



# Agenda Report

June 23, 2025

**TO:** Honorable Mayor and City Council  
**THROUGH:** Finance Committee  
**FROM:** Department of Finance  
**SUBJECT:** **AMENDMENTS TO FISCAL YEAR 2026 OPERATING BUDGET**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action herein is not a "project" subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 21065 and within the meaning of Section 15378(b); and
2. Amend the Fiscal Year (FY) 2026 Operating Budget as detailed in the following report by recognizing and appropriating an additional \$500,000 in the General Fund and increasing the Citywide Full-Time Equivalents (FTEs) by 2.0 permanent FTEs.

## **BACKGROUND:**

The Recommended FY 2026 Operating Budget was approved by the City Council on June 16, 2026, and includes one new 40-Hour Battalion Chief, full time equivalent (FTE). During the adoption of the FY 2026 Operating Budget on June 16, 2025, the City Council gave direction to return on June 23<sup>rd</sup> to identify options to fund the full request from the Fire Department to add two additional 24-Hour Shift Battalion Chief FTE positions in FY 2026 and convert the approved 40-Hour Battalion Chief to 24-Hour shift, for a total of three new 24-Hour Battalion Chief FTEs. The addition of the three FTEs would provide for a total of two Battalion Chiefs assigned to each shift (A, B, and C).

The included Battalion Chief FTE in the adopted FY 2026 Operating Budget is funded for six-months with an anticipated start date of January 1, 2026. As this position is intended to be a 40-hour position, it would not have position coverage backfill when a shift was missed. Additionally, one-time funding was approved in the amount of \$200,000 for the purchase and upfit of a new vehicle to be assigned to the position.

The Fire Department's request to assign an additional Battalion Chief to each shift will have budget impacts beyond the cost of the three FTEs. The initial analysis of this request concluded that the one-year cost for FY 2026 would be approximately \$1.3 million for operations and full \$420,000 for the acquisition and upfitting of two new vehicles. The one-year costs include three Battalion Chief FTEs, position coverage overtime costs to backfill shifts when an absence occurs, normal supply and service costs related to the additional positions, including vehicle fuel and maintenance of the assigned vehicle, and a contribution to the vehicle replacement fund for the future replacement of the two purchased vehicles. To account for all of these costs, the proposed budget amendment provides options to fund the additional two Battalion Chief FTEs for six-months, including operational costs for the same time period for a total of \$480,000 in FY 2026, the one-time cost to purchase a second vehicle with upfitting, and plans to fund the full annual costs starting in FY 2027.

### **Proposed Budget Amendments**

1. The FY 2026 Operating Budget was adopted with a \$120,705 surplus in the General Fund. It is proposed that this amount will be utilized to reduce the current year need for this proposed amendment.
2. It was mentioned during the June 16<sup>th</sup> City Council meeting that repurposing existing vacant positions is a possible option to identify funding. Every position in the City has core responsibilities and functions, and these duties are often backfilled with other staff on regular time or overtime, acting assignments, contract/temporary staff, or work is delayed when there is a vacancy. With the elimination of a position, there will be a service level impact. An analysis of vacant positions funded by the General Fund follows.
  - a. A question was raised regarding the Firefighter Trainee positions and if those positions could be repurposed from a funding perspective to support the costs of the Battalion Chiefs. There are no budgeted funds associated with the eight Firefighter trainee positions; therefore, there are no funds to reassign from these positions.
  - b. The Fire Department has presented an option to run a smaller Paramedic Intern program in FY 2026. The approved budget includes funding for nine Paramedic Interns at \$24,000 per intern. The Department recommends leaving four intern positions vacant in FY 2026 and redirecting those funds to support the Battalion Chief positions. This will provide \$96,000 in funding for FY 2026.
  - c. Following is a summary table of vacant positions funded by the General Fund. As noted in the summary, most vacant FTEs are in the Police and Fire Departments, or part-time positions/seasonal positions in the Parks, Recreation, and Community Services Department. Additionally, some of these positions are temporarily filled with acting assignments or temporary staff. If the City Council desires to dive further into vacancies and what was provided during the individual department budget presentations, a follow-up item can be agendized for a future Council Committee or City Council meeting.

Department	Vacant Positions	FTE (Vacant)	Comment
CITY MGMT	3	3	Sustainability; Early Childhood; Assistant City Manager
FINANCE	1	1	Revenue Collections
FIRE	14	14	
PLANNING	2	2	Associate Planner and Office Assistant
POLICE	22	21.5	
PRCS	15	9.68	Part-time/seasonal recreation
PUB WRKS	4	4	Support for fleet based on Internal Audit
TRANSPORT	6	6	Parking Enforcement
<b>Grand Total</b>	<b>67</b>	<b>61.18</b>	

3. Increase fees or charges to increase General Fund revenues. While the City Council could not take a formal action to increase fees as part of this item due to the public noticing requirements of a fee increase, the City Council may direct staff to return with fee increases that would be expected to cover the increased expenditures.

- a. The FY 2026 General Fee Schedule adopted on June 16<sup>th</sup> included Emergency Medical Services (EMS) transport fees of \$4,354, a 4.4876% increase over the FY 2025 fee, based on a cost-of-service study. The detailed attachment in the General Fee Schedule documentation provided for an estimated \$500,000 increase in revenue. Additionally, the fees for oxygen, electrocardiogram, and response only were increased based on the cost-of-service study. The estimated increase in revenue for those fees totaled \$223,618.

After incorporating and reevaluating revenues after the approved cost-of-service increase, the EMS revenue line item can be increased to \$12.8 million, resulting in an additional \$500,000 in revenue, that is not currently in the FY 2026 Operating Budget. Additionally, staff recommends that any additional revenue increase in FY 2026 or 2027 beyond the \$12.8 million be allocated towards the full one-year cost of this budget request for future years.

4. Use reserves to fund the increases. The General Fund has three primary categories of reserved funds that could be used by the City Council. Use of reserve funds is not recommended for this purpose, especially given the enormous uncertainty in the current economic climate.
  - a. The Operating Reserve, established at 5% of General Fund expenditures, has a balance of \$16.18 million. Funds from the Operating Reserve can be allocated by City Council action at any time.
  - b. The Emergency Reserve, established at 15% of General Fund expenditures, has a balance of \$48.55 million. Based upon the City's

Reserve Policy, the City Council would need to declare a fiscal emergency to allocate funds from the Emergency Reserve.

- c. The Section 115 Pension or Other Post Employment Benefit (OPEB) Trusts are funds that have been set aside to stabilize or offset pension or OPEB liabilities. When the Pension Trust was created, the intent was to use these funds in the future to smooth out overall pension payments over time, to help reduce volatility in pension payments, and buy down unfunded liabilities over time. The City Council may expend these funds by directing staff to make required pension payments from the Pension Trust rather than from the General Fund. Staff does not recommend using either Trust as funding new positions is outside the scope of the intent for these funds.

5. Reconsider appropriations from one-time funds approved as part of the FY 2026 Operating Budget. These appropriations include replacing outdated equipment for Parks, Recreation, and Community Services (\$200,000), and funding the Maintenance Assistance and Services to Homeowners (MASH) program and the Housing Rights Center previously funded by Community Development Block Grant (\$303,000), funding various Public Health needs including a Program Coordinator II and the health records system replacement (\$610,000), providing equipment to establish fleet repair at the Police Department (\$72,000), funding additional tree planting, related watering, and a hot asphalt truck for Public Works (\$415,000), or implementing Economic Development strategic plans (\$200,000).

#### Staff Recommendation

Staff recommends utilizing the existing General Fund surplus of \$120,705, the \$96,000 from Paramedic Intern vacancies, and increasing the EMS revenue budget by \$500,000. These three actions will provide \$716,705 of funds to support the additional \$480,000 for staff and operating expenditures and \$220,000 for the purchase of a second vehicle and related upfitting. If the City Council desires to appropriate a lesser amount, the recommendation from staff is to proceed with the operational needs and postpone the purchase of a second vehicle until the Fire Department has sufficient funds from strike team revenue to fund the additional vehicle purchase. In this scenario, the two Battalion Chiefs for each shift would have one new vehicle, one three-year old vehicle, and a reserve that is more than ten-years old. The Fire Department expects that strike team revenue would be sufficient in late FY 2026 or 2027 to procure the second vehicle.

As discussed during the adoption of the FY 2026 Operating Budget, challenging and uncertain fiscal times are in front of the City. Revenue increases in the General Fund and many other funds are growing at rates slower than expenses. The federal government is considering large reductions to federal funding, and the State is wrestling with large deficits and is likely going to use reserves to bridge their FY 2026 gap rather than make programmatic reductions.

During this budget cycle, the General Fund had approximately \$1.3 million to fund new initiatives. As demonstrated during the budget process, those funds were not sufficient to fund most departmental requests. Also, the approval of the capital project in FY 2026 for ruggedized laptops for vehicles in the Police Department comes with new operational costs of \$850,000 in FY 2027 for the annual licensing, support, and replacement plan. That \$850,000, plus the \$1.3 million for this proposed budget amendment, will increase the base budget in FY 2027 by more than \$2 million.

Looking forward to FY 2027, staff recommends funding full operational costs of the added Battalion Chief FTEs from EMS fees and what are anticipated to be increased fees in other fire inspection related services that will come to the Council as part of the Fire Department's FY 2026 workplan. If this revenue is insufficient, then staff recommends utilizing any additional fire generated revenue such as strike team funding to support the costs.

### **COUNCIL POLICY CONSIDERATION:**

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced by monitoring the FY 2026 Operating Budget and by implementing necessary budget amendments.

### **ENVIRONMENTAL ANALYSIS:**

CEQA excludes, from environmental review, actions that are not "projects" as defined by CEQA Guidelines Section 21065 and within the meaning of Section 15378(b). Sections 21065 and 15378(b) define a project as an action which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Section 15378 excludes from the definition of "project" government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The actions proposed herein, amending the City's FY 2025 Operating Budget, are governmental fiscal activities that do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and therefore is not a "project" as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required.

**FISCAL IMPACT:**

The staff recommendation will provide for a balanced budget in the General Fund using existing General Fund surplus (\$120,000), additional EMS revenue (\$500,000), and reallocated expenditures within the Fire Department (\$96,000).

Respectfully submitted,

  
\_\_\_\_\_  
MATTHEW E. HAWKESWORTH  
Director of Finance

Approved by:

  
\_\_\_\_\_  
MIGUEL MÁRQUEZ  
City Manager