

A dark blue silhouette of the Sacramento skyline is positioned horizontally across the middle of the slide. It features various building shapes, including a prominent tower on the right side that resembles the Transamerica Pyramid. The background is a light blue gradient.

Fiscal Year 2024/25 Budget
Community Meeting

Agenda

- City Budget
- Current Year Budget
- Economic Context
- Developing Year Budget & 5-Year Forecast
- Budget Schedule & Public Participation

City Budget

City Budget

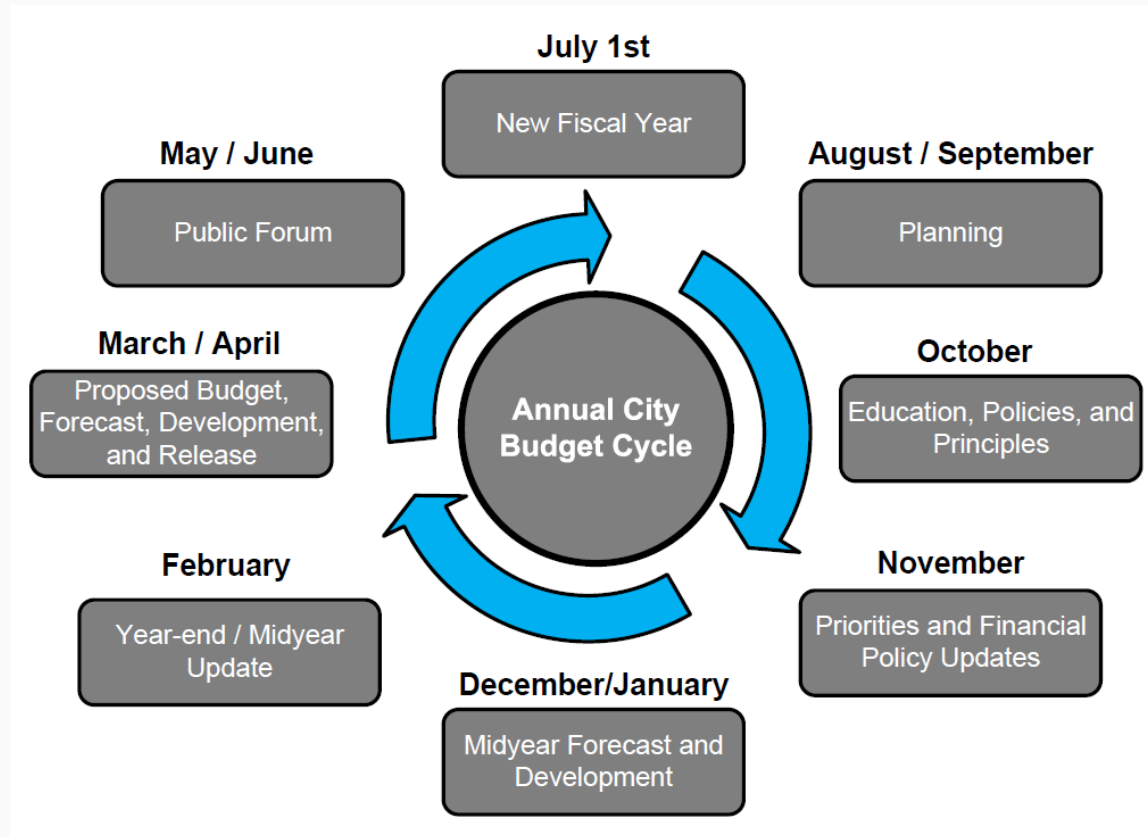
The annual City Budget is for the period of July 1 through June 30 which is the City's Fiscal Year. The current Fiscal Year is FY2023/24.

By Charter mandate, the City must pass a balanced budget (where expenditures do not exceed resources) by the beginning of each Fiscal Year.

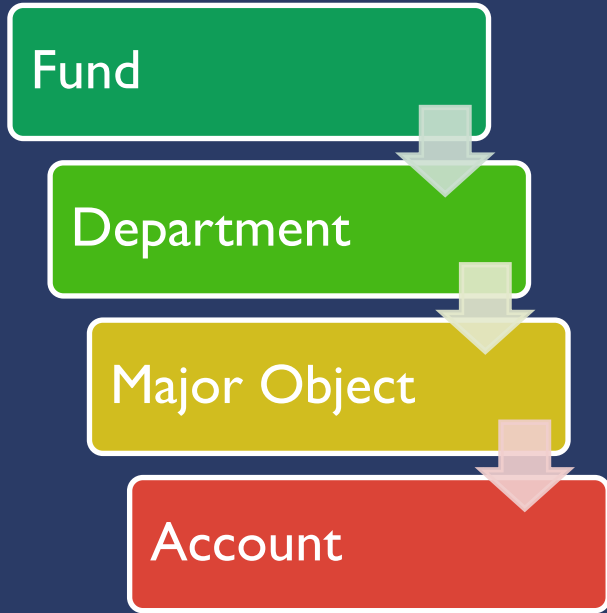
The budget:

- Serves as the financial plan for the City;
- Reflects the priorities and goals of Council;
- Establishes funding levels for City services;
- Changes throughout the fiscal year; and
- Governed by federal, state and local law.

Annual Budget Development



Budget Structure



- The City has over 300 active funds with different funds having different restrictions and allowances. For example, the money homeowners pay for their water bill is restricted and can only be spend on water utility services.
- The largest fund is the General / Measure U fund which is for general government operations including police, fire, parks, and many other City services.
- Within the General Fund, some revenues are restricted. For example, State funding for homelessness services has use restrictions.

Key budget drivers

- Salary & Benefits
- Rising liability insurance costs
- Service/Contract inflation increases
- Homeless Services
- Economic Conditions / Inflation



Setting Priorities

Internal

- Revenues vs. Expenditures
- Short-term vs. Long-term
- One-time vs. Ongoing
- Operating vs. Capital
- Administrative vs. Services
- Department vs. Department
- Unfunded Liabilities

External

- Economic Climate
- Community Priorities
- Other Governmental Entities



Current Year Budget

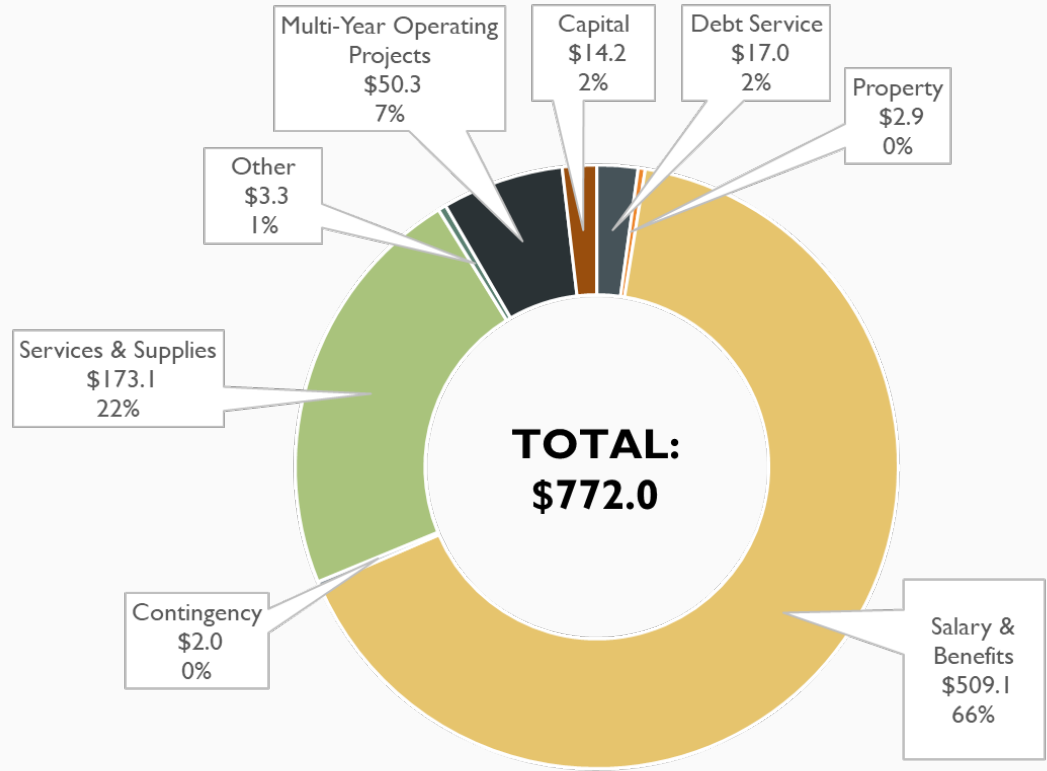
FY24 Budget

- Total Budget is ~\$1.5 billion & supports ~5,075 full-time equivalent employees.
- Includes:
 - \$758 million for General and Measure U Fund operations
 - \$14 million for General and Measure U Fund capital improvement expenditures
 - \$604 million for Enterprise and other fund operations
 - \$93 million for Enterprise and other fund capital improvement expenditures

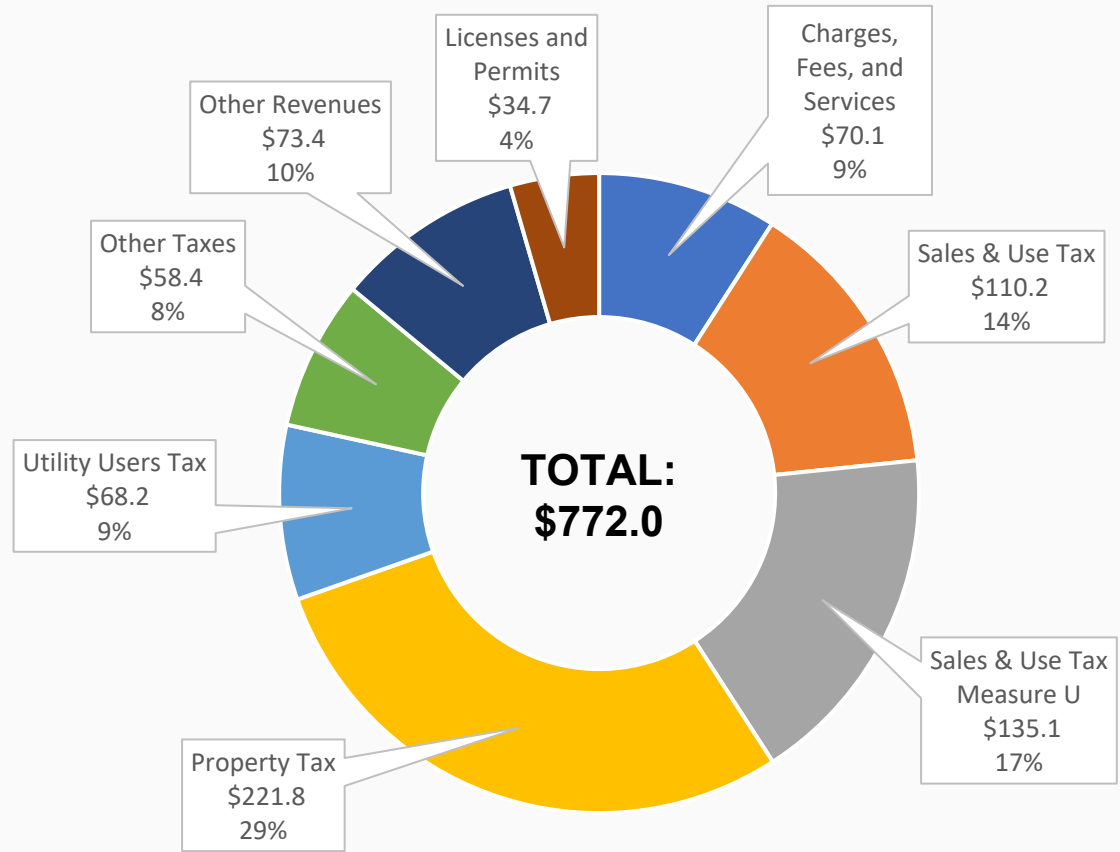
**General/Measure U
Fund:
Appropriation By
Department (millions)**

Department	Appropriation	% of G/MU Fund
Police	\$ 226.8	29.4%
Fire	\$ 191.4	24.8%
Citywide and Community Support	\$ 101.6	13.2%
Youth, Parks, and Community Enrichment	\$ 50.0	6.5%
Community Development	\$ 48.6	6.3%
Public Works	\$ 25.4	3.3%
Information Technology	\$ 21.8	2.8%
Community Response	\$ 17.9	2.3%
Debt Service	\$ 17.0	2.2%
Capital	\$ 14.2	1.8%
City Manager	\$ 13.9	1.8%
City Attorney	\$ 10.7	1.4%
Finance	\$ 9.1	1.2%
Mayor/Council	\$ 6.7	0.9%
Human Resources	\$ 5.6	0.7%
Convention and Cultural Services	\$ 5.6	0.7%
City Clerk	\$ 2.7	0.3%
City Treasurer	\$ 1.7	0.2%
Office of the City Auditor	\$ 1.3	0.2%
Utilities	\$ 0.1	0.0%
Total	\$ 772.0	100.0%

General/Measure U Fund: Appropriation By Spending Category (millions)

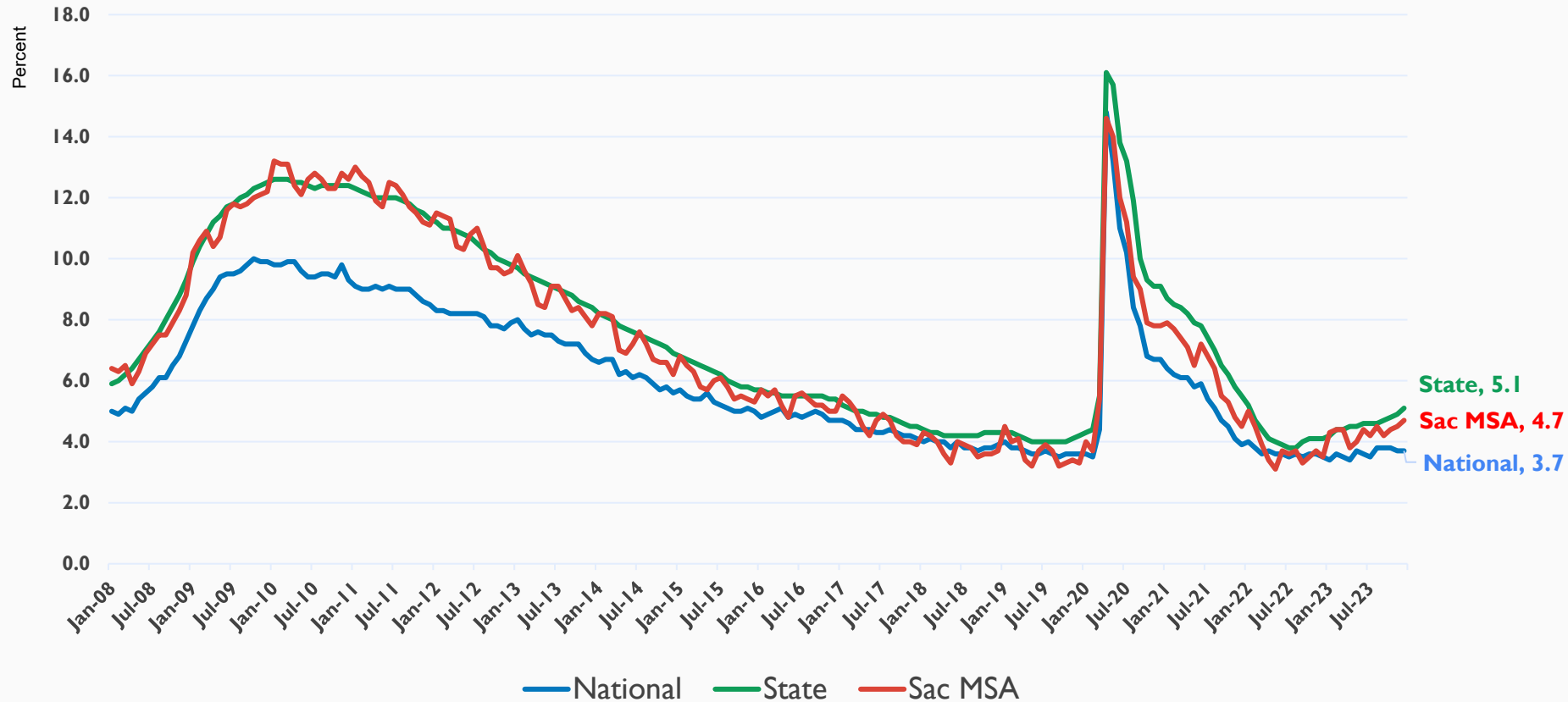


General/Measure U Fund: Financing By Source (millions)

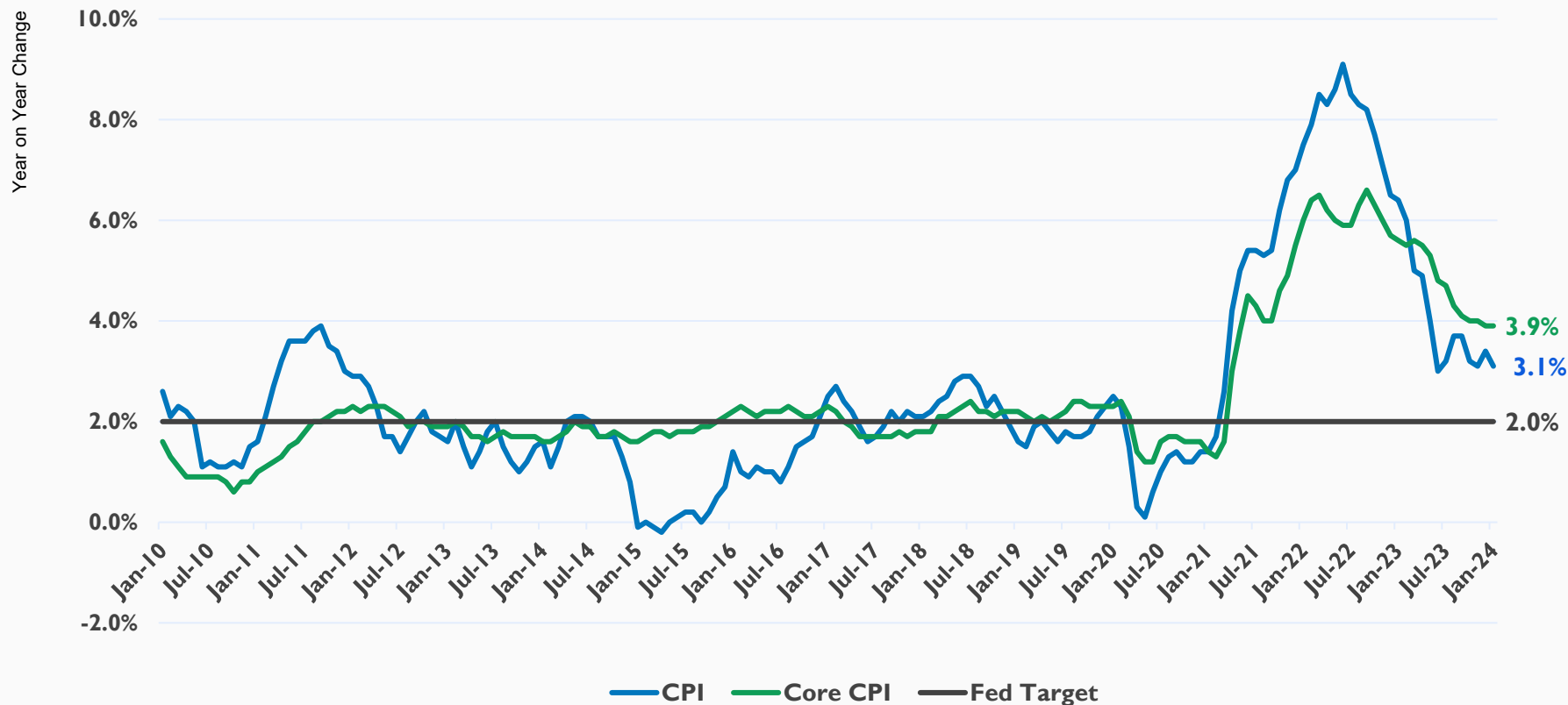


Economic Context

Unemployment Rate

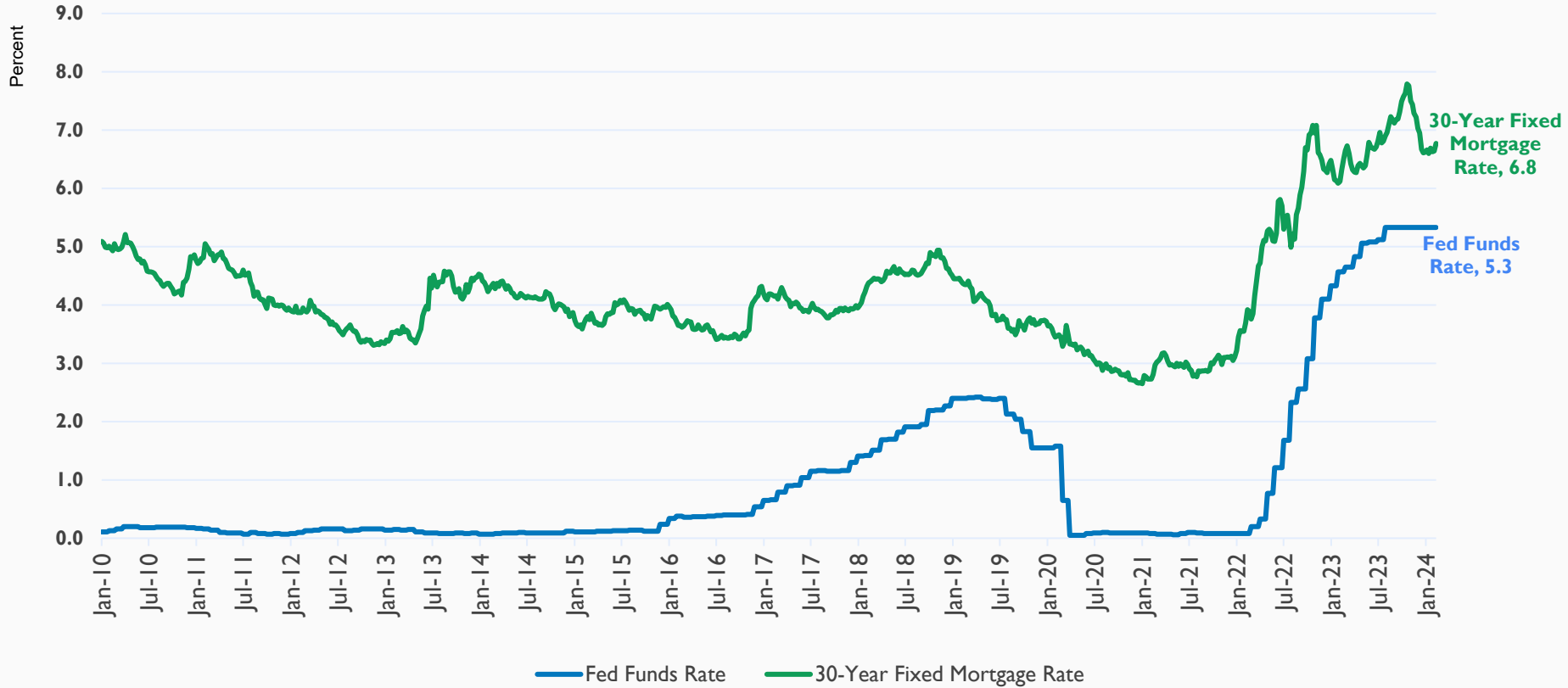


Inflation

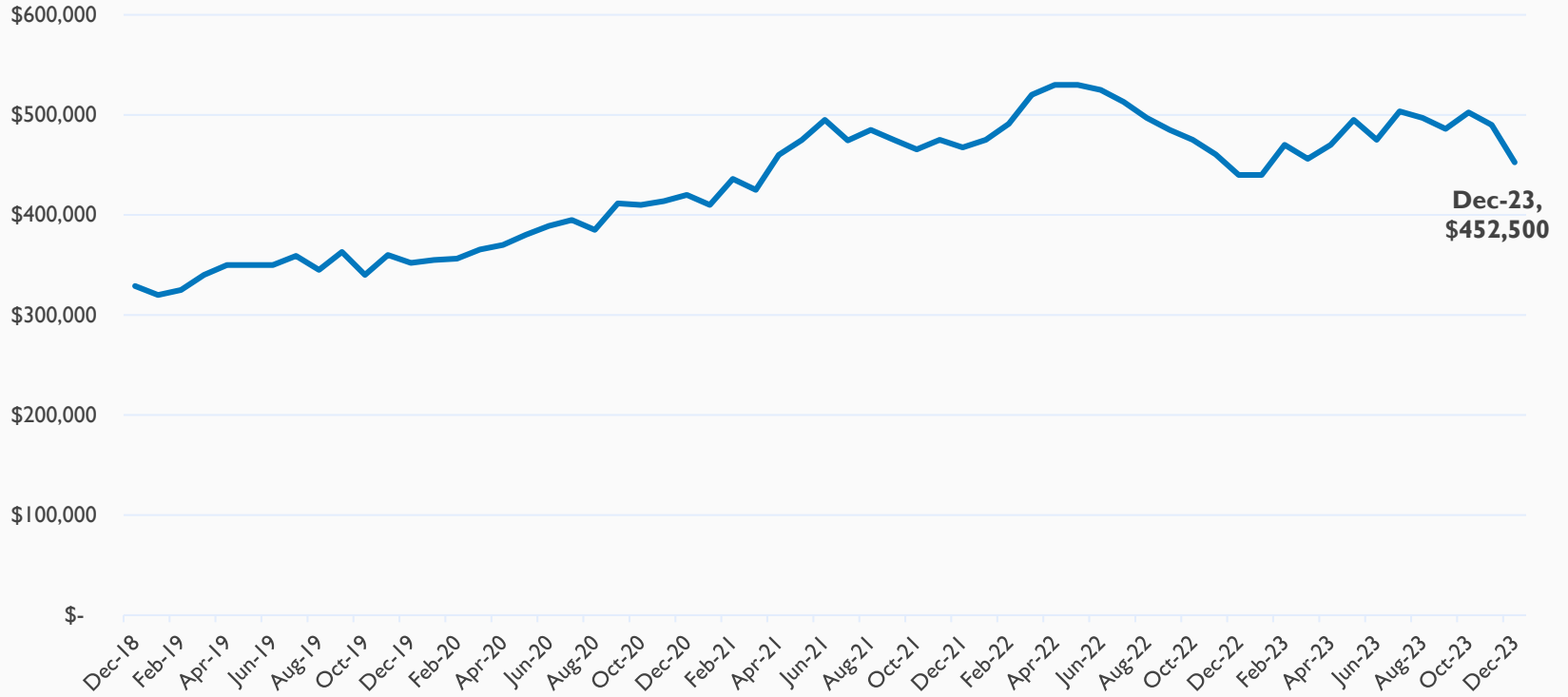


Source: U.S. Bureau of Labor Statistics. Data through January 2024

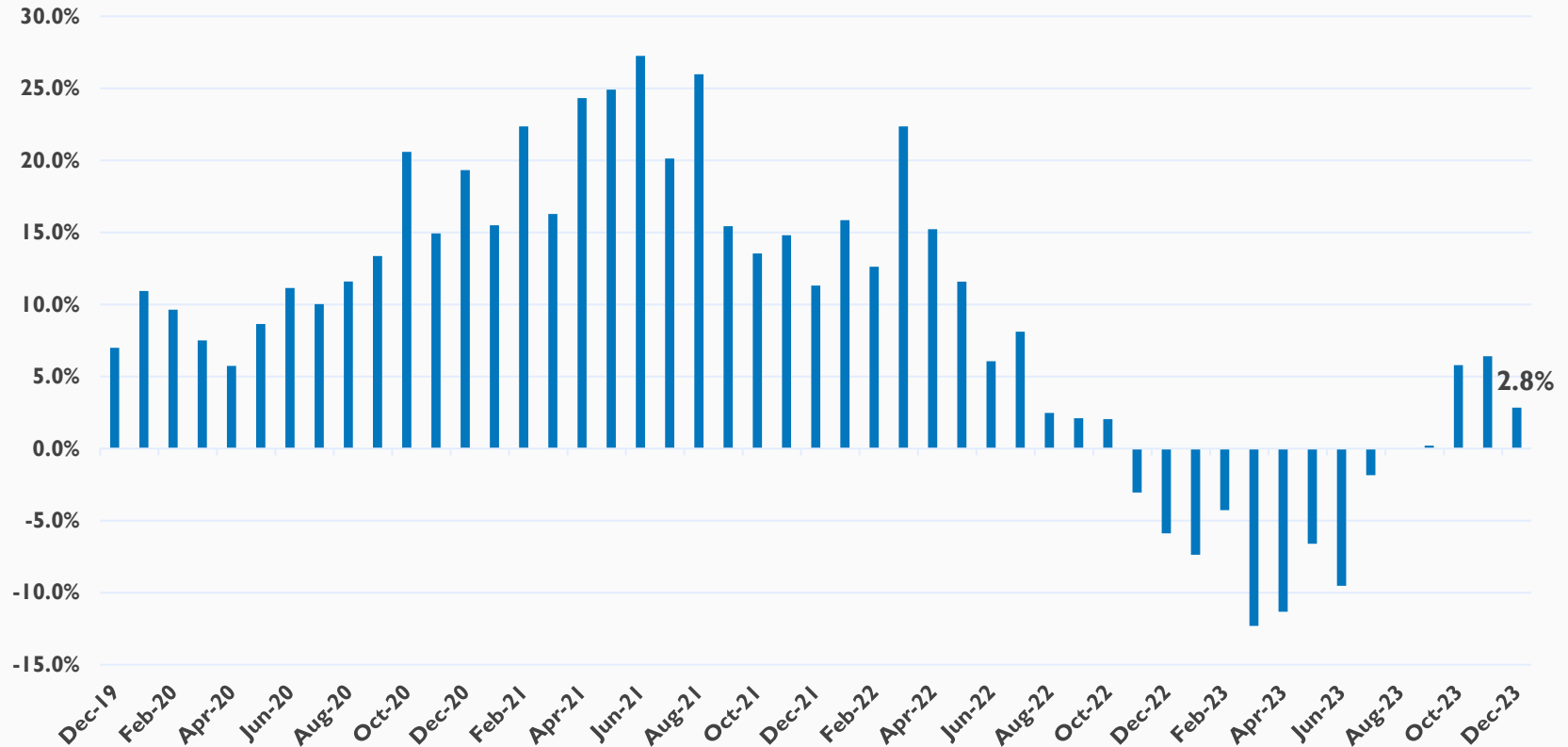
Interest Rates



Median Home Sale Price – City of Sacramento



Median Home Sale Price Year on Year Change



Source: Redfin calculations based on MLS & Public Records

Key Economic Takeaways

1. Labor market remains tight but is weaker than last year.
2. Inflation rate has decreased but remains above Federal Reserve target.
3. Interest rates remain elevated.
4. Commercial vacancies remain high.
5. Can the US consumer remain resilient?

Our forecast is **not** assuming a recession; however, a recession remains a risk and would have a significant negative impact on the City's finances.

Developing Year Budget & 5-Year Forecast

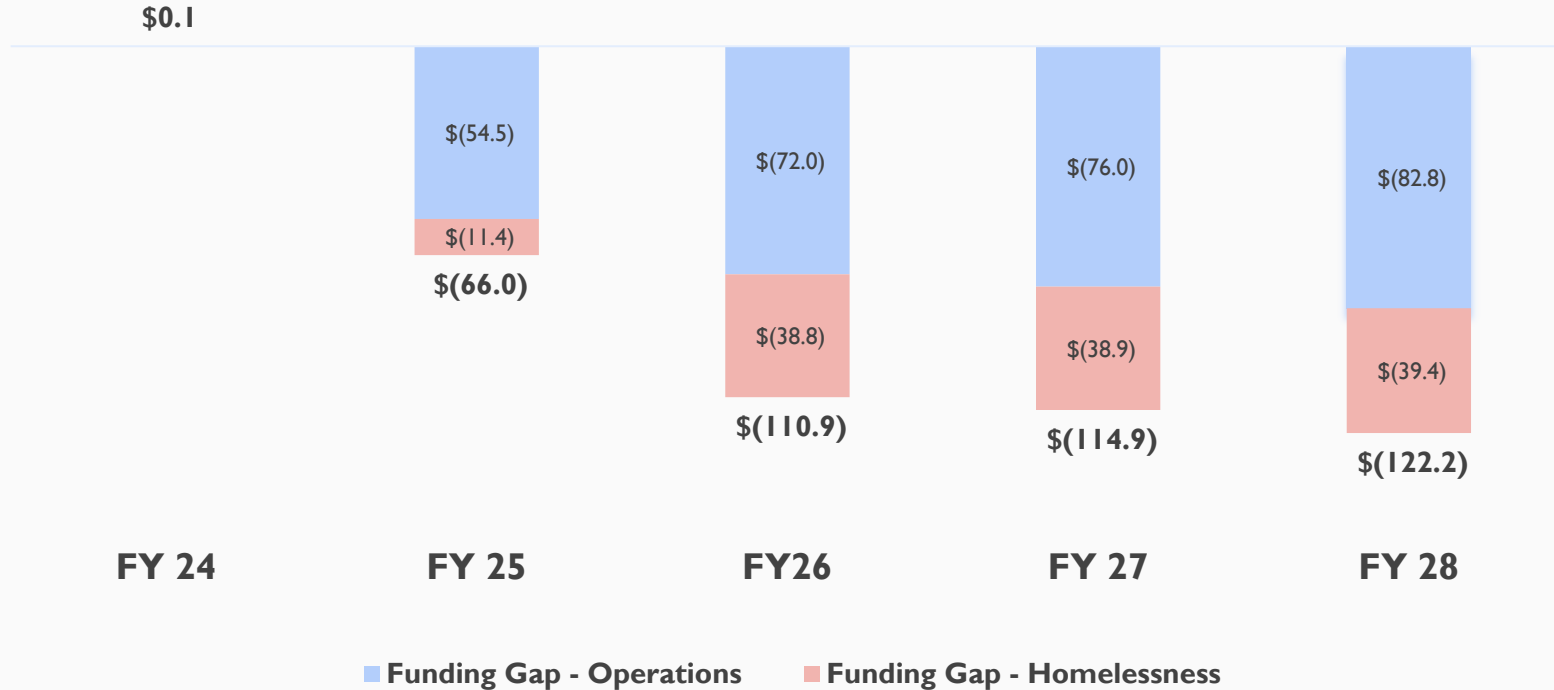
FY25 Budget

To meet our Charter mandate to balance the FY2024/25 Budget, the City needs to close a projected **\$66 million** deficit.

Resources	\$829.3
Expenses	(\$912.2)
Gross Funding Gap	(\$82.9)
Projected 3% Salary Savings	\$16.9
Projected Funding Gap	(\$66.0)

The City is projecting this deficit to grow in future Fiscal Years if ongoing savings strategies are not adopted by Council. This is known as a 'structural deficit'.

5-Year Forecast – Surplus / (Deficit) - \$ Millions



The City's funding gap is **structural** with expenses outpacing revenues throughout the forecast period.

Key Contributors To Structural Deficit

The key contributors to the City's structural budget deficit are spending increases.

Budget deficits are not due to a drop in City revenues.

New/Increased Spending Commitments	One-time Funds for Ongoing Costs	Cost Increases
<ul style="list-style-type: none">• Increased General/MU funds to expand homelessness services• Voter-approved Measure L diverting ~\$9M in General/MU funds for new Children's services• 11% increase in number of staff over past 5 years	<ul style="list-style-type: none">• 2021/22 labor contract increases funded with one-time money (~\$34M G/MU share)• ~\$10M new ARPA programs with ongoing costs (Homelessness, tourism recovery, public records, building compliance, COPS grant match)	<ul style="list-style-type: none">• Current labor contract increases (~\$45M G/MU share)*• Large increases in other costs such as insurance and retirement benefits

*Cost estimate excludes potential impact on unfunded pension liability which would increase the cost of the agreements.

Pending Factors

- Unfunded pension obligations
- Unfunded capital needs
 - FY25 Capital Improvement Plan Updates
 - Compliance with Zero Emission Vehicle regulations
 - Long-term gas tax decline
- Increasing risk insurance costs
- State budget impacts on local economy and availability of homelessness program resources
- Risk of recession

FY25 Budget – Closing the Gap

The City Manager has implemented current year spending restrictions, and has instructed his departments to produce FY2024/25 Budget reduction options that:

- Define core services;
- Prioritize ongoing savings to address structural deficit;
- Prioritize reduction strategies by:
 - Revenue enhancement
 - Discretionary program reductions
 - Mandated program delivery change
 - Mandated program reduction
- Identify unspent project funds that could be reutilized.

Staff will continue to explore citywide reduction strategies and refine salary savings estimates.

FY25 Budget Development – Public Outreach

The public budget survey is online and can be found at cityofsacramento.gov/budgetsurvey

3 community meetings have been scheduled:

- March 6th – North Natomas Community Center – 6PM
- March 13th – Pannell Meadowview Community Center – 6PM
- March 14th – Clunie Community Center – 6PM

Survey results and feedback from the community meetings will be reported to the Budget and Audit Committee.

Budget Survey QR Code



FY25 Budget Development Calendar

Feb 2024

- FY24 Budget Update & Forecast Update



Apr 2024

- Updates to B&A

Mar 2024

- Public Budget meetings
- Update to B&A
- Continue finalizing reduction plans

May 2024

- City Manager Proposed Budget presented
- Proposed Budget hearings

June 2024

- Final Budget hearings
- Final Budget Adoption – June 11

How Can I Participate?

In addition to providing feedback today, you can:

- Complete the Budget Survey (cityofsacramento.gov/budgetsurvey).
- Attend and comment at Budget & Audit Committee Meetings.
- Attend and comment at Council Budget Hearings.
- Reach out to your Councilmember or the Mayor.

Questions & Discussion