



DATE: June 2, 2025

TO: Mayor and Members of the City Council  
President and Members of the Estero Municipal Improvement  
District (EMID) Board of Directors

FROM: Stefan Chatwin, City/District Manager  
Nate Cruz, Finance Director/Treasurer  
Waqas Hassan, Assistant Finance Director  
Mimi Lam, Financial Services Manager

DEPARTMENT: City Manager, Finance

SUBJECT: PUBLIC HEARING FOR FY 2025-26 PRELIMINARY BUDGET

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### RECOMMENDATION

It is recommended that the City Council/EMID Board ("City Council") receive public comments regarding the FY 2025-26 Preliminary Budget and provide direction to finalize the budget. Such direction provided by the City Council and recorded via minute order will then be incorporated in the FY 2025-26 Final Budget for adoption on June 16, 2025. The Five-Year Financial Plan will also be updated accordingly.

### EXECUTIVE SUMMARY

As part of the FY 2025-26 annual budget development process, the City Council held budget study sessions on January 23 and March 24 to review various sections of the Preliminary Budget, including the CIP Funds, Enterprise Funds, and Internal Service Funds. On May 22, 2025, the City Council reviewed the entire Preliminary Budget, including all the Governmental Funds.

The June 2, 2025 Public Hearing provides the public an opportunity to comment on the Preliminary Budget and for the City Council to consider their input before providing direction with respect to the adoption of the Final Budget for FY 2025-26 scheduled on June 16, 2025.

## BACKGROUND AND ANALYSIS

On May 22, staff presented the FY 2025-26 Preliminary Budget and 5-year financial plan for all Funds, including the General Fund (001 to 003) which showed a structural deficit for the entirety of the 5-year financial plan. The City Council gave direction to use General Fund reserves to address the FY 2025-26 budget shortfall and directed the City Manager to develop strategies to address the future deficits. The City Manager indicated such strategies may include additional or updated revenue opportunities, cost recovery measures, and operational efficiencies.

Since May 22, staff has made the following adjustments to General Fund revenues which are outlined in red in Attachment 1:

- Increasing the FY2024-25 projection for “Permits”, with no change to the revenues in the five-year plan. This change only impacts the forecasted fund balance.
- Increasing the “Rentals City/EMID” projection to reflect historical collections.
- Lowering the “Other Revenue (Fines, Shared Services, Street Sweeping, Other)” revenue to remove a system entry error.

No changes were made to expenditures. The combined impact of the adjustments above is relatively small, increasing the FY 2029-30 Reserve Fund Balance result by 0.4%.

Any additional direction received at the June 2, 2025 meeting will be incorporated into the Final Budget that is scheduled for adoption on June 16, 2025.

It would be appropriate for the City Council to receive public testimony relative to the FY 2025-26 Preliminary Budget. Upon hearing the public testimony, City staff recommends that the City Council provide direction towards the preparation of the FY 2025-26 Final Budget.

## California Environmental Quality Act

Not Applicable

## FISCAL IMPACT

Based on City Council direction at the June 2, 2025 public hearing, staff will incorporate adjustments in the FY 2025-26 Final Budget for adoption on June 16, 2025. The June 2, 2025 preliminary budget can be found at:

<https://www.fostercity.org/finance/page/annualbudget>

## CITY COUNCIL VISION, MISSION, AND VALUE/PRIORITY AREA

Staff Empowerment and Operational Excellence

### ATTACHMENTS:

Attachment 1 – June 2, 2025 update to the General Fund (Fund 001 to 003) Five Year Financial Plan for FY 2025-26 to FY 2029-30