

A dark blue silhouette of the Sacramento skyline is positioned across the middle of the slide. It features various building shapes and two prominent towers with cross-hatch patterns, resembling the Transamerica Pyramid and the Sacramento Tower.

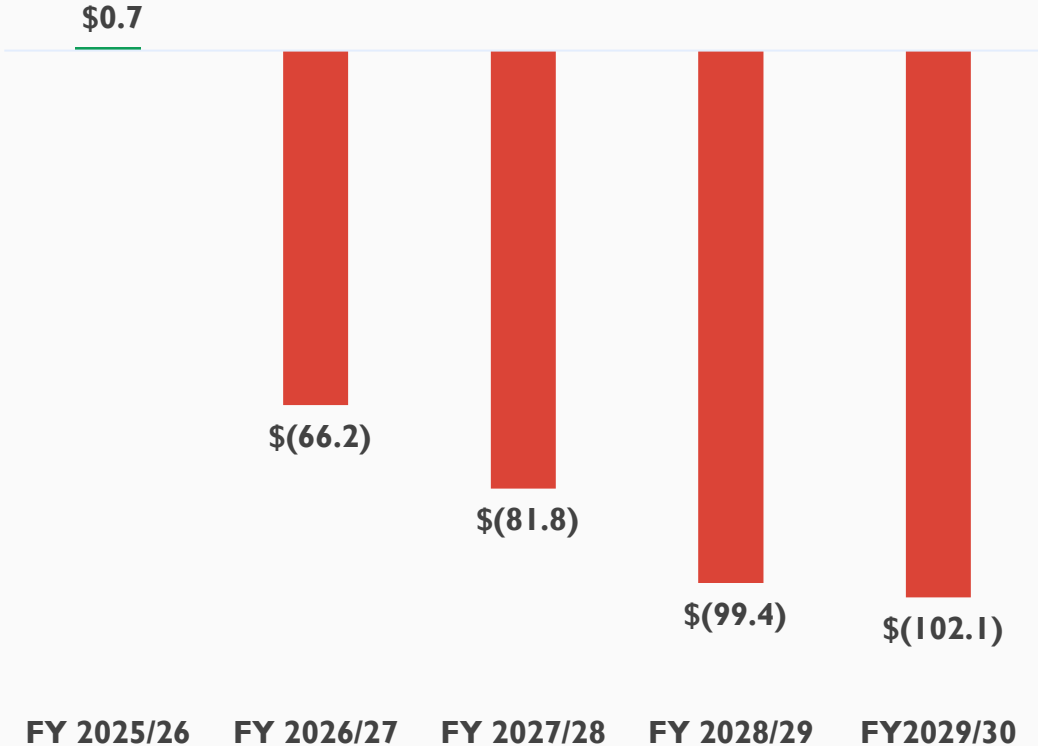
Fiscal Year 2026/27  
Early Budget Work Session

# Early Budget Work Sessions Schedule



# Structural Deficit

- Not caused by an economic downturn.
- Imbalance between expense growth and revenues.
- Ongoing balancing strategies lower projected deficits in future years.



# Budget Balancing

## Define Core Services / Advance Priorities

- 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.

## **Budget Balancing – Creating a Menu of Options**

- Departments to develop reduction plans to hit a target reduction of 15% net G/MU fund use.
- Define service and staffing impact of each strategy.
- Finance staff will review projects and other citywide budget reduction strategies.

This process generates more savings options than are needed to balance the budget which allows the City to be strategic in selecting reductions.

# Available Strategies

To close the deficit, City staff identified over 200 departmental and citywide savings strategies:

Category	Savings (\$ millions)	Vacant FTE Impact	Filled FTE Impact	Total FTE Impact
Revenue	\$15.1	-	-	-
Level 1 Reduction	\$7.4	(3.9)*	-	3.9
Level 2 Reduction	\$5.5	13.0	17.6	30.7
Level 3 Reduction	\$10.2	30.8	61.7	92.5
Level 4 Reduction	\$51.2	106.8	193.0	299.7
Citywide Strategy	\$16.9	-	-	-
<b>Total</b>	<b>\$106.3</b>	<b>146.7</b>	<b>272.3</b>	<b>419.0</b>

\*Single role implementation results in 8 additional positions, but at a lower net cost.

These strategies present a total of \$106M in budget balancing options to close the City's \$66.2M projected deficit.

# Baseline Budget Balancing Plan

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 Grant & MYOP	\$1.8
Additional Departmental Revenues	\$15.1
Expense Reductions:	
Police	\$7.1
Fire	\$5.6
YPCE	\$4.8
Other Departments	\$7.5
<b>Total Savings</b>	<b>\$72.8</b>

# Baseline Budget Balancing - Staffing Impacts (as of March 4)

## Staffing Impacts – Baseline Reduction Strategies:

- Elimination of 98.7 Vacant FTE
- Elimination of 103.3 Filled FTE

## Other Staffing Impacts:

- Elimination of 13 Filled FTE and 1 Vacant FTE in Police associated with ending outside contracts – all filled FTE will move to vacant positions.
- Elimination of 5.1 Filled FTE and 21.3 Vacant FTE in YPCE primarily associated with the loss of State funding.

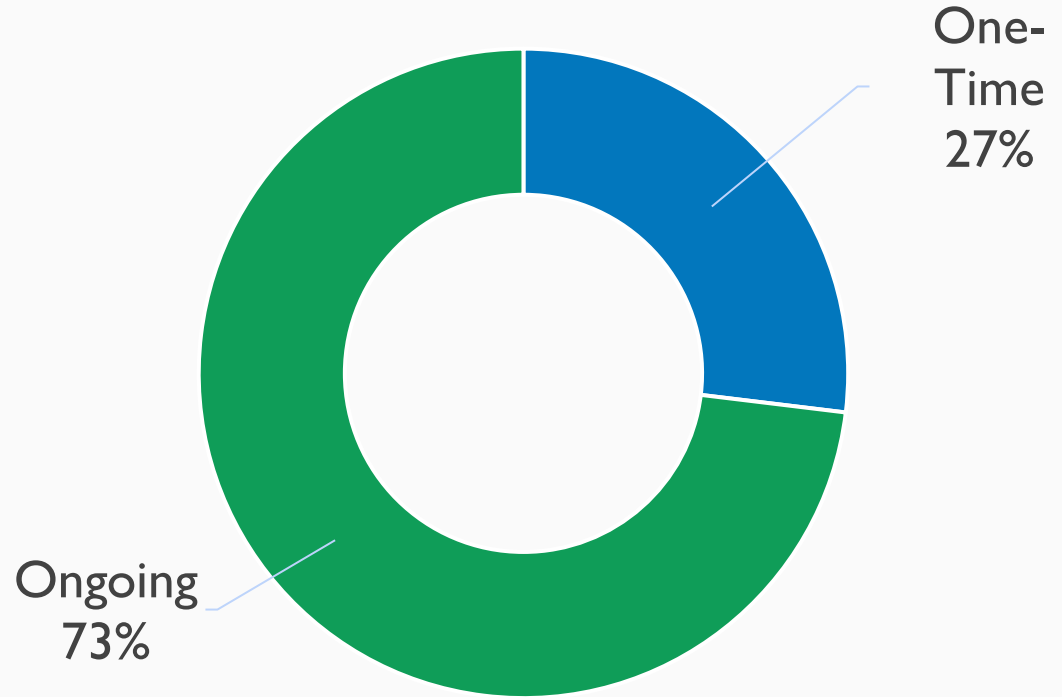
**A filled position being eliminated does not necessarily result in an employee separating from the City.**

Staff is currently analyzing impacts and opportunities to place impacted staff in alternative vacancies.

There will also be position impacts outside of the budget reduction process.

We will continue to update Council on impacts to staff throughout the budget process.

## Budget Balancing – One-time vs Ongoing



## Budget Balancing – Alignment with Council Priorities

- Economic development programs to continue innovative and inclusive strategies such as tax increment financing, streamlined permitting, and entrepreneurship support to drive growth.
- Maintains homelessness services at lower costs.
- No sworn police or fire separation from the City.
- Lower proportional share reductions in Police and Fire versus across-the-board cut scenario.
- Avoids Fire station closures & continues Single Role program.
- Maintains community prosecutor for additional year.
- Maintains FUEL Network service levels for an additional year with funding from Federal Funding Reserve established by Council in FY 2025/26 Budget.

# Pending Factors

- Labor negotiations
- Unfunded liabilities (pension, capital, and deferred maintenance)
- Future of State homelessness program resources
- Federal funding risks
- Risk of recession
- Structural nature of budget deficit, not due to an economic downturn

# Department Presentations

