


February 10, 2026

A dark blue silhouette of the Sacramento skyline is positioned at the bottom of the slide. It includes various building shapes and two prominent towers on the right side that resemble the Gateway Arch.

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
<b>TOTAL</b>	<b>\$14.8</b>
9/9 Council Action – Prior Year Savings to fund SPOA Arbitration	(\$7.1)
<b>GRAND TOTAL</b>	<b>\$7.7</b>

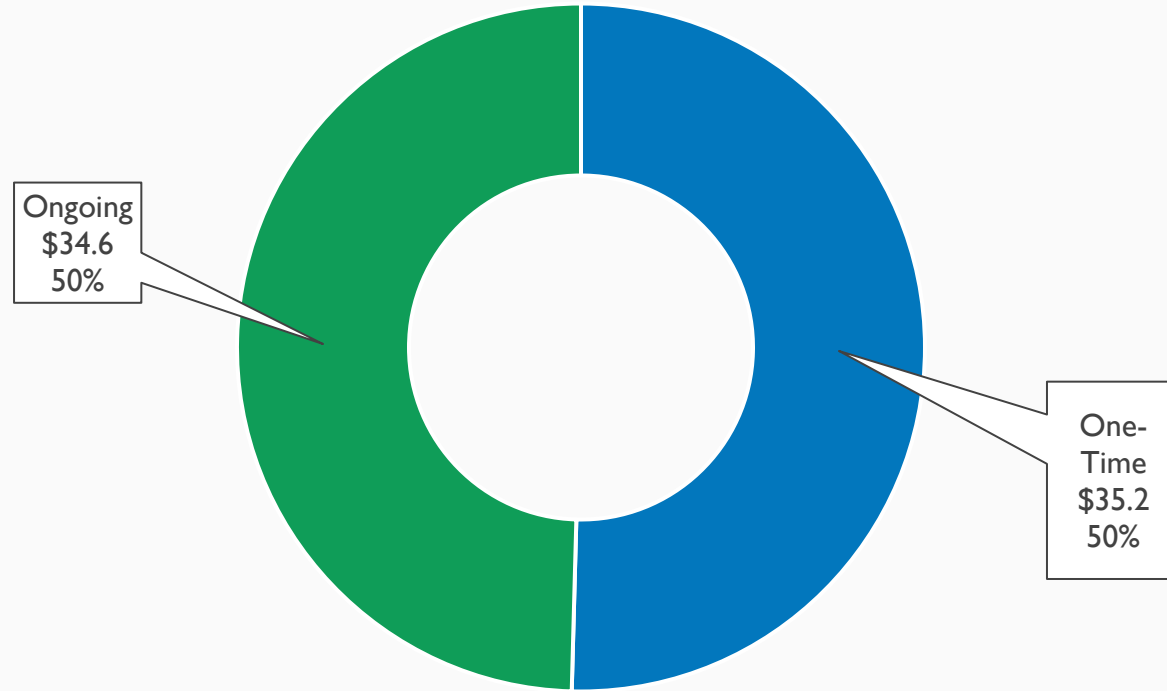
Investments Fair Market Gain is the one-time repayment of prior year unrealized losses on the City's investment pool.

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**

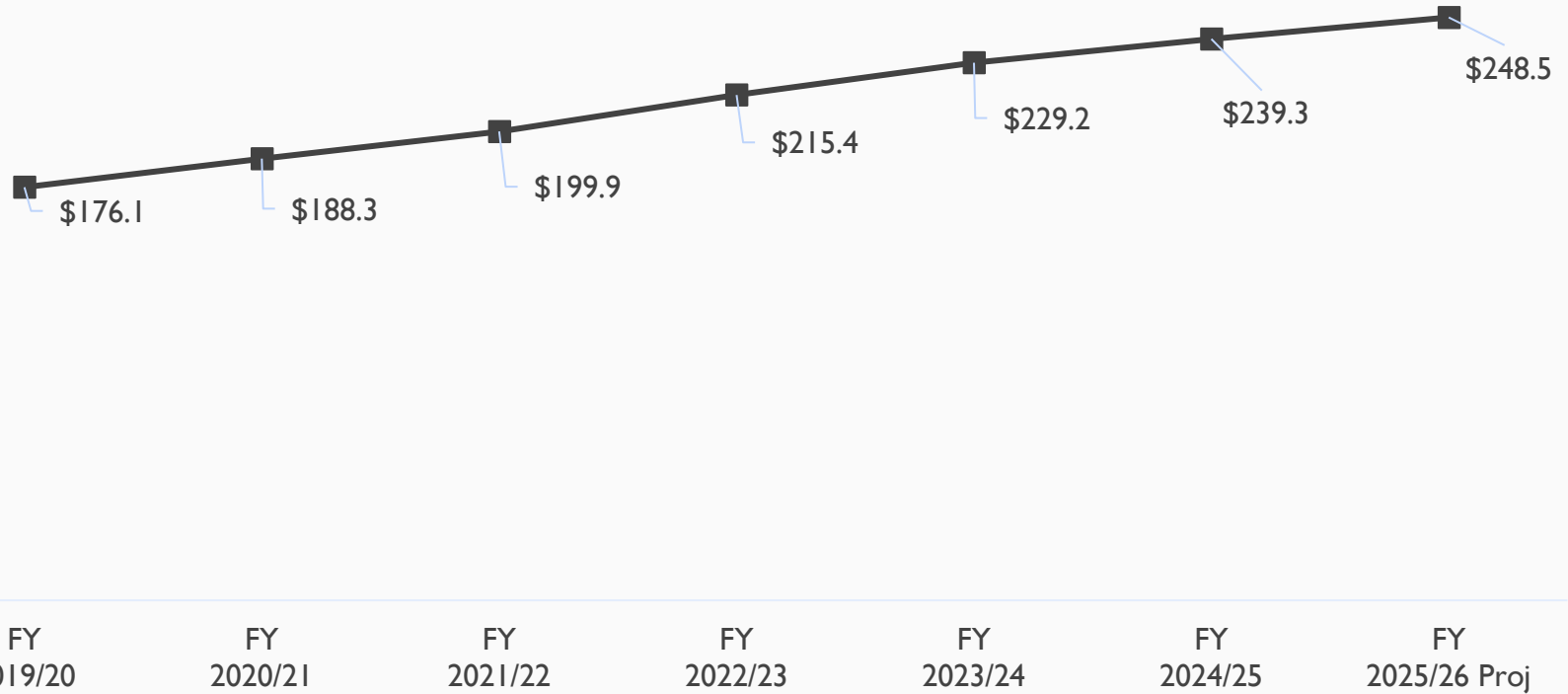
# FY 26 – Financial Updates

- 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

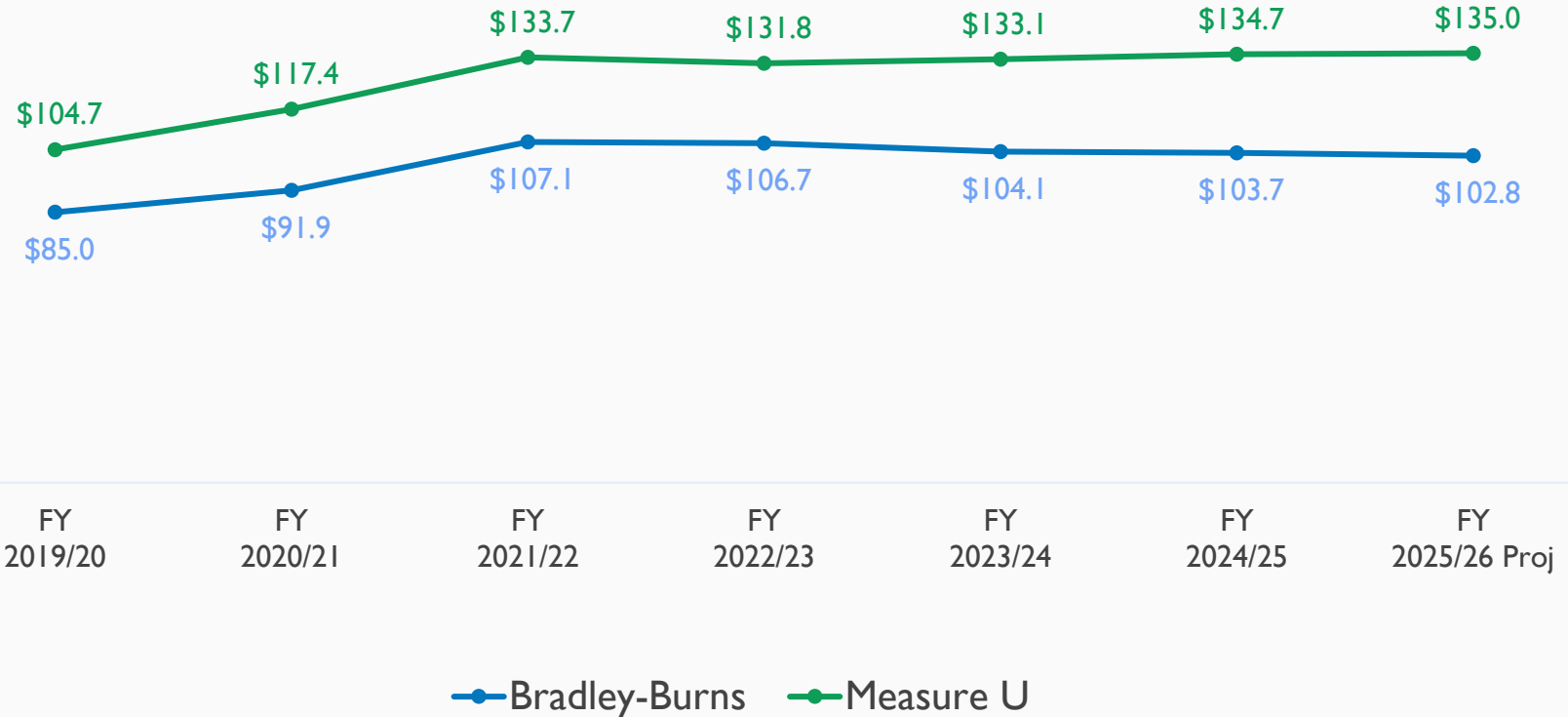
Item	FY 25/26 Adjustment (millions)
Utility Users Tax	\$2.6
Property Tax	\$1.5
Property Tax In-Lieu of VLF	\$0.6
Property Transfer Tax	\$0.3
Transient Occupancy Tax	\$0.2
Sales Tax	\$-
Cannabis Business Operations Tax	(\$2.3)
<b>Total Revenue Adjustment</b>	<b>\$2.9</b>
Measure L Transfer	(\$0.9)
<b>Total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

## Property Tax (\$ millions)

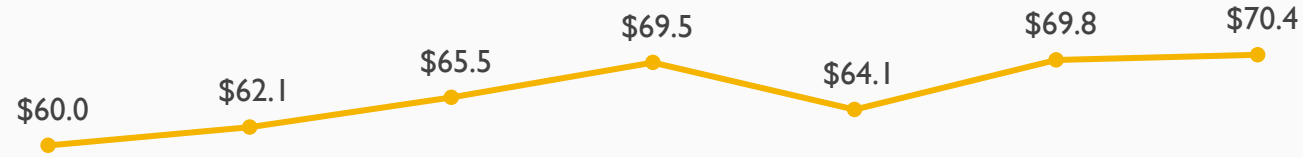




## Sales Tax - 1% Bradley-Burns & 1% Measure U (\$ millions)



# 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

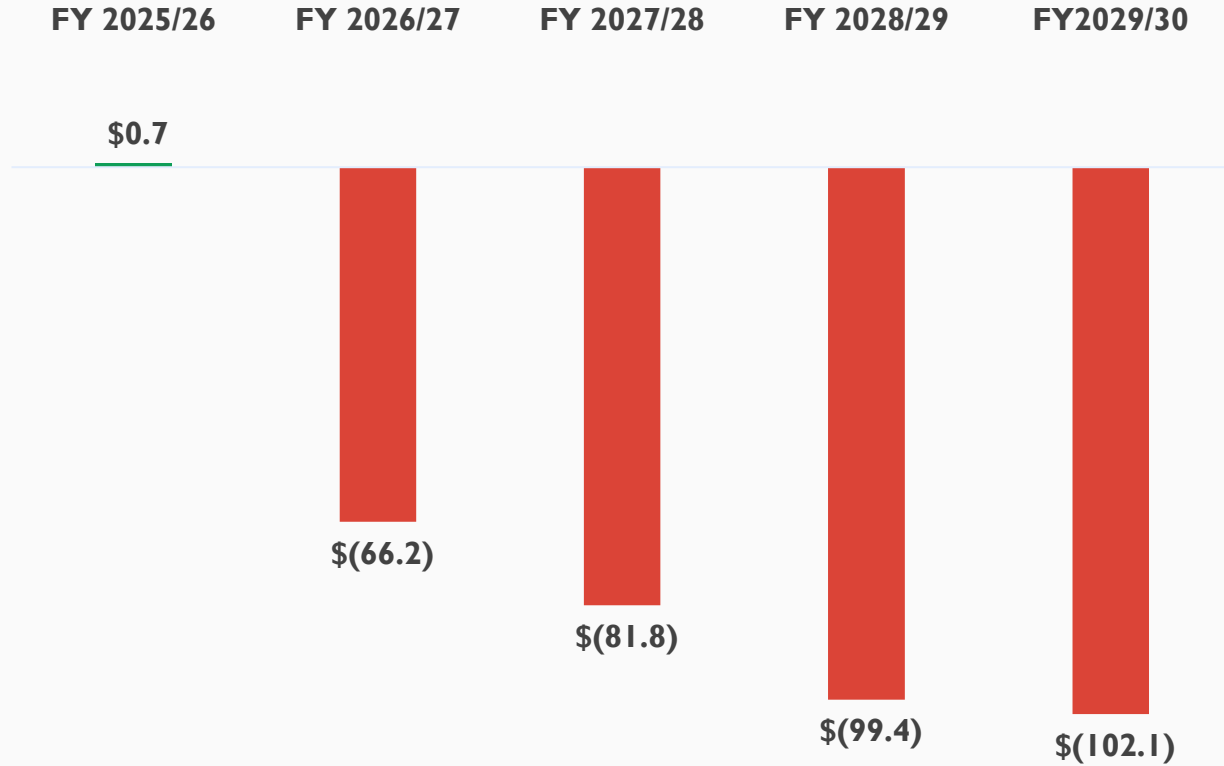
- Continued economic growth / No recession
- Incorporates costs for City proposals to labor groups in active negotiations
- Excludes HHAP-7 pending information from the State regarding timing of funding and potential additional requirements to receive funding
- Excludes \$7.7M of one-time FY2024/25 Year 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)
<b>Updated Surplus / (Deficit)</b>	<b>\$0.7</b>	<b>(\$66.2)</b>	<b>(\$81.8)</b>	<b>(\$99.4)</b>	<b>(\$102.1)</b>

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)



## Potential HHAP-7 Impact

If there are no changes to the current proposed HHAP-7 allocation, if the City were able to access that funding in FY2026/27, and if there are no additional restrictions on the use of those funds, the forecast would be:

	<b>FY 2025/26</b>	<b>FY 2026/27</b>	<b>FY 2027/28</b>	<b>FY 2028/29</b>	<b>FY 2029/30</b>
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)
<i>HHAP-7</i>	\$-	\$6.4	\$-	\$-	\$-
<b>Updated Surplus / (Deficit)</b>	<b>\$0.7</b>	<b>(\$59.8)</b>	<b>(\$81.8)</b>	<b>(\$99.4)</b>	<b>(\$102.1)</b>

Given the uncertainty around HHAP-7 funding, staff is not including this funding in the forecast pending additional information from the State.

# 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	\$ 85.316



# 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 Schedule<sup>1</sup>

Date	Time	Legislative Body	Subject
<b>Proposed Budget</b>			
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

<sup>1</sup> Schedule is subject to change, refer to agendas at: [http://sacramento.granicus.com/ViewPublisher.php?view\\_id=21](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:

<b>%</b>	<b>Amount (millions)</b>	<b>Ongoing Reductions Needed</b>
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 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