



STAFF REPORT TO THE FINANCE COMMISSION

DATE: Regular Meeting of May 21, 2025

TO: Members of the Finance Commission

SUBMITTED BY: Edwin Gato, Director of Finance

SUBJECT: **City Council Budget Introduction:** Public Hearing on Proposed FY 2025-26 City of Hercules Budget Plan including the First Year of the Ten Year 2026–35 Capital Improvement Plan (CIP)

RECOMMENDED ACTION:

The Finance Commission is invited to engage in a thoughtful discussion and offer constructive feedback to the staff regarding the proposed Annual Budget for Fiscal Year 2025-26. This important dialogue will take place during the first public hearing, scheduled for May 27, 2025, as part of the regular City Council meeting. Your insights and contributions will be invaluable in shaping the budget to best serve our community's needs.

BACKGROUND:

On April 16, 2025, the Finance Commission convened for a special meeting to engage in a detailed and comprehensive review of the proposed Ten-Year Capital Improvement Plan (CIP) alongside the Annual Budget for Fiscal Year 2025-2026.

This meeting marked the official introduction of the budget, providing an essential platform for the Finance Commission to unveil the complete annual budget during the first public hearing. It was a necessary occasion for community members to voice their opinions and contribute to the discussion. The insights gathered during this session, along with any alternative suggestions, will be thoughtfully considered by the City Council in their decision-making process. Every piece of feedback will play a vital role in shaping the final version of the Annual Budget for Fiscal Year 2025-26.

The City Council is anticipated to tentatively recommend this refined budget for adoption on June 10, 2025. This approval will be crucial in guiding the planning and implementation of significant future projects, ultimately enhancing the quality of life for community members and fostering growth and development for the years to come.

DISCUSSION:

In addition to the overall assumptions articulated during the budget workshops, the budget documents provide a comprehensive list of significant budget increases found on page 37 and 38.

The complete proposed FY 2025-26 Annual Budget, including the City Manager's Budget Message, is available for review on the City's website (www.ci.hercules.ca.us) and can be accessed via the following link: <https://www.ci.hercules.ca.us/government/finance/budgets>.

It is important to note that the proposed FY 2025-26 Budget is a dynamic document and is subject to modification prior to its finalization and tentative adoption on June 10, 2025. The public hearing that will be held on May 27, 2025, was announced in the local newspaper on May 15, 2025, with the aim of providing a formal platform for community input. Furthermore, any additional inquiries or proposals from the City Council will be integrated into Budget Referrals, which will be addressed in the Continued Public Hearing tentatively scheduled for June 10, 2025. During the City Council meeting on that date, there will be another opportunity for public input, and it is anticipated that the City Council will proceed with the adoption of the final budget.

FISCAL IMPACT OF RECOMMENDATION:

Should the City Council grant approval for all the proposed, the General Fund—the principal operating fund—is anticipated to conclude the fiscal year with a positive balance of \$423,000. The fund is projected to uphold a substantial operating reserve of \$5.1 million, representing 25% of the total General Fund budget. This reserve provides a critical financial buffer to support the city's ongoing operations and future initiatives.

Additionally, it is anticipated that non-general funds will conclude the fiscal year in the following manner:

(In millions)

Fund Groups	Beginning Available Fund Balances	Estimated Revenues	Appropriations & Change in Reserves	Projected Ending Available Fund Balances
Special Revenues	\$13.3	\$6.4	\$8.5	\$11.2
Capital Projects	\$0.0	\$5.3	\$5.3	\$0.0
Debt Service	\$0.0	\$1.7	\$1.7	\$0.0
Sewer	\$10.0	\$7.7	\$15.5	\$2.2
Internal Service Funds	\$1.3	\$2.6	\$2.6	\$1.3

ATTACHMENTS:

1. FY 2025-26 Proposed Annual Budget