



February 3, 2026

A dark blue silhouette of the Sacramento skyline, including various buildings and the two towers of the Bay Bridge, set against a light blue background.

FY2024/25 Close
FY2025/26 Update
FY2026/27 Budget

FY25 Year-End Close FY26 Budget Update FY27 Budget Preview

- FY25 Year End
- FY26 Budget Update
- 5-Year Forecast Update / FY27 Budget Gap
- Budget Balancing
- Pending Factors

FY2024/25 Year End Results

Category	Performance vs Budget (\$s in 000s)
Operating Results	\$2.8
Investments Fair Market Gain	\$12.0
TOTAL	\$14.8
9/9 Council Action – Prior Year Savings to fund SPOA Arbitration	(\$7.1)
GRAND TOTAL	\$7.7

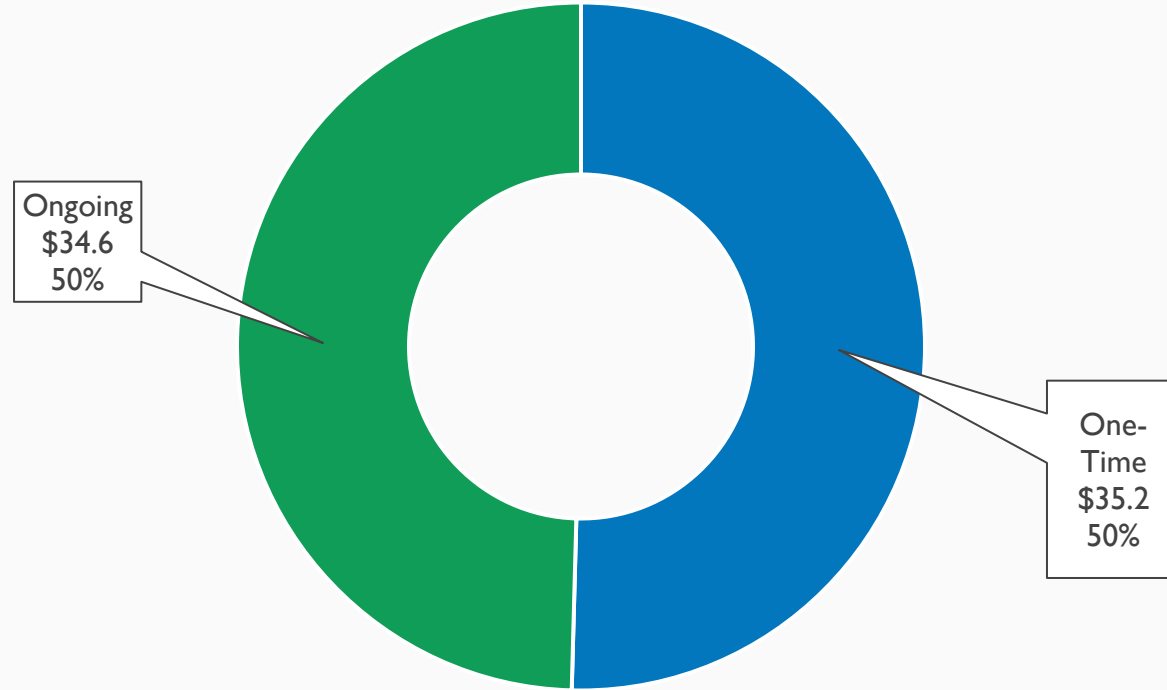
Investments Fair Market Gain is the one-time repayment of prior year unrealized losses on the City's investment pool.

Based on FY2024/25 year-end close, the City has \$7.7 million in General Fund available balance.

Fiscal Year 2025/26 Approved Budget

- \$1.7 Billion All Funds
- \$872.5 Million
General/Measure U Funds
- Supports approximately 5,000
full-time equivalent employees
- Closed \$62 Million Funding
Gap Without Layoffs

Onetime vs Ongoing Balancing Strategies (\$ millions)



One-time balancing solutions must be made up for in future Fiscal Years

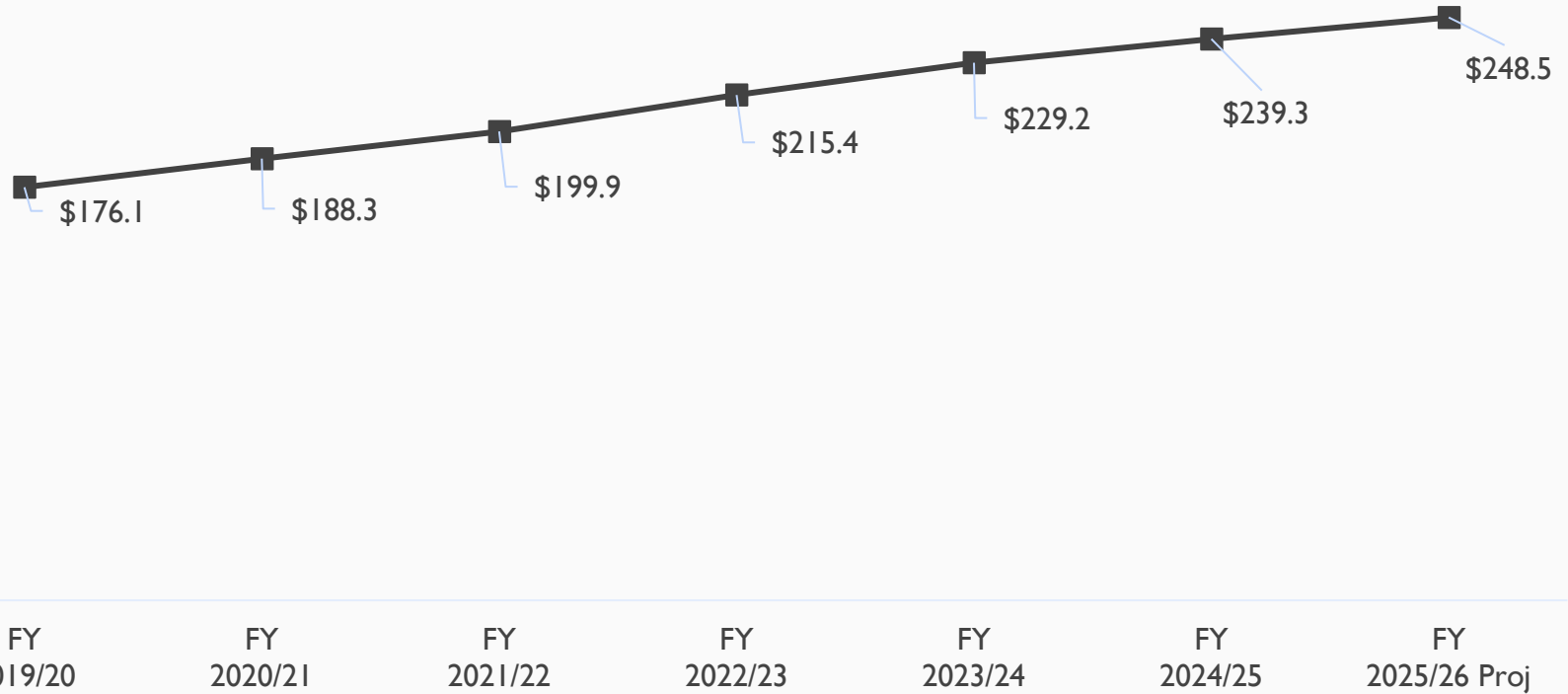
FY 26 – Financial Updates

- Property Tax, Utility Users Tax, Property Transfer Tax, and Transient Occupancy Tax projected above budget.
- Cannabis Business Operations Tax projected below budget.

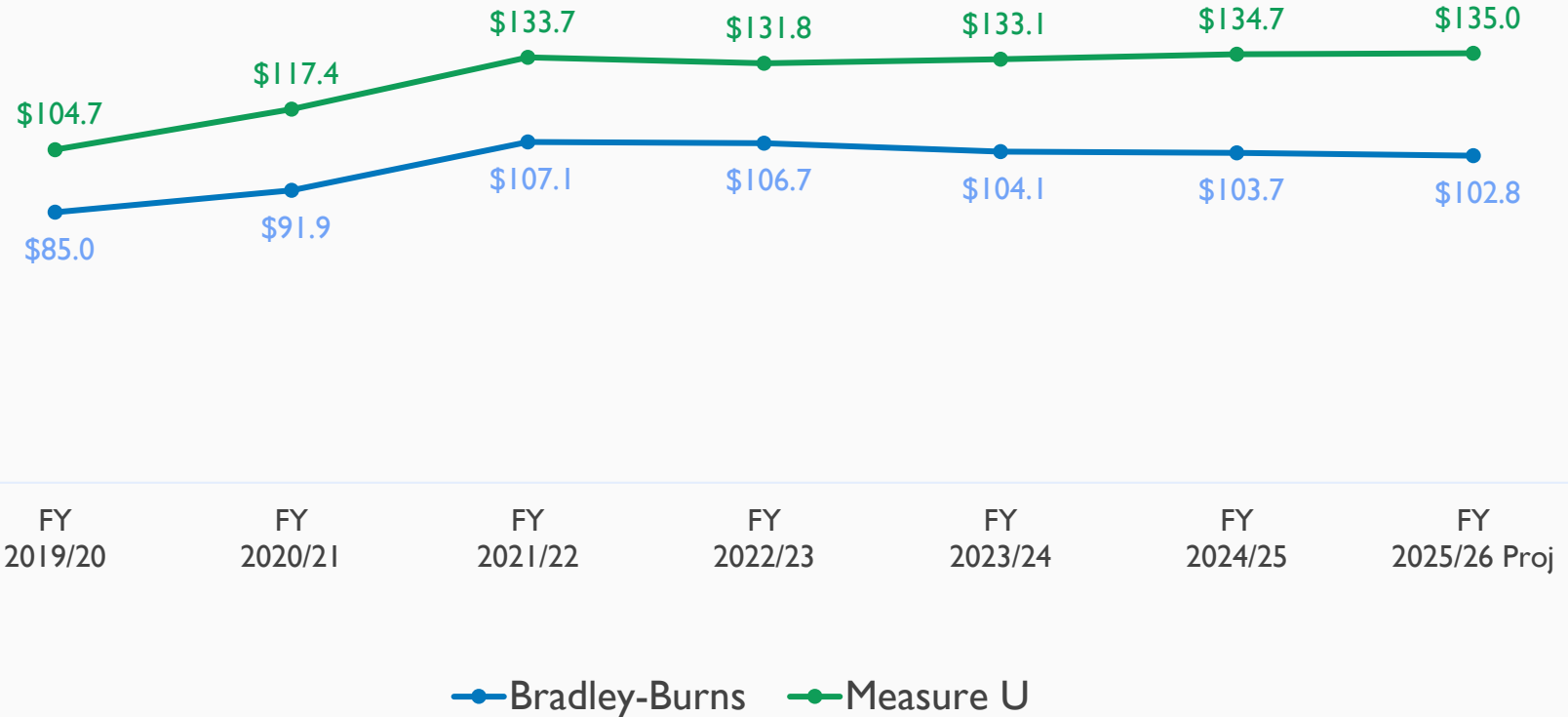
FY 26 Updates

Item	FY 25/26 Adjustment (millions)
Utility Users Tax	\$2.6
Property Tax	\$1.5
Property Tax In-Lieu of VLF	\$0.6
Property Transfer Tax	\$0.3
Transient Occupancy Tax	\$0.2
Cannabis Business Operations Tax	(\$2.3)
Total Revenue Adjustment	\$2.9
Measure L Transfer	(\$0.9)
Total Expense Adjustment	(\$0.9)

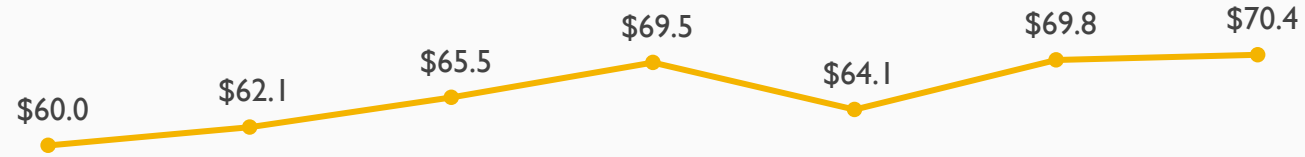
Property Tax (\$ millions)



Sales Tax - 1% Bradley-Burns & 1% Measure U (\$ millions)



Utility Users Tax



FY 2019/20 FY 2020/21 FY 2021/22 FY 2022/23 FY 2023/24 FY 2024/25 FY 2025/26 Proj

5-Year Forecast Update

Forecast Assumptions

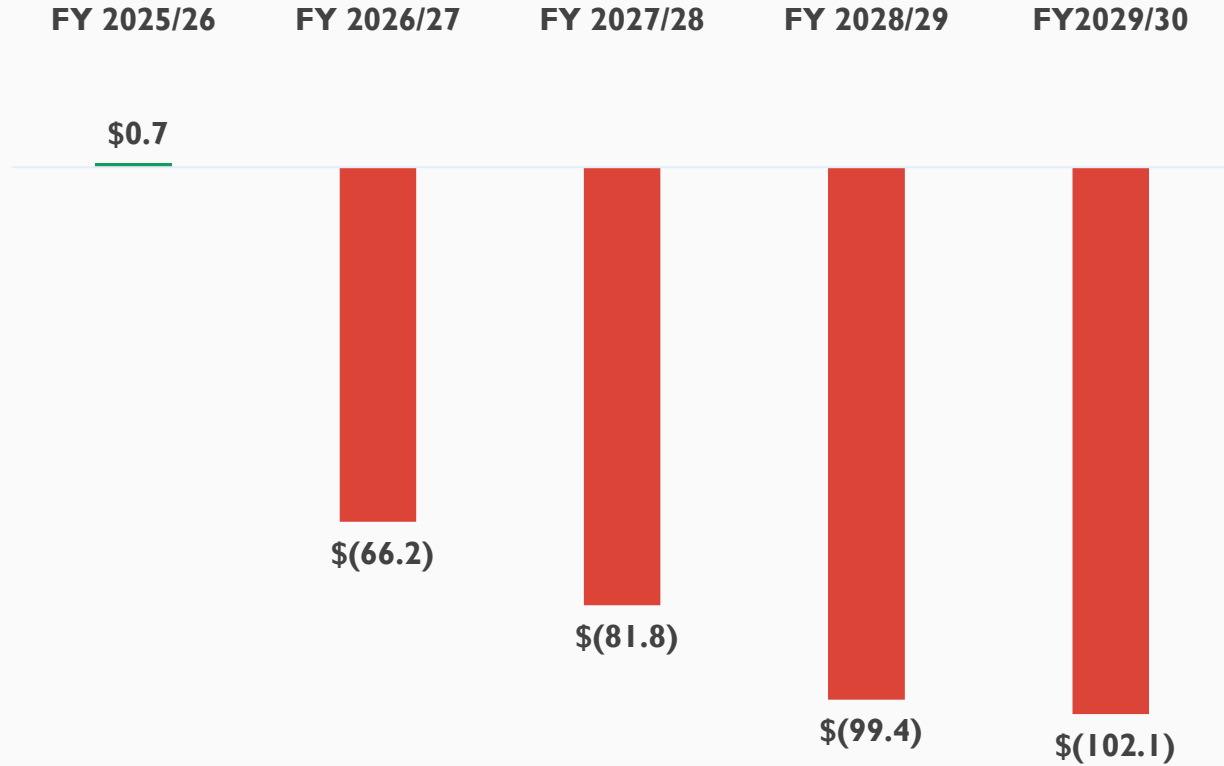
- Continued economic growth / No recession
- Incorporates costs for City proposals to labor groups in active negotiations
- Excludes HHAP-7 pending information from the State regarding timing of funding and potential additional requirements to receive funding
- Excludes \$7.7M of one-time FY2024/25 Year End savings

Projected FY 27 Funding Gap (\$ millions)

	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Approved Budget Forecast	\$0.5	(\$60.4)	(\$70.4)	(\$88.3)	(\$92.6)
Expense & Revenue Updates	\$3.8	\$5.8	\$7.0	\$8.6	\$10.3
Current City Labor Proposals	(\$3.6)	(\$11.6)	(\$18.4)	(\$19.7)	(\$19.8)
Updated Surplus / (Deficit)	\$0.7	(\$66.2)	(\$81.8)	(\$99.4)	(\$102.1)

To meet our Charter mandate to balance the FY 2026/27 Budget, the City needs to close a projected **\$66.2 million** deficit.

Updated Forecast (\$ millions)



FY2026/27 Budget Balancing Options

Budget Instructions

- Develop reduction plans to hit a target reduction of 15% net G/MU fund use.
- Define service and staffing impact of each strategy

Citywide Strategies

- Finance staff will review projects and other citywide budget reduction strategies.

Department	15% Reduction Target (millions)
City Attorney	\$ 1.4
City Auditor	\$ 0.2
City Clerk	\$ 0.4
City Manager / OIED	\$ 1.4
City Treasurer	\$ -
Community Development	\$ 3.3
Community Response	\$ 6.0
Convention & Cultural Services	\$ 0.5
Finance	\$ 1.0
Fire	\$ 23.4
Human Resources	\$ 0.8
Information Technology	\$ 3.2
Office of Public Safety Accountability	\$ 0.3
Police	\$ 37.0
Public Works	\$ -
Youth, Parks, and Community Enrichment	\$ 6.3
TOTAL	\$ 85.3¹⁵

Guiding Principles

In developing and evaluating strategies staff are seeking to:

- Define & preserve core services.
- Advance Council priorities:
 - Economic Development;
 - Homelessness; and
 - Public Safety.
- Minimize, to the extent possible, impacts on services to the public.
- Minimize, to the extent possible, impacts on staff.

If Council has additional considerations, please let us know.

Upcoming Budget Development Schedule

Feb 3 – Budget & Audit – Midyear Update / Finalization of budget gap

Feb 10 – Council - Midyear Update / Finalization of budget gap, AB2561 Hearing

March 2026 – Department Presentations (Budget & Reduction Plan focused)

April 2026 – Proposed Budget Release

May – Budget Hearings, Capital Improvement Program, Fees & Charges, Equity Lens

June – Budget Hearings & Budget Adoption

Preliminary FY2026/27 Budget Hearings Calendar

2026 Budget Hearing Schedule¹

Date	Time	Legislative Body	Subject
Proposed Budget			
Tuesday, March 3, 2026	2:00 PM	City Council	Department presentations
Tuesday, March 10, 2026	2:00 PM	City Council	Department presentations
Tuesday, March 17, 2026	2:00 PM	City Council	Department presentations
Tuesday, March 24, 2026	2:00 PM	City Council	Department presentations
Week of April 28, 2026	TBD	n/a	FY2026/27 Budget Release
Tuesday, May 5, 2026	11:00 AM	Budget and Audit Committee	Fees & Charges
Tuesday, May 5, 2026	5:00 PM	City Council	(1) FY2026/27 Proposed Budget Overview and (2) Assistant City Manager presentations (Community Services, Internal Services, Municipal Services and Public Safety)
Tuesday, May 12, 2026	2:00 PM	City Council	(1) 2026-2031 Capital Improvement Program, (2) Citywide Fees and Charges (3) Budget Equity Lens
Tuesday, May 12, 2026	5:00 PM	City Council	FY2026/27 Proposed budget deliberations and Council direction
Monday, May 18, 2026	5:30 PM	Measure U	FY2026/27 Proposed Budget Overview with Measure U committee
Tuesday, May 19, 2026	5:00 PM	City Council	HOLD
Tuesday, May 26, 2026	11:00 AM	Budget and Audit Committee	Adoption of the FY2026/27 Budget
Tuesday, June 9, 2026	5:00 PM	City Council	Adoption of the FY2026/27 Budget

¹ Schedule is subject to change, refer to agendas at: http://sacramento.granicus.com/ViewPublisher.php?view_id=21

Pending Factors

- Unfunded pension obligations
- Unfunded capital needs
- Future of State homelessness program resources
- Federal funding risks
- Risk of recession / Economic Uncertainty
Reserve below Council policy minimum
- Structural nature of budget deficit, not due to an economic downturn

Budget Year Plus One Deficit Tolerance

The current forecast for Fiscal Year 2027/28 has expenditures of approximately \$931M. Based on that level, the budget gap as a percent of expenditures would be:

%	Amount (millions)	Ongoing Reductions Needed
1%	\$9.3	FY27 - \$66.2M FY28 - \$6.3 additional
2%	\$18.6	FY27 - \$63.2M FY28 – No additional
3%	\$27.9	FY27 - \$53.8M FY28 – No additional
4%	\$37.2	FY27 - \$44.5M FY28 – No additional
5%	\$46.6	FY27 - \$35.2M FY28 – No additional

Recommendations

- Approval of Annual Comprehensive Financial Report.
- Approval of FY26 Revenue & Expense adjustments.
- Reserve \$7.7M of one-time FY2024/25 year-end savings for labor negotiations and budget balancing.
- Provide direction regarding whether to set a budget year plus one deficit tolerance.

Questions & Discussions