



Fiscal Year 2024/25 Budget Update

Review of Budget Gap

	Current Year	FY25 Budget	FY26 Proj	FY27 Proj	FY28 Proj
Projected City Surplus / (Deficit)	\$0.1	(\$66.0)	(\$110.9)	(\$114.9)	(\$122.2)
Council-Approved Balancing Strategies	\$-	\$7.4	\$-	\$-	\$-
Remaining City Funding Gap	\$0.1	(\$58.6)	(\$110.9)	(\$114.9)	(\$122.2)

On February 27, 2024, Council approved the use of one-time Fiscal Year 2022/23 year-end savings of \$7.4 million to balance the Fiscal Year 2024/25 Budget.

FY25 Budget Update

- Public Outreach
- Reduction Strategies
- Unfunded Liabilities
- Next Steps

Public Outreach



Public Outreach

At the direction of the Budget & Audit Committee, City staff:

- Conducted a community survey to receive input on public budget priorities; and
- Held 3 community meetings across the City to inform the public of the City's budget deficit, answer questions, and receive feedback.

Members of the public are also encouraged to provide input throughout the budget process by:

- Attending and commenting at Committee & Council meetings;
- Providing e-comments; and
- Contacting their Councilmember or the Mayor.

Budget Survey

The budget survey was 9 questions and aimed to gauge the public's awareness of the City's budget situation as well as priorities for services and potential reduction strategies.

It was open from February 27th through March 24th

Was translated into five languages (Spanish, Hmong, Vietnamese, Chinese and Dari)

There were a total of 1,598 responses.

**SHARE YOUR THOUGHTS ON THE
CITY BUDGET**

The City has forecasted significant financial challenges for the coming year, and it will need to make strategic decisions to achieve a balanced budget.

TAKE THE SURVEY:
CITYOFSACRAMENTO.GOV/BUDGETSURVEY

Available in Spanish, Vietnamese, Hmong, Simplified/Traditional Chinese, and Dari.

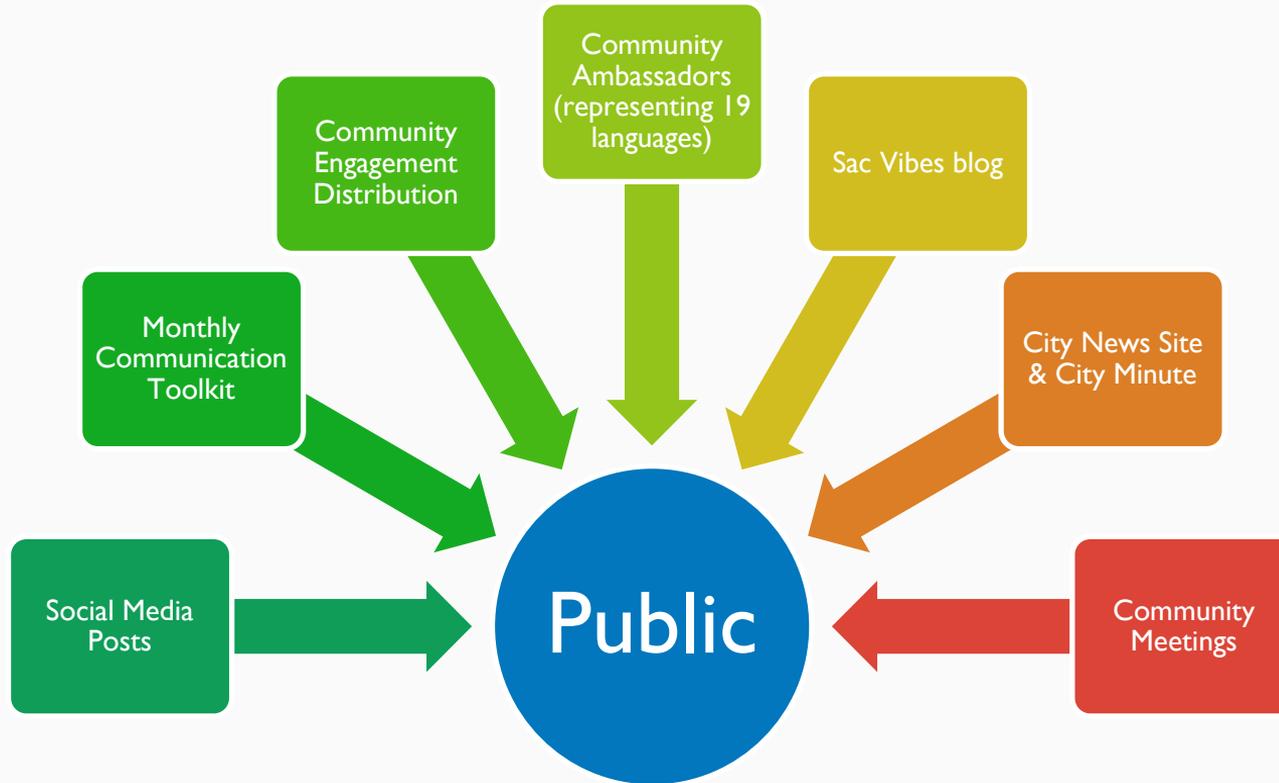
City of SACRAMENTO

ATTEND A MEETING

March 6 6 - 7 p.m. North Natomas Community Center 2631 New Market Dr.	March 13 6 - 7 p.m. Pannell Meadowview Community Center 2450 Meadowview Road	March 14 6 - 7 p.m. Clunie Community Center 601 Alhambra Blvd.
--	---	---

For interpretation or translation needs, email CE@cityofsacramento.org or call 916-808-5640 at least 72 hours in advance.

Budget Survey Communication/Engagement Strategies



Public's priorities and understanding

Public's top four priorities (on a scale of 1-4):

- Public safety (3.12)
- Homelessness (2.83)
- Housing (2.63)
- Fiscal sustainability (2.54)

High level of awareness of City's fiscal situation.

- 74% understand that the deficit is large

Top answers for addressing budget deficit:

- Expense reductions (43%)
- Combination of expense reductions & revenue increases (37%)

When asked what revenue strategies would you support to balance the budget:

- Over 50% said the City should not increase its fees/taxes.

Top three revenue strategies:

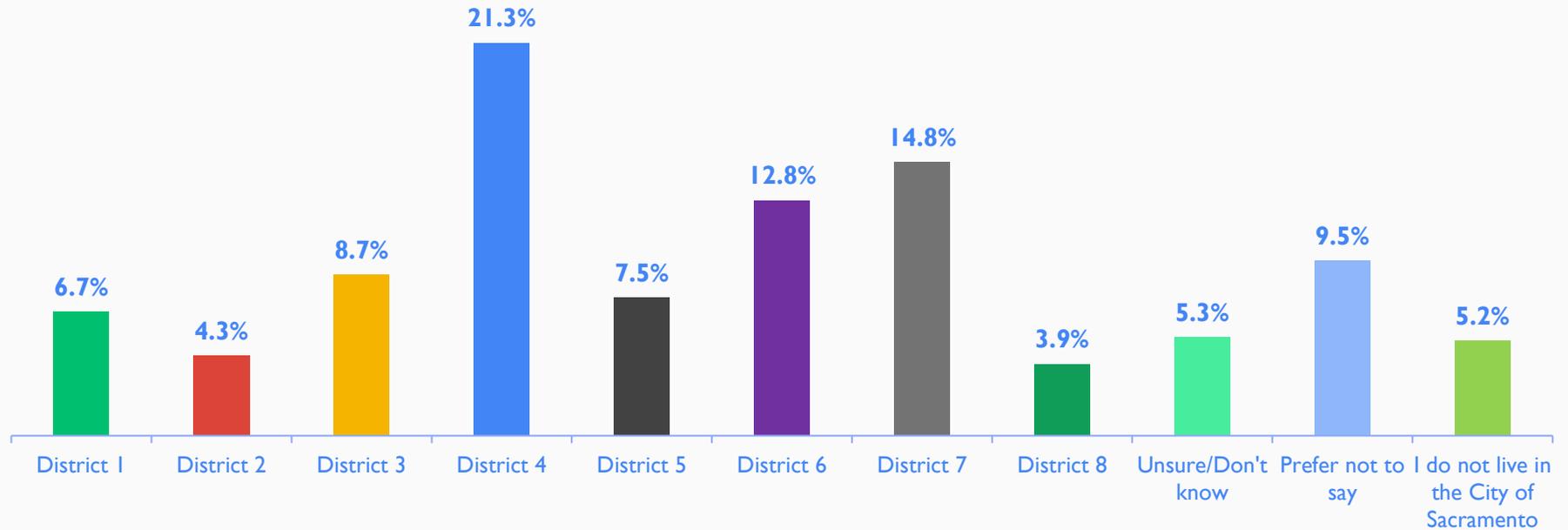
- Increasing permit fees (32%)
- A ballot measure to raise the Business Operations Tax (30%)
- Increasing fees for City services (24%)

Top 5 expense reductions (on a scale of 1-5):

1. Police Department (4.17)
2. Climate Programs (3.59)
3. Homelessness Programs (3.48)
4. Capital Projects (3.3)
5. General Government Services (3.1)

Over 50% supported using contractors to provide City services if it helped close the budget gap.

Where do survey participants live?



Community Meetings

The City conducted the following public budget meetings:

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

Community Meetings

Each community meeting was well attended with approximately 40-50 members of the public participating.



Most of the input from the public was questions including:

- What is in the budget?
- Various questions about existing and new revenue.
- Prioritizations and considerations for reductions.
- How will survey and other public input be incorporated?
- What is role of the Measure U Commission?
- How is Measure L being considered?

Members of the public also spoke in support of their priorities including funding for youth programs and homelessness.



The community expressed frustration with City and City service delivery.

Opinions expressed included:

- Why would the City could commit to spending beyond its means?;
- A lack of investment in South Sacramento;
- Frustrated with overall leadership;
- Reductions in executive and elected official pay;
- Budget share for salaries/benefits too high;
- Homelessness concerns;
- Public Safety concerns;
- Maintenance concerns – streets, lights, dumping;
- The need to protect youth funding; and
- The need to focus on core City services.



Central Area Meeting Feedback

The community expressed a mix of opinions on how to balance the budget as well as concerns with City services.

Opinions expressed included:

- Desire to get 'back to basics' and focus on police, fire, and parks;
- Questions about police department costs and staffing;
- Concerns about police department being underfunded;
- Concerns about police department being overfunded;
- Concerns about too much funding for homelessness programs;
- Concerns about not enough funding for homelessness programs;
- Concerns about cuts to youth and community programs;
- Recommendation to use ongoing strategies vs one-time funds;
- Desire for more performance data for City service delivery & non-profit contracts;
- Concerns about survey (engagement and content);
- Concerns about potential cuts to climate programs; and.
- Using community partners or non-profits to help provide City services.



Public Engagement

Key Takeaways

- Homelessness and public safety are top priorities.
- Concern about how cuts will impact programs.
- Wide variety of opinions on where expense reductions should fall.
- Wide variety of opinions on what should be the City's core services.

Reduction Strategies



Closing The Gap:

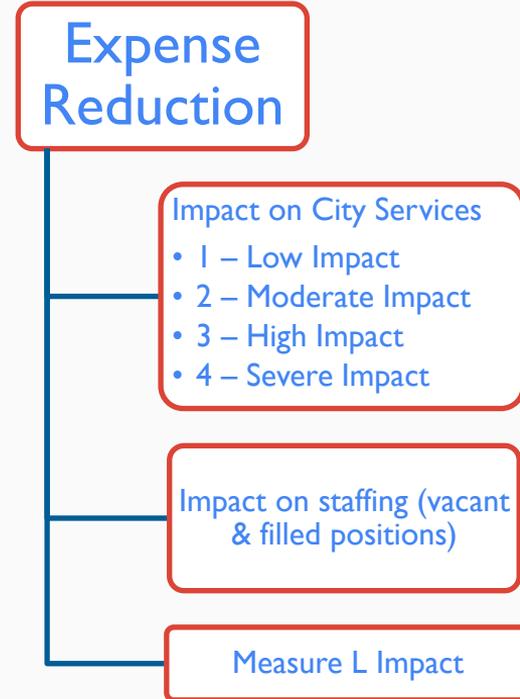
Strategic Approach Not Across The Board Cuts

City Manager Departments
instructed to submit reduction
plans that:

- Define core services;
- Prioritize ongoing savings to address structural deficit; and
- Prioritize reduction strategies by:
 - Revenue enhancement
 - Discretionary program reductions
 - Mandated program delivery change
 - Mandated program reduction

Analyzing Departmental Strategies

Departments submitted approximately 250 reduction proposals & proposals were analyzed & categorized by the Executive Team.



Reduction Strategy Summary

In total, departments brought forward \$85M in reduction strategies that were evaluated by the Executive Team. These strategies were categorized as follows:



Please note – totals have been updated since 3/26 Budget & Audit to reflect additional analysis and budget system cost updates.

Department Reduction Strategy Summary (\$ in millions)

Many reduction strategies would eliminate vacant or filled positions.

The City Manager has given direction that the Proposed Budget will **NOT** eliminate filled positions.

Category	General Fund Impact	Vacant FTE Impact*	Filled FTE Impact	Total FTE Impact
Revenue Enhancement	(\$14.9)	0.00	0.00	0.00
Level 1 – Low Impact Reduction	(\$16.7)	(23.17)	(4.00)	(28.17)
Level 2 – Moderate Impact Reduction	(\$11.2)	(40.35)	(13.20)	(53.55)
Level 3 – High Impact Reduction	(\$5.7)	(24.00)	(11.00)	(35.00)
Level 4 – Severe Impact Reduction	(\$36.5)	(136.52)	(116.00)	(225.95)
Total	(\$85.0)	(224.04)	(144.20)	(368.24)

*Included in the 3% vacancy assumption. Budget decisions may impact vacancy factor.

Please note totals have been updated since 3/26 to reflect additional analysis, budget system cost updates, and to reflect Level 4 FTE impact that had been placed in Level 3.

Citywide Strategy Summary



Staff identified 30 Citywide strategies that are available to balance the FY25 Budget with \$46.3M in savings.

Most of the savings is one-time, with \$8.5M of on-going savings.

Staff is continuing to explore Citywide efficiency and savings opportunities. 23

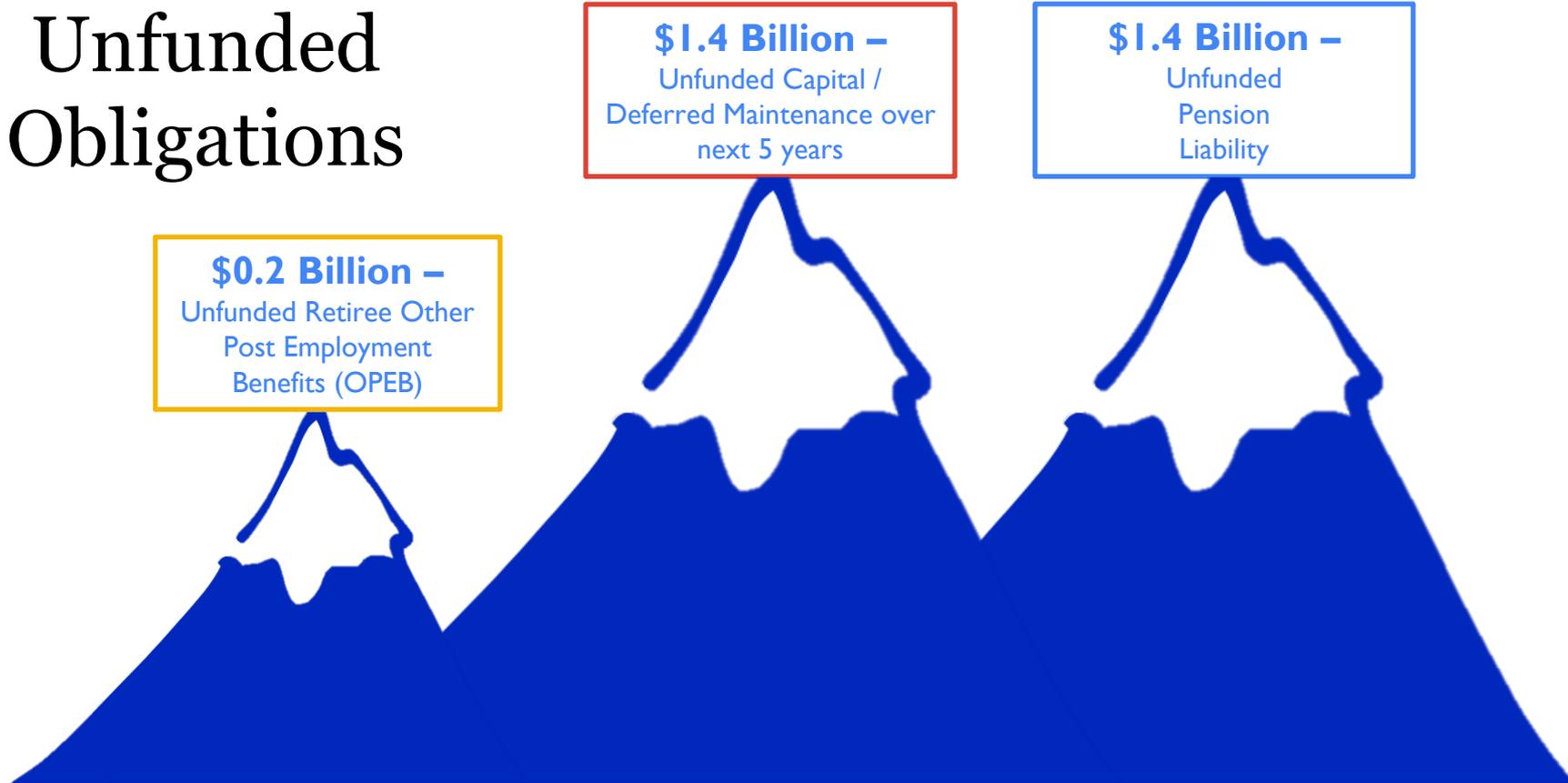
Unfunded Liabilities



Unfunded Liabilities

- The City has long-term unfunded liabilities in addition to its structural operating budget deficit.
- These include unfunded capital and deferred maintenance needs, unfunded pension liabilities, and unfunded retiree health benefit liabilities.
- These unfunded liabilities need to be addressed and impact the City's long-term fiscal sustainability.

Mountain Of Unfunded Obligations



Climbing The Mountain

Many jurisdictions are facing similar challenges, and addressing the City's unfunded liabilities is **NOT** an insurmountable problem. The City can develop funding policies and plans to close these deficits over time. Options include:

- Utilizing the Capital Improvement Plan as a basis to prioritize investment.
- Develop a funding plan for capital projects and deferred maintenance.
- Policies to utilize one-time savings to pay down unfunded liabilities.
- Policies to incentive operating savings and use of those savings to pay down unfunded liabilities.
- Policies to allocate a share of discretionary general fund revenue towards unfunded liabilities.

These options can come to the Budget & Audit Committee for further evaluation.



Upcoming Schedule

(Dates subject to change &
additional meetings may be
added if needed)

Date / Meeting	Subject
Week of April 29, 2024	Release of Proposed Budget
May 7, 2024 – 11AM B&A Committee	Proposed Budget Overview Review of Fees & Charges
May 7, 2024 – 5PM Council	Proposed Budget Hearing
May 14, 2024 – 2PM Council	Proposed Budget Hearing
May 14, 2024 – 5PM Council	Proposed Budget Hearing
May 20, 2024 – 5:30PM Measure U Commission	Proposed Budget Overview
May 28, 2024 – 11AM B&A Committee	Final Budget Review
June 11, 2024 – Council – 5PM	Final Budget Review and Adoption

Questions & Discussion