

# FISCAL YEAR 2026/2027 **PROPOSED BUDGET OVERVIEW**

## Summary

The Proposed FY2026/27 Budget recommends a balanced **\$1.7 billion** (\$898.3 million General Fund) spending plan for City programs and services and supports a workforce of more than **4,800 employees**.

It closes a **\$66.2 million funding gap** in the General Fund via strategic reductions which reflect input provided by the City Council, City departments and the public.

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# City Budget

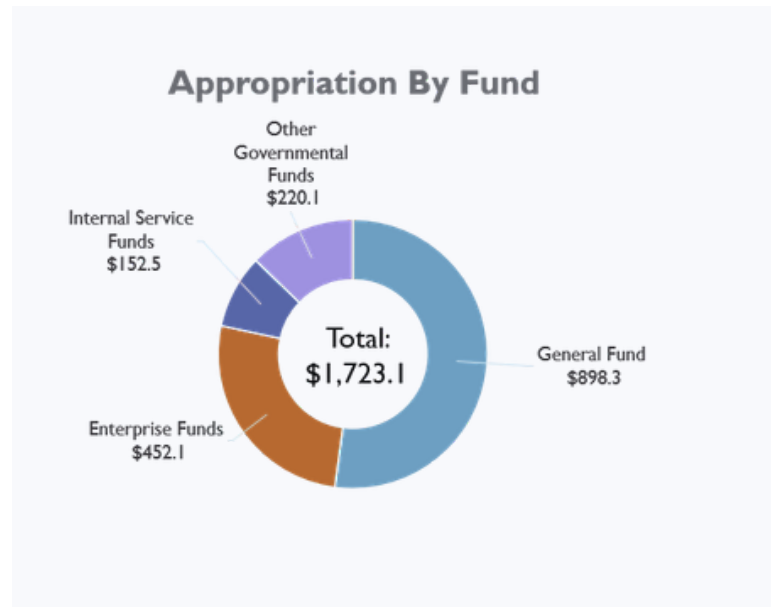
The City of Sacramento maintains **over 300 active funds**.

The largest fund is the **General Fund**, which contains most governmental operations and has the largest degree of discretion on how funds can be appropriated.

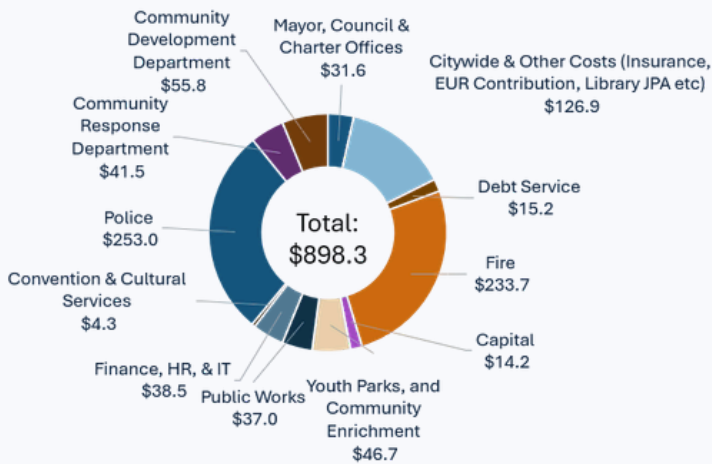
**Enterprise Funds** are internal businesses where ratepayers pay for services (such as Parking, Solid Waste, and Water/Wastewater).

**Internal Service Funds** provide services to other City departments.

**Other Governmental Funds** are funds that are restricted to specific purposes, such as the Children's Fund that was established by Measure L.



## General Fund Spending by Department



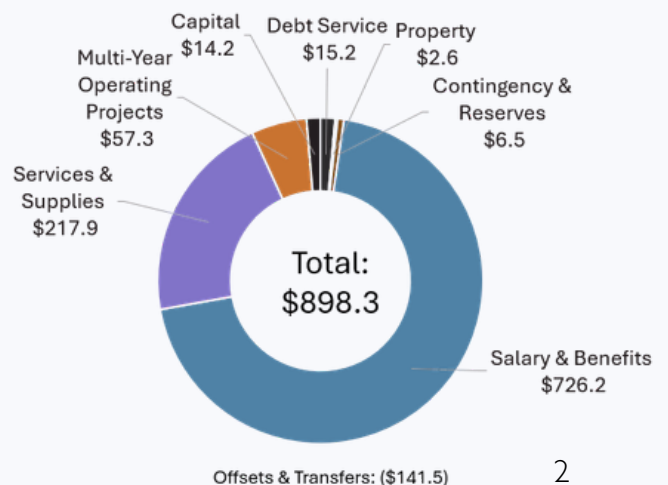
The **Police Department** and the **Fire Department** are the two largest departments in the General Fund.

The Public Works Department and the Department of Utilities are also very large, but their operations are primarily funded by Enterprise and Other Governmental Funds.

The largest spending category in the General Fund is **Salary & Benefits** followed by **Services & Supplies**.

General Fund revenues primarily come from taxes with Property Tax, Sales Tax, and Utility Users Tax being the largest tax revenue generators. Fees and Charges also contribute a substantial amount of revenue, and per State law fees cannot exceed the cost of providing the service.

## General Fund by Spending Category



# Financial Challenges

Like many cities across California, Sacramento is grappling with the challenge of expenses growing faster than resources. This imbalance, known as a **'structural budget deficit'** is not the result of an economic downturn. Rather, the structural deficit has been caused by several factors that have developed over the past few years.

## The City has added spending commitments for:

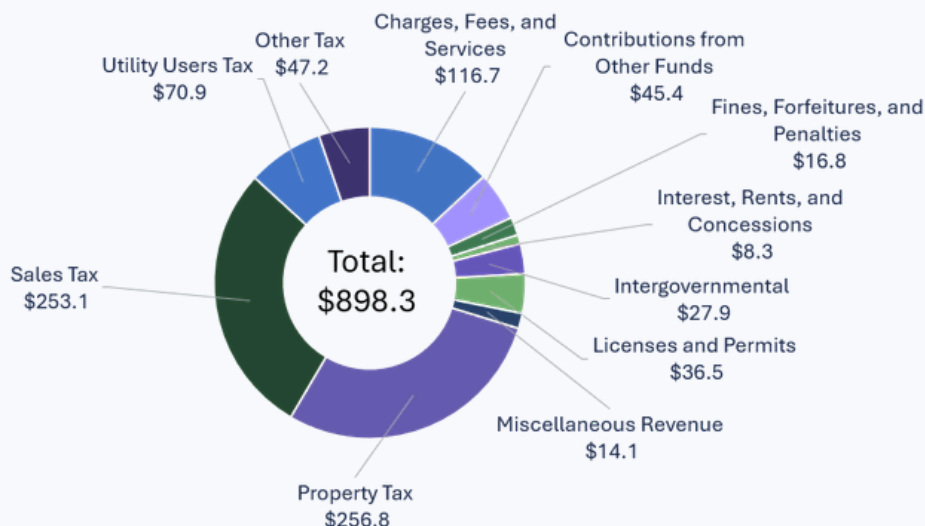
- **Homelessness services.**
- **Children and youth.**
- **Economic Development.**
- **Office of Public Safety and Accountability.**
- **Police Department.**
- **Citywide labor increases.**

## Some outside factors have impacted the City budget including:

- **Increased inflation for City operating costs.**
- **Statewide slowdown in sales tax revenue, a major General Fund resource.**
- **Decreased State funding for homelessness services.**

To bring the City's budget into structural balance, Council will need to make decisions that will increase ongoing revenues and decrease ongoing expenses. The City partially addressed the structural budget deficit during the past two budget cycles by closing funding gaps with a combination of one-time and ongoing budget balancing strategies. The ongoing strategies reduced projected deficits in future fiscal years, while the one-time strategies only applied to one fiscal year and did not reduce projected deficits in subsequent years.

## General Fund Resources by Source



# Addressing the deficit

On October 7, 2025, Council adopted the **Fiscal Year 2026/27 Budget Development Policy (Policy)**. The Policy seeks to address the City's structural deficit by defining core City services and taking a strategic approach to revenue enhancements and expenditure reductions instead of simply pursuing across-the-board cuts.

The Policy instructed all City Departments to submit reduction plans that totaled 15% of their discretionary General Fund budget and provided a framework designed to protect core services and advance Council priorities. Departmental reduction strategies were categorized on a one through four scale based on service impact on residents, with one being a low impact and four resulting in a severe impact.

In addition, staff analyzed "citywide" strategies to identify previously allocated funding for projects or citywide programs that could be redirected for budget balancing. Overall, staff identified over 200 one-time and ongoing revenue-enhancement and expenditure-reduction strategies totaling more than \$109 million in savings. A description of each strategy is included in the Budget document.

## FY2026/27 Budget Development Schedule



# Addressing the deficit – March Baseline

In March 2026, the City held a series of **Early Budget Work Sessions (EBWS)**. The EBWS included a budget overview, a “baseline” balancing plan (March Baseline), and budget-focused presentations from City departments.

The March Baseline included increased revenues, debt service restructuring to save General Fund costs, homelessness services efficiencies, funding shifts, and departmental expense and service reductions including the elimination of both filled and vacant positions.

In total, the March Baseline included the elimination of **103.3 filled full-time equivalent positions and 98.7 vacancies**.

Strategy	Savings
Interest on Treasury Pool	\$3.5
Debt Refunding	\$1.4
Debt Service Funding Shift	\$1.2
Citywide Strategies / Project Fund Reallocations	\$11.4
Homelessness Services Contract Efficiencies	\$3.8
Hotel Voucher Program Shift	\$3.2
X St Shelter Partnership Savings	\$2.8
Fire Single Role Savings	\$3.6
Violence Prevention Funding Shift	\$1.8
Additional Departmental Revenues	\$15.1
Expense Reductions:	
Police	\$7.1
Fire	\$5.6
Youth, Parks & Community Enrichment	\$4.8
Other Departments	\$7.5
<b>Total Savings</b>	<b>\$72.8</b>

# Addressing the deficit – Proposed Budget

Council feedback during the EBWS informed changes to the March Baseline, and the Proposed Budget incorporates several restorations of March Baseline reductions including:

- **Police Department Magnet Academy**
- **Partial restoration of Fire Suppression vacancies**
- **Affordable Housing Fee program**
- **Senior Fiscal Policy Analyst in the Auditor’s Office**
- **Diversity, Equity, and Inclusion staffing in the Human Resources Department**
- **GIS and Regional Support staffing in the Information Technology Department**
- **Partial restoration of park maintenance outsourcing**
- **Access Leisure Program in Youth, Parks and Community Enrichment**
- **Community center and senior center operating hours in Youth, Parks & Community Enrichment**

These reductions were funded by eliminating additional vacant positions, and increase in Intergovernmental Transfer revenue in the Fire Department, and utilizing available State homelessness funding to free up General Fund resources.

The Proposed Budget also reflects changes to previously considered revenue options. **The City is not moving forward with parking meter rate increases or residential parking permit charges.** These items appear in the budget document but are not included in the final proposal, as the changes were made after it was sent to print.

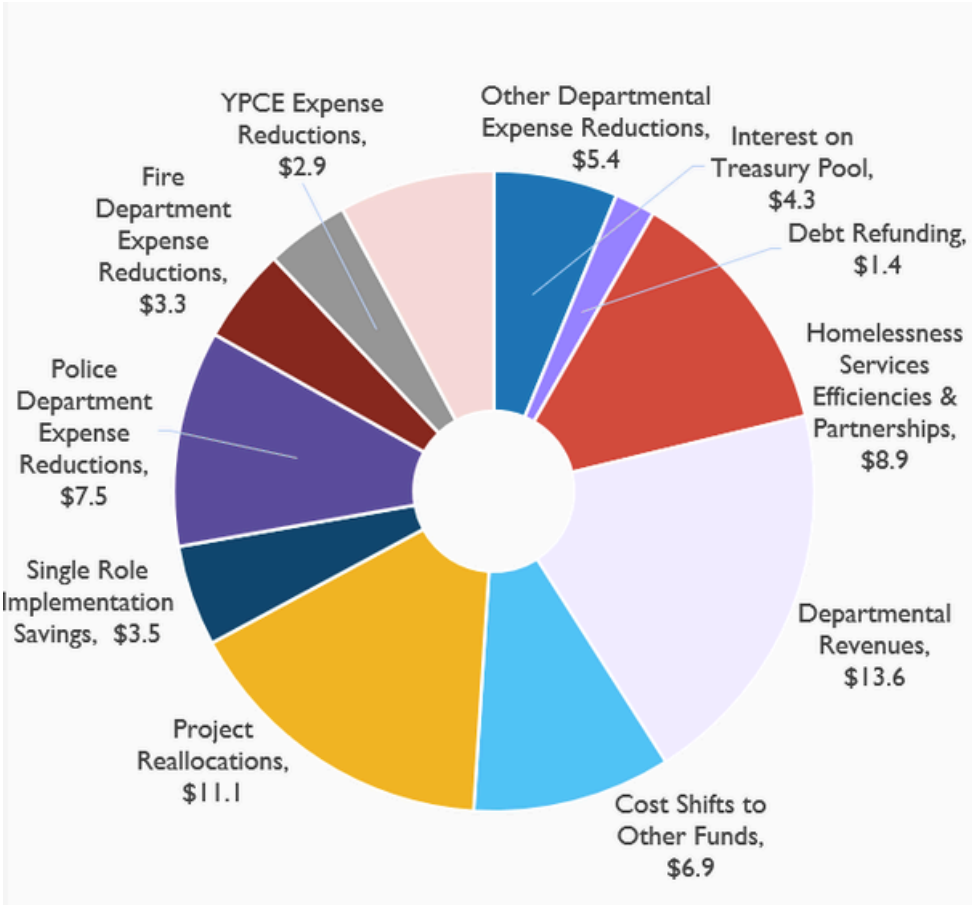
# Addressing the deficit – Proposed Budget

A summary of the budget balancing strategies in the Proposed Budget is outlined in the table below (\$ in millions):

	FY2026/27	FY2027/28
<b>Mid-Year Forecast</b>	<b>(\$66.2)</b>	<b>(\$81.8)</b>
Labor Contract Adjustments*	(\$11.3)	(\$21.8)
<b>Budget Balancing Strategies</b>	<b>\$68.8</b>	<b>\$51.2</b>
Encampment Relief Funds (State Homelessness Funding)	\$2.3	\$-
HHAP Round 6 (State Homelessness Funding)	\$3.5	\$4.7
HHAP Round 7 (State Homelessness Funding)	\$-	\$6.4
Other Adjustments	\$3.2	\$5.9
<b>End Balance</b>	<b>\$0.3</b>	<b>(\$35.4)</b>

\*Labor costs above those included in the Mid-Year Forecast.

The table below provides a summary of the \$68.8 million in budget balancing strategies (\$ in millions):



# Addressing the deficit- Proposed Budget Service Impacts

While the Proposed Budget restored several reductions included in the March Baseline, balancing strategies that will have service and/or staffing impacts were necessary to close the budget gap.

## Notable reductions include:

- Contracting out of landscape maintenance services at neighborhood parks
- Closure of the City's four wading pools
- Reduction in recreation swim hours at neighborhood pools
- Reduction in Fire Suppression vacancies and implementation of dynamic staffing
- Discontinuation of Shotspotter in the South and East areas of the City
- Elimination of the Mounted Unit
- Reductions in some specialized Police units with those functions moving to patrol
- Reductions in the Police Hiring Pipeline program
- Elimination of vacant positions that may impact service delivery capacity

## Advancing Council Priorities

On September 30, 2025, Council held a priority setting workshop and identified the following top three priorities - **Economic Development**; **Homelessness**; and **Public Safety**.

Highlights of investments included in the Proposed Budget to advance these priorities include:

### Economic Development

- Creation of a new Economic Development Department, within existing resources, to coordinate and advance initiatives which grow the local economy, attract investment, and revitalize the City's commercial corridors.
- Advancement of Streamline Sacramento to make it easier to do business with the City and encourage development.
- Continued use of innovative financial strategies, such as Enhanced Infrastructure Financing Districts, to facilitate redevelopment while protecting the General Fund.
- Investments in the Old Sacramento waterfront to support tourism and downtown businesses.

### Homelessness

- Maintenance of homeless services outreach workers to connect homeless individuals with shelter and services.
- Continuation of the Incident Management Team which responds to 311 homelessness concerns seven days a week.
- Increase in City shelter-bed capacity by approximately 400 beds.

### Public Safety

- Continuation of the community prosecutor in the North area for an additional year.
- Retention of the City's sworn Police and Fire workforce with no sworn separations from the City due to budget reductions.
- Continues the use of focused enforcement, proactive policing and strategic deployment, which has contributed to a 30% reduction in shootings since 2023.
- Further implementation of the Single Role Program to drive efficiencies and support recruiting in the Fire Department.

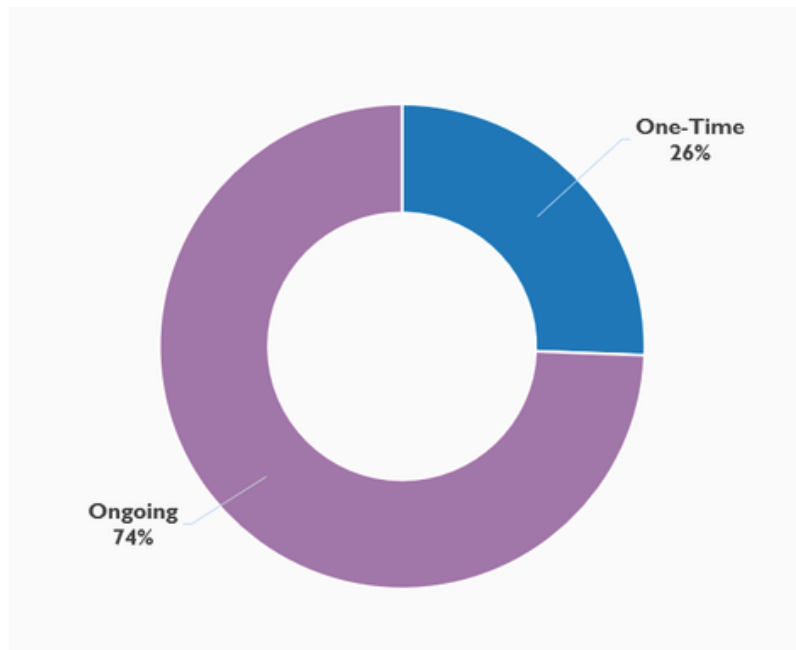
# Delivering Core Services

In addition to advancing Council priorities, the Proposed Budget investments support the delivery of core City services. Highlights include:

- Continuation of Traffic Safety Team which in Fiscal Year 2025/26 delivered more than 100 low-cost safety improvements, including 17 'quick build' projects, focusing on reducing serious crashes and improving safety near schools.
- Maintenance of over 3,000 lane miles of streets and repair of over 2,000 potholes monthly.
- Servicing nearly 18 million garbage, recycling, and organics containers annually.
- Expanding City infrastructure capacity to support fleet electrification and safety improvements by leveraging grant funds.
- Maintenance of over 240 parks, parkways, community gardens and open space areas.
- Implementation of new community programs funded by the Measure L Children's Fund.
- Improvement of our special event and entertainment permitting processes to support the arts, culture, and entertainment throughout the City.
- Initial pilot of alternative response funded with Opioid Settlement funds.
- Continuation of delivery of water services to approximately 148,000 customers, sewer services to approximately 80,000 customers, and storm drainage services to approximately 144,000 customers.

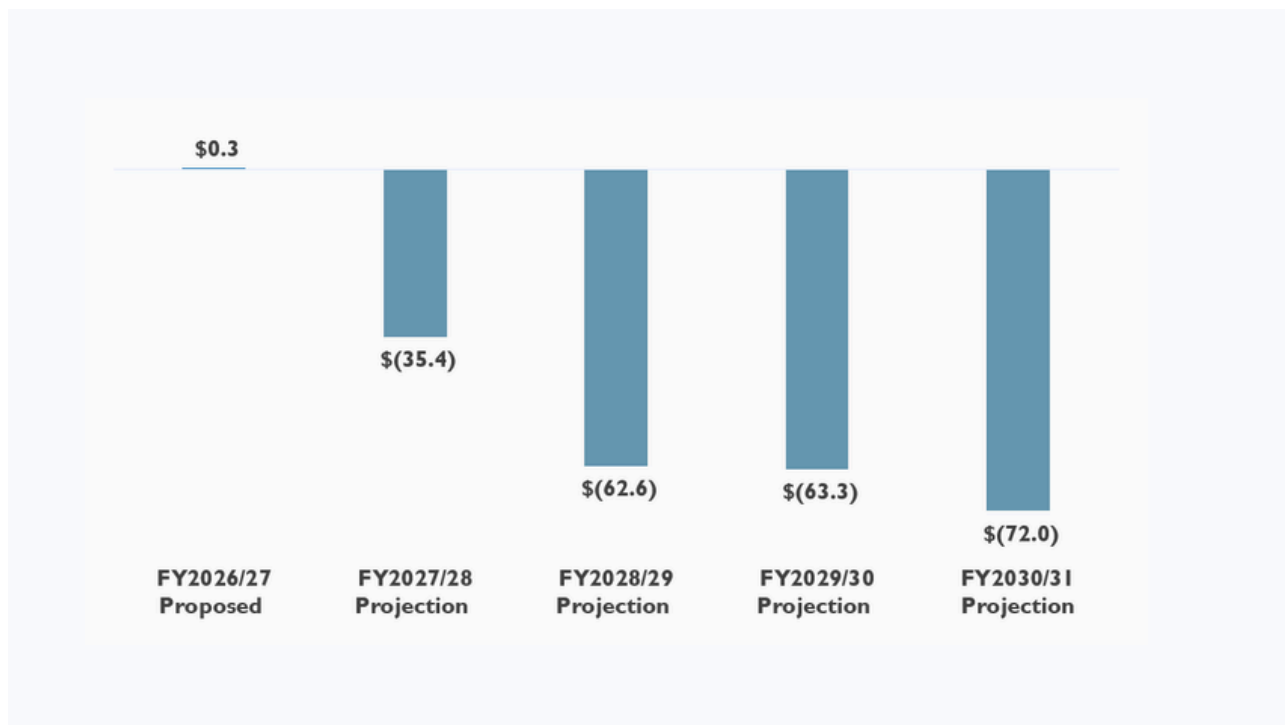
## Progress towards Structural Balance

The Proposed Budget advances the City's progress on resolving the structural budget deficit by including substantial ongoing budget balancing strategies versus relying on one-time fixes:



The use of ongoing balancing strategies greatly improves the City's Fiscal Year 2027/28 projection, even after including labor contract increases.

**The Proposed Budget five-year forecast is below:**



## Long-term Challenges

The City is facing considerable economic challenges as it heads into the new Fiscal Year. The war in Iran has resulted in a sharp increase in energy prices, which may lead to inflation, higher interest rates, and a slowdown of the economy. **Many economists are warning of a potential recession which would result in significant reductions in City revenues.** City staff will continue to update expense and revenue forecasts and will inform Council and the public of budgetary impacts.

In addition to the structural deficit the City must address its long-term liabilities to ensure its fiscal stability. The updated five-year Capital Improvement Plan identifies **approximately \$2.0 billion of unfunded capital projects and deferred maintenance costs** on City-owned properties that, if not addressed, will increase dramatically as buildings and infrastructure continue to age. The City's **unfunded pension liability is approximately \$1.5 billion** as of the most recent California Public Employees' Retirement System (CalPERS) Actuarial Valuation report.

Council has taken steps to address these long-term challenges, as Council's Prior Year Savings Policy balances budget needs, revenue growth, and creating a funding source for unfunded liabilities.

# Budget Hearing Schedule

The City encourages public participation in the budget development process, and the upcoming hearings schedule is below:

Date / Meeting*	Subject
April 29, 2026	Release of Proposed Budget
May 5, 2026 – 11:00AM Budget & Audit Committee	Fees & Charges
May 5, 2026 – 5:00PM Council	<ul style="list-style-type: none"> <li>• Budget Overview</li> <li>• Budget Balancing Plan</li> <li>• Questions &amp; Deliberations</li> </ul>
May 12, 2026 – 2:00PM Council	<ul style="list-style-type: none"> <li>• 2026-2031 Capital Improvement Program</li> <li>• Citywide Fees &amp; Charges</li> <li>• Budget Equity Lens</li> </ul>
May 12, 2026 – 5:00PM Council	<ul style="list-style-type: none"> <li>• Budget Deliberations</li> <li>• Council Direction</li> </ul>
May 18, 2028 – 5:30PM Measure U Commission	FY2026/27 Budget
May 26, 2026 – 11AM Budget & Audit Commission	Review of FY2026/27 Budget
June 9, 2026 – 5PM Council	Adoption of FY2026/27 Budget