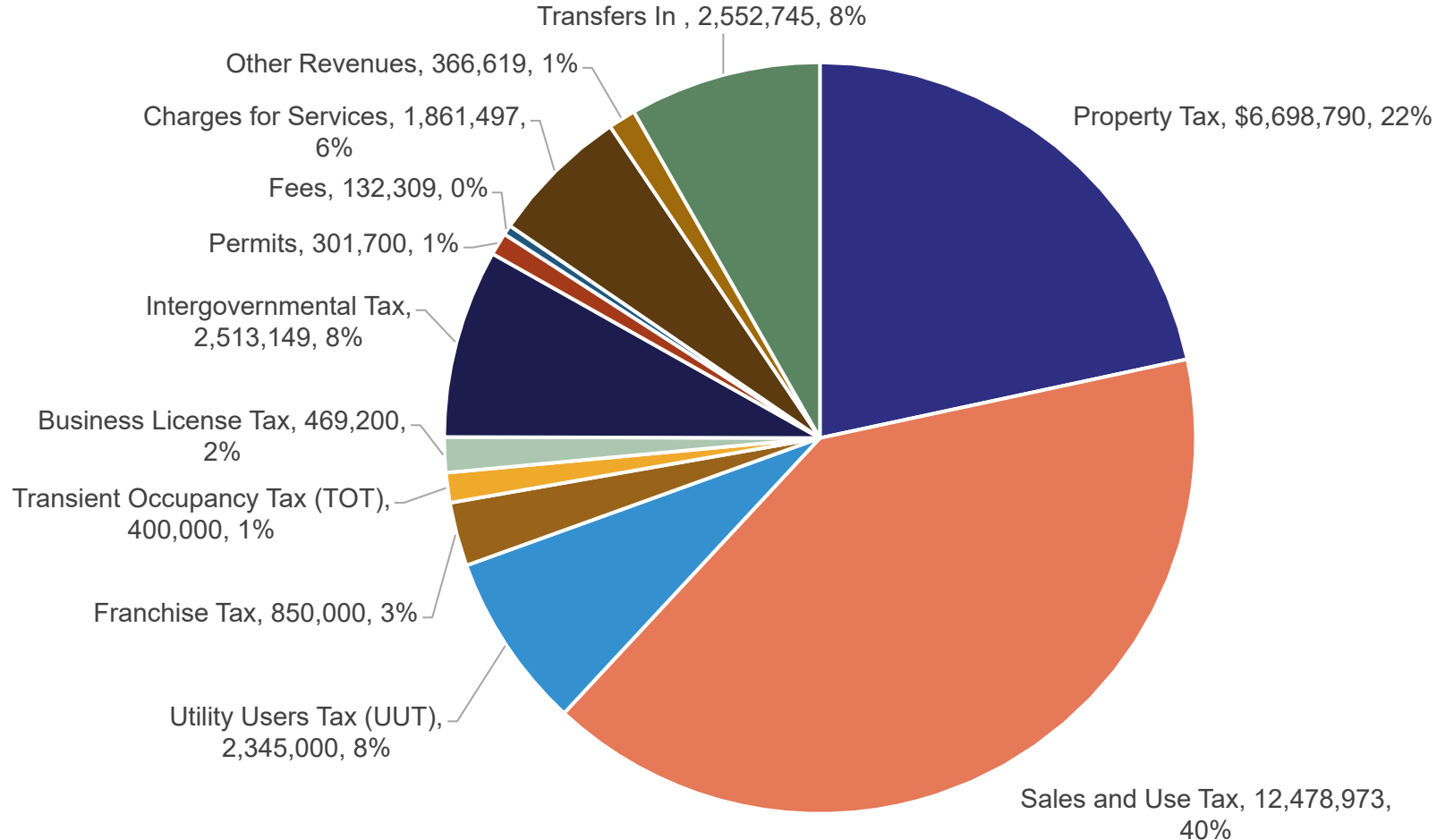
FY 2025/26 GENERAL FUND BASELINE BUDGET

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Property Tax	\$ 6,168,067	\$ 6,698,790	\$ 530,723	9%
Sales and Use Tax	9,698,436	12,478,973	2,780,537	29%
Utility Users Tax (UUT)	2,285,000	2,345,000	60,000	3%
Franchise Tax	850,000	850,000	-	0%
Transient Occupancy Tax (TOT)	460,000	400,000	(60,000)	-13%
Business License Tax	460,000	469,200	9,200	2%
Intergovernmental Tax	2,402,673	2,513,149	110,476	5%
Permits	251,700	301,700	50,000	20%
Fees	138,354	132,309	(6,045)	-4%
Charges for Services	1,774,307	1,861,497	87,190	5%
Other Revenues	462,106	366,619	(95,488)	-21%
Transfers In - Pension Trust	2,425,000	2,552,745	127,745	5%
Transfers In - General Reserve	843,790	-	(843,790)	-100%
Total Revenues	28,219,433	30,969,982	2,750,549	10%

FY 2025/26 GENERAL FUND BASELINE BUDGET

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Expenditures				
Salaries and Wages	10,343,285	10,539,653	196,368	2%
Benefits - PERS	3,985,906	4,437,115	451,209	11%
Benefits - Other Benefits	3,414,082	3,744,111	330,029	10%
Professional Services	8,342,117	8,924,469	582,352	7%
Other Operating	322,711	378,156	55,445	17%
Materials and Supplies	185,033	184,998	(35)	0%
Interdepartmental Charges	(719,548)	(595,023)	124,525	-17%
Capital Outlay	148,440	189,440	41,000	28%
Debt Service	636,107	653,545	17,438	3%
Transfers Out	1,561,300	1,061,300	(500,000)	-32%
Total Expenditures	28,219,433	29,517,763	1,298,330	5%
Net Surplus/(Deficit)	\$ -	\$ 1,452,218		

WHERE DOES GENERAL FUND MONEY COME FROM

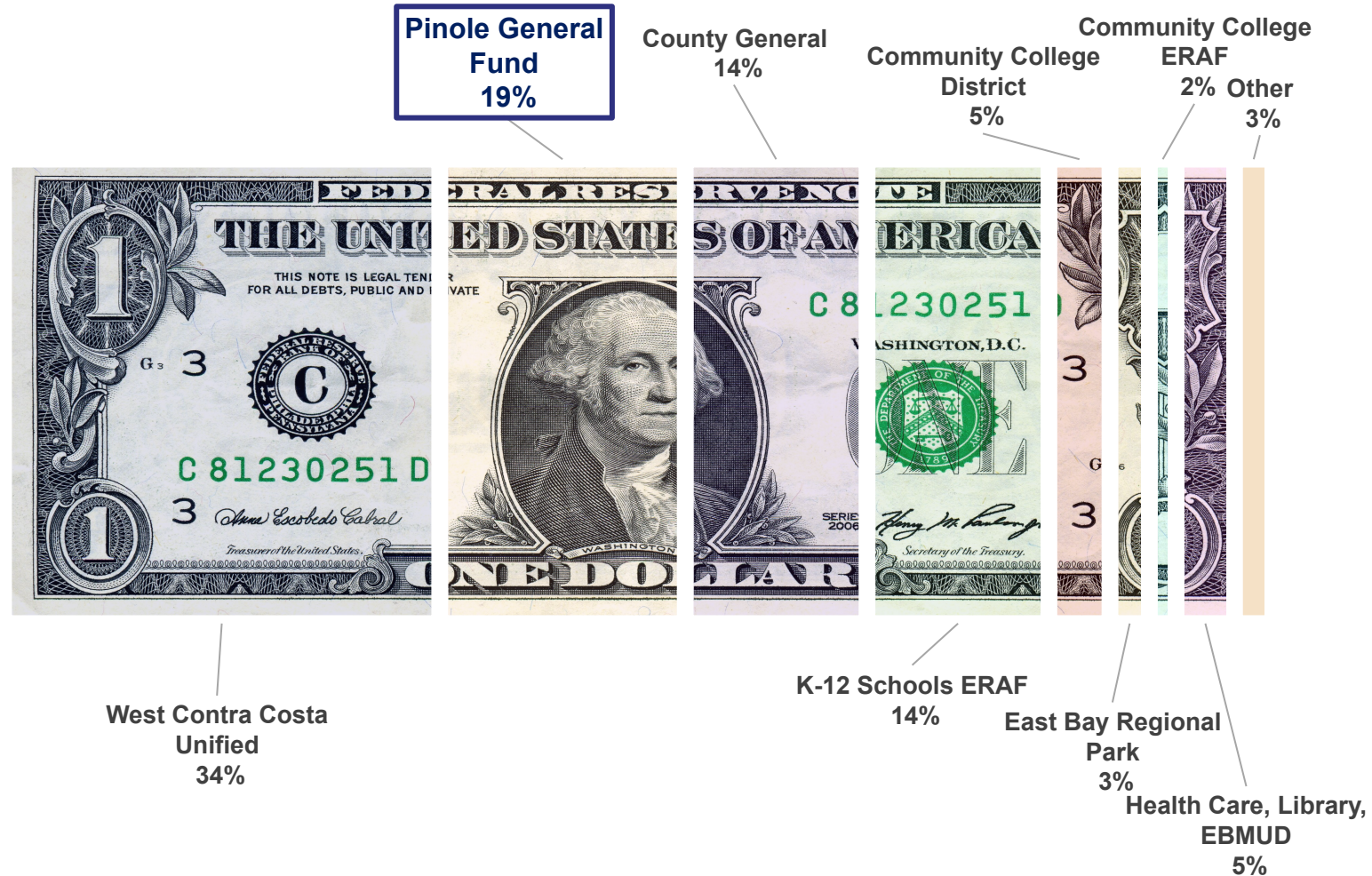


PROPERTY TAX

- Ad valorem (value-based) tax imposed on real property and tangible personal property; the fixed statutory rate is 1% of assessed valuation of which Pinole receives approximately 19%
- The FY 2024/25 baseline budget assumes a net 9% increase mainly due to an increase in the residual RPTTF revenue resulting from the retirement of former Redevelopment debt

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Property Tax – Basic 1%	\$5,768,067	\$6,298,790	\$530,723	9%
Property Tax- Unsecured	150,000	150,000	-	0%
Property Tax- Supplemental	150,000	150,000	-	0%
Property Tax- Transfer Tax	100,000	100,000	-	0%
TOTAL	6,168,067	6,698,790	530,723	9%

PROPERTY TAX BREAKDOWN



SALES TAX

- The overall sales tax rate on purchases made in Pinole is now 10.25%.
- City receives the statewide standard 1% (referred to as the Bradley Burns sales tax) plus 0.5% due to Measure S 2006, 0.5% due to Measure S 2014, and 0.5% due to Measure I 2024
- The FY 2025/26 baseline budget assumes a 2% increase in the existing City's sales tax revenue, consistent with projections provided by HdL, the City's sales tax consultant.

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Sales and Use Taxes	\$4,536,436	\$4,609,973	\$73,537	2%
Sales and Use Taxes – Measure S 2006	2,581,000	2,623,000	42,000	2%
Sales and Use Taxes – Measure S 2014	2,581,000	2,623,000	42,000	2%
Sales and Use Taxes – Measure I 2024	-	2,623,000	2,623,000	100%
TOTAL	9,698,436	12,789,973	2,780,537	29%

SALES TAX BREAKDOWN



UTILITY USERS' TAX (UUT)

- The UUT is an 8% tax levied on the consumption of telecommunications, gas, and electricity
- Higher growth rate in the electricity segment
- The FY 2025/26 baseline budget assumes an 3% increase based on historical trends

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Utility Users Tax (UUT)	2,285,000	2,345,000	60,000	3%

FRANCHISE TAX

- The franchise tax is levied on public utilities and corporations that supply gas, electricity, cable television, and refuse
- The fees paid the various entities are delineated in franchise agreements
- The FY 2025/26 baseline budget assumes no growth due to a substantial downward trend in the cable segment

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Franchise Tax	\$850,000	\$850,000	\$ -	0%

INTERGOVERNMENTAL TAX

- Intergovernmental taxes include the Motor Vehicle In-Lieu Fee (VLF) is levied, collected, and apportioned by the State; it is a tax on the ownership of registered motor vehicles
- The FY 2025/26 baseline budget assumes an 5% increase consistent with projections provided by HdL, the City's property tax consultant

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Intergovernmental Tax	\$2,402,673	\$2,513,149	\$110,476	5%

TRANSIENT OCCUPANCY TAX (TOT)

- A 10% TOT is levied on short-term (30 days or less) lodging
- The FY 2025/26 baseline budget assumes a 13% decrease based on past trends, which has shown a continuous downward trend

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Transient Occupancy Tax (TOT)	\$460,000	\$400,000	-\$60,000	-13%

BUSINESS LICENSE TAX

- The business license tax is assessed on all businesses doing business within City limits
- The FY 2025/26 baseline budget assumes a 2% increase based on past trends

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Business License Tax	\$460,000	\$469,200	\$9,200	2%

CHARGES FOR SERVICES

- Charges for services include public safety charges which are received for dispatch services provided to Hercules and San Pablo through a cost-sharing agreement
- The FY 2025/26 baseline budget assumes a 5% increase based on the current agreement

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Charges for Services	\$1,774,307	\$1,861,497	\$87,190	5%

PERMITS

- Permits consist of various permits, including sidewalk, grading, and encroachment permits
- The FY 2025/26 baseline budget assumes a 20% growth rate based on past trends and the increase in fees by 2.7% (CPI)

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Permits	\$251,700	\$301,700	\$50,000	20%

FEES

- Fees consist of various fees mostly related to permits, including rental inspection, technology, administrative fees, abatement, and code enforcement fees
- The FY 2025/26 baseline budget assumes a reduction of 4% due to a projected decrease in code enforcement fees, consistent with past trends

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Fees	\$138,354	\$132,309	-\$6,045	-4%

OTHER REVENUES

- Other revenue is made up of all other revenue sources, including fines and forfeitures, interest income, grants, and other miscellaneous revenue.
- The FY 2025/26 baseline budget assumes a -21% growth rate mostly due to a projected decrease in interest income, consistent with market trends and less idle cash available to invest

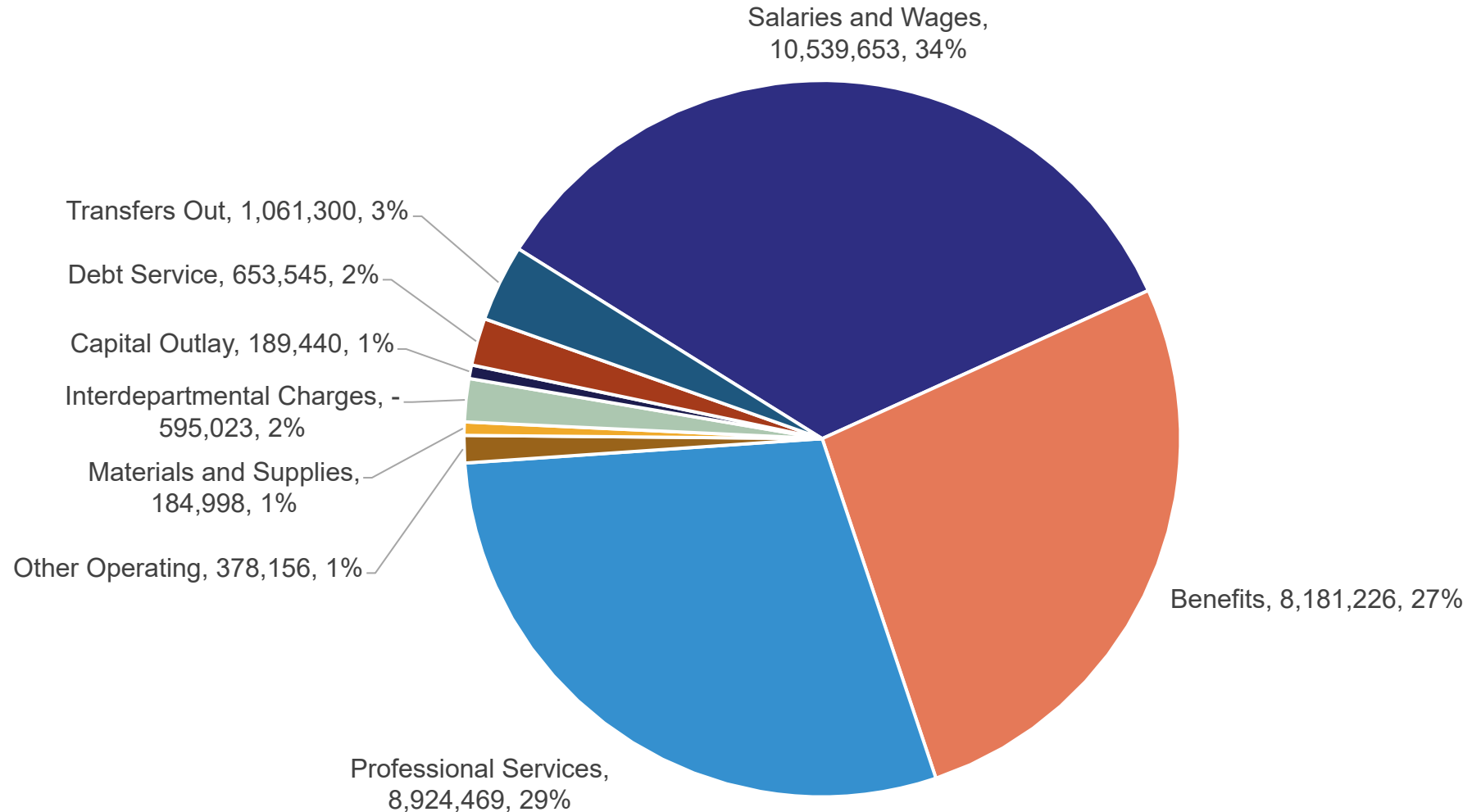
	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Other Revenues	\$462,106	\$366,619	-\$95,488	-21%

TRANSFERS IN

- The transfer in comes from the Section 115 Pension Trust to offset the increase in pension costs in the General Fund
- In FY 2024/25, the City made a one-time transfer from the General Reserve to balance the budget

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Transfers In - Pension Trust	\$2,425,000	\$2,552,745	\$127,745	5%
Transfers In - General Reserve	843,790	-	-843,790	-100%
TOTAL	3,268,790	2,552,745	716,045	-22%

WHERE DOES GENERAL FUND MONEY GO



SALARIES AND WAGES

- Salaries and Wages based on the current staffing level of 117 full-time equivalents (FTEs); no additional positions
- The FY 2025/26 baseline budget assumes a 2% growth rate
 - Does not include cost of living adjustments

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Expenditures				
Salaries and Wages	\$10,343,285	\$10,539,653	\$196,368	2%

BENEFITS

- Benefits includes retirement and fringe benefits (medical, dental, workers compensation, etc.)
- The FY 2025/26 baseline budget assumes a net 11% growth rate in the General Fund with the highest growth in the PERS contribution and medical rates

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Expenditures				
Benefits - PERS	\$3,985,906	\$4,437,115	\$451,209	11%
Benefits - Other Benefits	3,414,082	3,744,111	330,029	10%
TOTAL	7,399,988	8,181,226	781,238	11%

PROFESSIONAL SERVICES

- Professional services include consulting and administrative services, building and equipment maintenance, office expenses, and others
- Includes contracts with other governmental agencies: Contra Costa County Fire Protection District, and County animal and library services
- The FY 2025/26 baseline budget assumes a 7% growth rate primarily based on cost escalation

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Expenditures				
Professional Services	\$8,342,117	\$8,924,469	\$582,352	7%

OTHER OPERATING

- Other operating includes water, electricity & power, and cable utility services
- The FY 2025/26 baseline budget assumes a 17% growth rate based on past trends and rate increases

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Expenditures				
Other Operating	\$322,711	\$378,156	\$55,445	17%

MATERIALS AND SUPPLIES

- Materials and supplies include fuel, maintenance supplies, and safety equipment
- The FY 2025/26 baseline budget assumes no growth based on past trends

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Expenditures				
Materials and Supplies	185,033	184,998	-35	0%

INTERDEPARTMENTAL CHARGES

- Interdepartmental charges include administrative charges and reimbursements for services provided by one City department to another, and general liability insurance
- The FY 2025/26 baseline budget assumes a net 17% decrease due to lower reimbursements to the General Fund from other funds and higher general liability premiums

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Expenditures				
Interdepartmental Charges	(\$719,548)	(\$595,023)	\$124,525	-17%

CAPITAL OUTLAY

- Capital outlay includes non-major asset acquisition and improvements, such as computer equipment and furniture
- The FY 2025/26 baseline budget assumes a 28% increase based on cost estimates

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Expenditures				
Capital Outlay	\$148,440	\$189,440	\$41,000	28%

DEBT SERVICE

- Debt service includes the payment of principal and interest on the 2006 pension obligation bonds, goes through FY 2035/36
- The budget amount is based on the debt obligation schedule

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Expenditures				
Debt Service	\$636,107	\$653,545	\$17,438	3%

TRANSFERS OUT

- Transfers out include the transfer of funds from the General Fund to other funds, including Recreation and PCTV, to support operations
- The FY 2025/26 baseline budget assumes a 32% decrease due to reduced transfers to capital improvement funds

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Expenditures				
Transfers Out	\$1,561,300	\$1,061,300	(\$500,000)	-32%

RECREATION FUND

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Grants	\$ 81,983	\$ -	\$ (81,983)	-100%
Licenses & Permits	250	250	-	0%
Fees	15,000	30,000	15,000	100%
Charges for Services	352,610	387,900	35,290	10%
Miscellaneous Revenue	54,512	155,413	100,901	185%
Transfers In	751,300	750,300	(1,000)	0%
Total Revenues	1,255,655	1,323,863	68,208	5%
Expenditures				
Salaries and Wages	949,473	986,653	37,180	4%
Benefits	402,219	433,076	30,857	8%
Professional Services	465,304	532,227	66,924	14%
Other Operating	241,632	191,736	(49,896)	-21%
Materials and Supplies	7,261	10,050	2,789	38%
Interdepartmental Charges	194,867	203,291	8,425	4%
Capital Outlay	119,500	35,000	(84,500)	-71%
Total Expenditures	2,380,256	2,392,034	11,778	0%
Net Surplus/(Deficit)	\$ (1,124,601)	\$ (1,068,171)		

BUILDING AND PLANNING FUND

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Grants	\$ 40,000	\$ 442,800	\$ 402,800	1007%
Licenses & Permits	476,916	506,011	29,095	6%
Fees	865,610	852,866	(12,744)	-1%
Fines and Forfeitures	20,000	30,000	10,000	50%
Miscellaneous Revenue	6,000	4,460	(1,540)	-26%
Transfers In	67,000	67,000	-	0%
Total Revenues	1,475,526	1,903,137	427,611	29%
Expenditures				
Salaries and Wages	901,446	1,125,970	224,524	25%
Benefits	350,581	535,616	185,035	53%
Professional Services	827,795	761,899	(65,896)	-8%
Other Operating	6,050	6,050	-	0%
Materials and Supplies	3,000	1,900	(1,100)	-37%
Interdepartmental Charges	125,186	180,793	55,607	44%
Capital Outlay	5,500	2,000	(3,500)	-64%
Total Expenditures	2,219,558	2,614,228	394,670	18%
Net Surplus/(Deficit)	\$ (744,032)	\$ (711,091)		

PINOLE COMMUNITY TELEVISION (PCTV)

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Franchise Tax	\$ 26,486	\$ 26,486	\$ -	0%
Charges for Services	179,047	192,890	13,843	8%
Miscellaneous Revenue	3,000	55,500	52,500	1750%
Transfers In	160,000	160,000	-	0%
Total Revenues	368,533	434,876	66,343	18%
Expenditures				
Salaries and Wages	252,487	252,008	(479)	0%
Benefits	228,044	239,500	11,456	5%
Professional Services	52,170	40,450	(11,720)	-22%
Other Operating	6,818	6,818	-	0%
Materials and Supplies	350	350	-	0%
Interdepartmental Charges	82,589	(140,053)	(222,642)	-270%
Capital Outlay	211,425	109,355	(102,070)	-48%
Total Expenditures	833,883	508,427	(325,456)	-39%
Net Surplus/(Deficit)	\$ (465,350)	\$ (73,551)		

SEWER ENTERPRISE FUND

	FY 2024/25 Adopted Budget	FY 2025/26 Draft Budget	\$ Change	% Change
Revenues				
Charges for Services	\$ 10,164,403	\$ 12,735,506	\$ 2,571,103	25%
Investment Income	200,000	300,000	100,000	50%
Total Revenues	10,364,403	13,035,506	2,671,103	26%
Expenditures				
Salaries and Wages	1,783,010	1,775,831	(7,179)	0%
Benefits	1,065,047	1,089,669	24,622	2%
Professional Services	1,033,464	893,464	(140,000)	-14%
Other Operating	798,500	873,500	75,000	9%
Materials and Supplies	1,478,000	1,493,000	15,000	1%
Interdepartmental Charges	1,005,179	1,061,009	55,831	6%
Capital Outlay	28,996,597	29,181,597	185,000	1%
Debt Service	1,611,568	1,611,192	(376)	0%
Total Expenditures	37,771,365	37,979,262	207,898	1%
Net Surplus/(Deficit)	\$ (27,406,962)	\$ (24,943,756)		

CONCLUSION

- The FY 2025/26 Draft General Fund Baseline Budget currently indicates a positive balance of approximately \$1.5 million, however other operating funds (Recreation Fund, PCTV Fund, and Building and Planning Fund indicates a total shortfall of approximately \$1.9 million.
- Staff is exploring options to offset some of the expenditures and reduce the need for additional General Fund support in these funds, including actively pursuing grant and sponsorships, as well as generating additional revenue.

NEXT STEPS

- Incorporate any recommendations from the Finance Subcommittee and present the FY 2025/26 Preliminary Proposed Operating and Capital Budget to the City Council on May 6, 2025
- City Council to hold a special meeting (budget workshop) on May 13, 2025

THANK YOU

City of Pinole

