

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 on the right side, resembling the Sacramento Tower.

Fiscal Year 2026/27
Early Budget Work Session

Early Budget Work Sessions Schedule (subject to change)



Fiscal Year 2025/26 Approved Budget

- The Fiscal Year 2025/26 Budget is \$1.7 billion and supports just under 5,000 full-time equivalent employees.
- The Budget closed a \$62 million funding gap.
- The City's General Fund is \$872.5 million.
- The City's budget contains over 300 active funds.

City Budget Structure

Fund



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graph TD; Fund[Fund] --> Department[Department]; Department --> SpendingCategory[Spending Category]; SpendingCategory --> Account[Account];
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Department

Spending Category

Account

Categories of City Funds

General

- General Governmental operations

Enterprise

- Internal 'businesses' supported by ratepayers
- Examples include Parking, Solid Waste, Water, Storm Drainage etc

Internal Service

- Services to City departments / bill for services rendered
- Examples include Fleet and Risk Management

Other Restricted Funds

- Specific revenue stream
- Examples include Development Fee funds, Road funds, Library Parcel Tax, Children's Fund etc

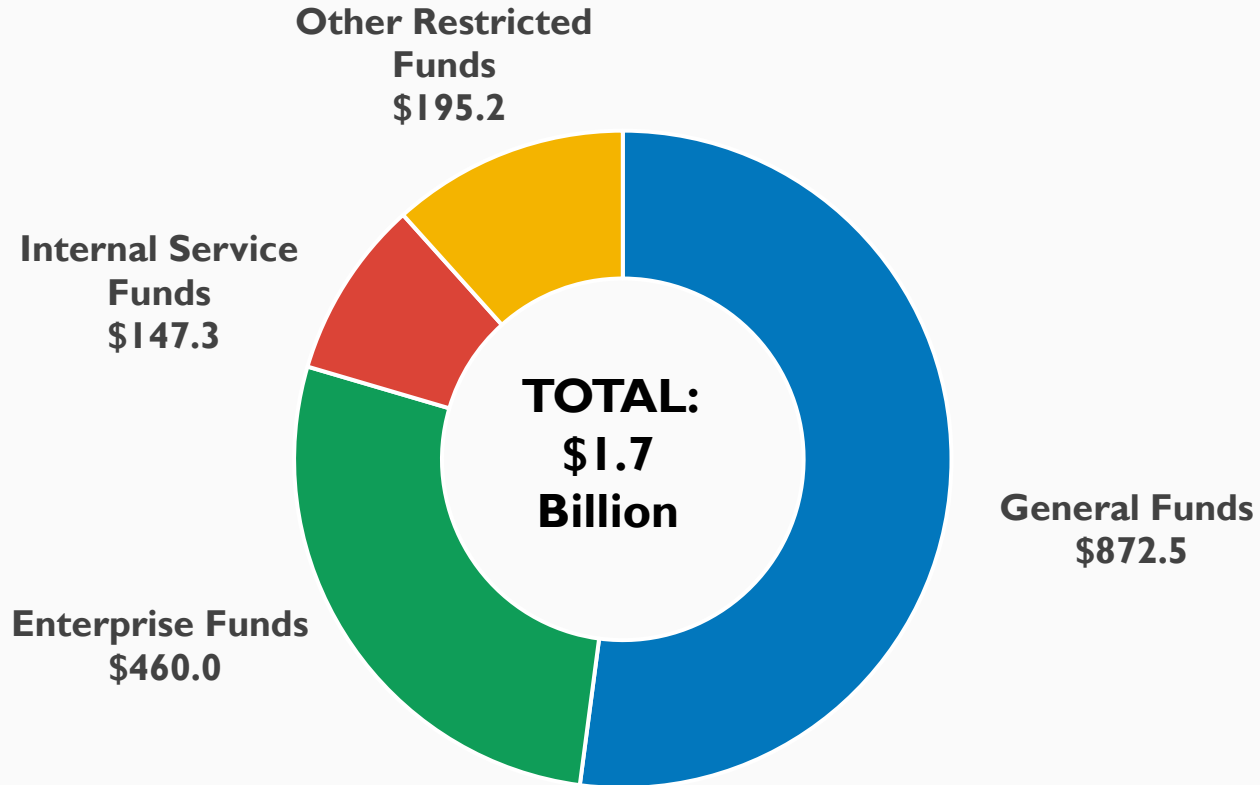
Children's Fund Update

Children's Funds Revenues Received (FY24 & FY25)	\$18.3
Projected Additional Revenues - Jul 1, 2025 – Dec 31, 2028	\$21.0
Projected Resources through Dec 31, 2028	\$39.4
First Round Allocations (Jul 1, 2025 – Dec 31, 2028)	(\$27.4)
Projected Remaining Balance	\$12.0

Incorporating lower projected Cannabis Business Operations Tax (CBOT) revenues, the City is projecting it will be able to fund the first round of Children's Fund allocations.

City staff will bring forward policy options for Council to consider regarding future round allocations to protect against the volatility of CBOT revenues.

Approved Budget By Fund



City Fiscal Challenges

Immediate

- Balance Budget Year

Near-Term

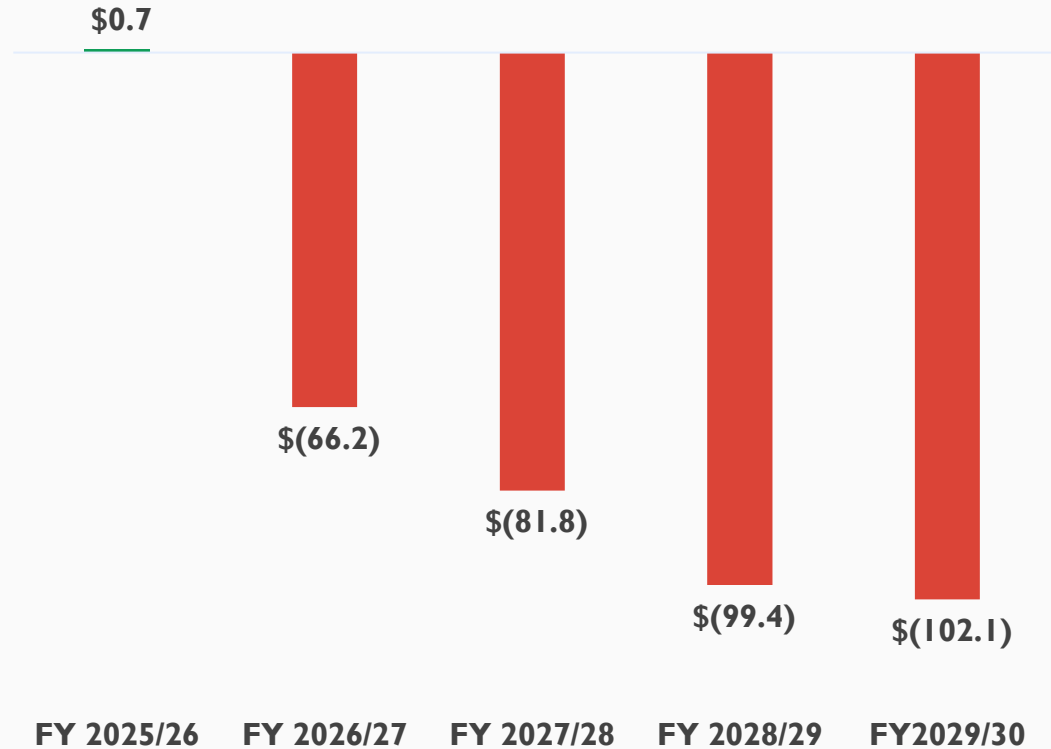
- Correct Structural Imbalance
- Federal Funding Threats
- Economic Risks

Long-Term

- Unfunded Pension Liabilities
- Unfunded Capital Needs

Structural Deficit

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



Structural Deficit Causes

New Services / Commitments

- Homelessness
- Children's Fund

Macroeconomic Factors

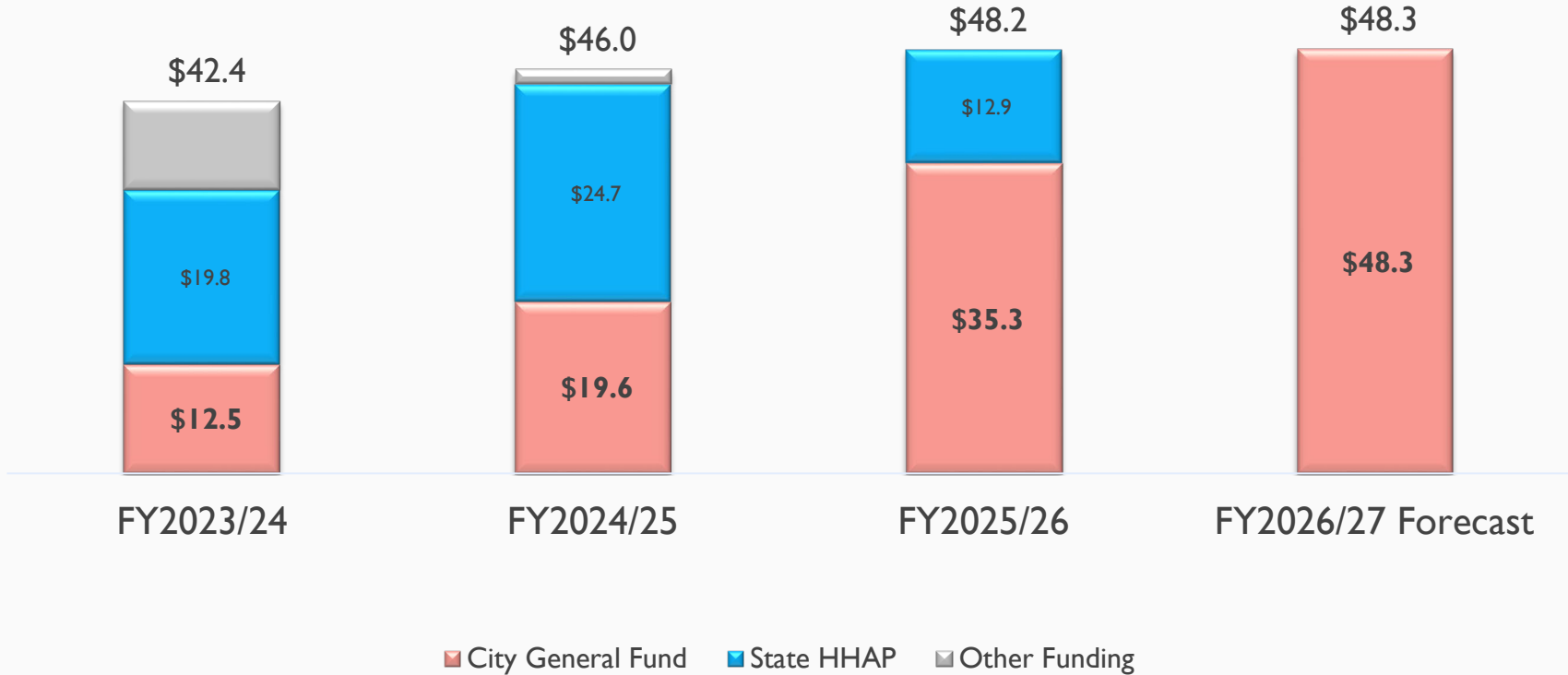
- Inflation (Higher cost for City goods / services – impacts on Sales Tax revenues)
- Insurance Costs

Other Costs

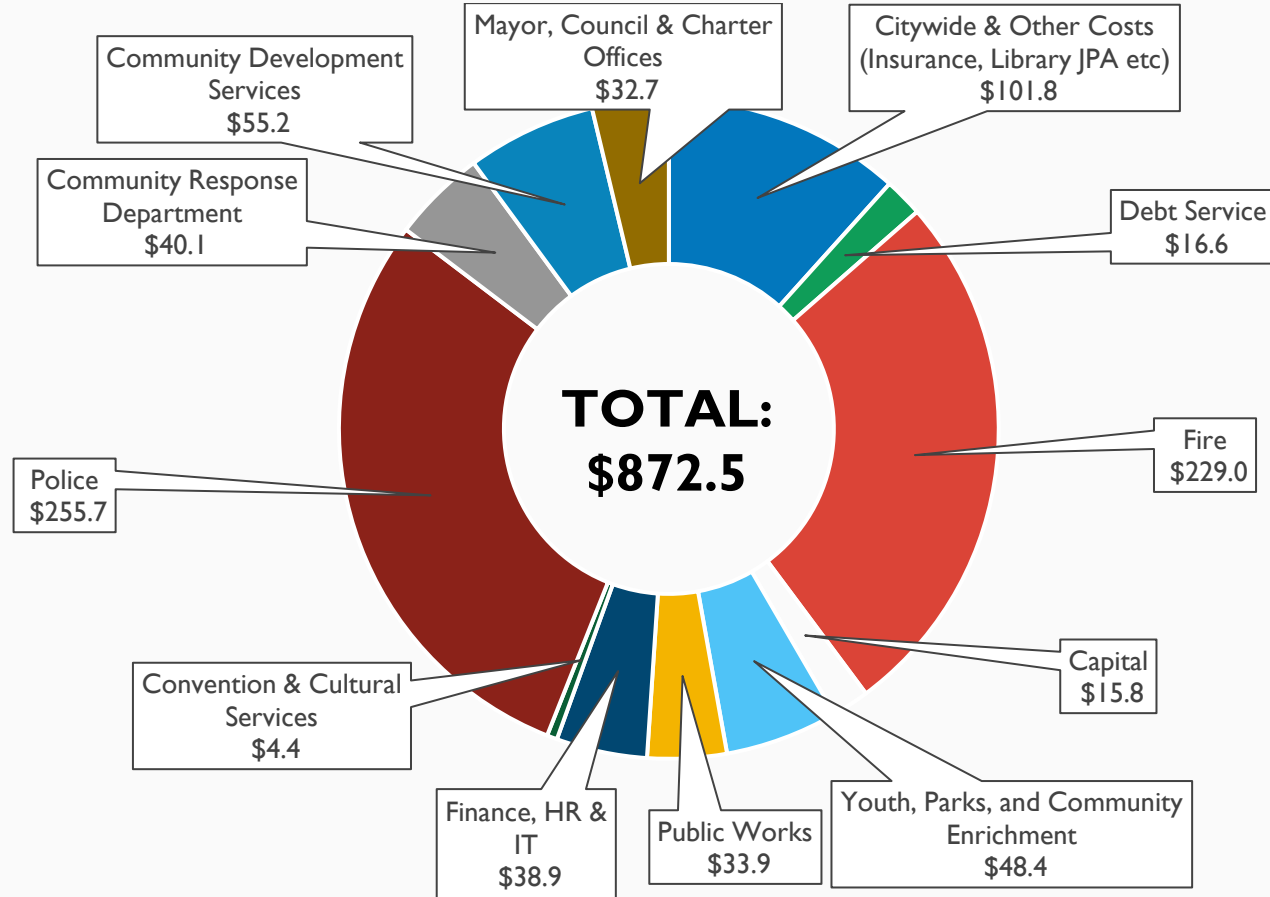
- Labor increases (related to inflation)
- Retirement liabilities
- Reduced State funding for homeless services / Costs picked up by General Fund

Budget deficits are not due to an overall drop in City revenues. There is a fundamental imbalance between City expense growth and revenue growth.

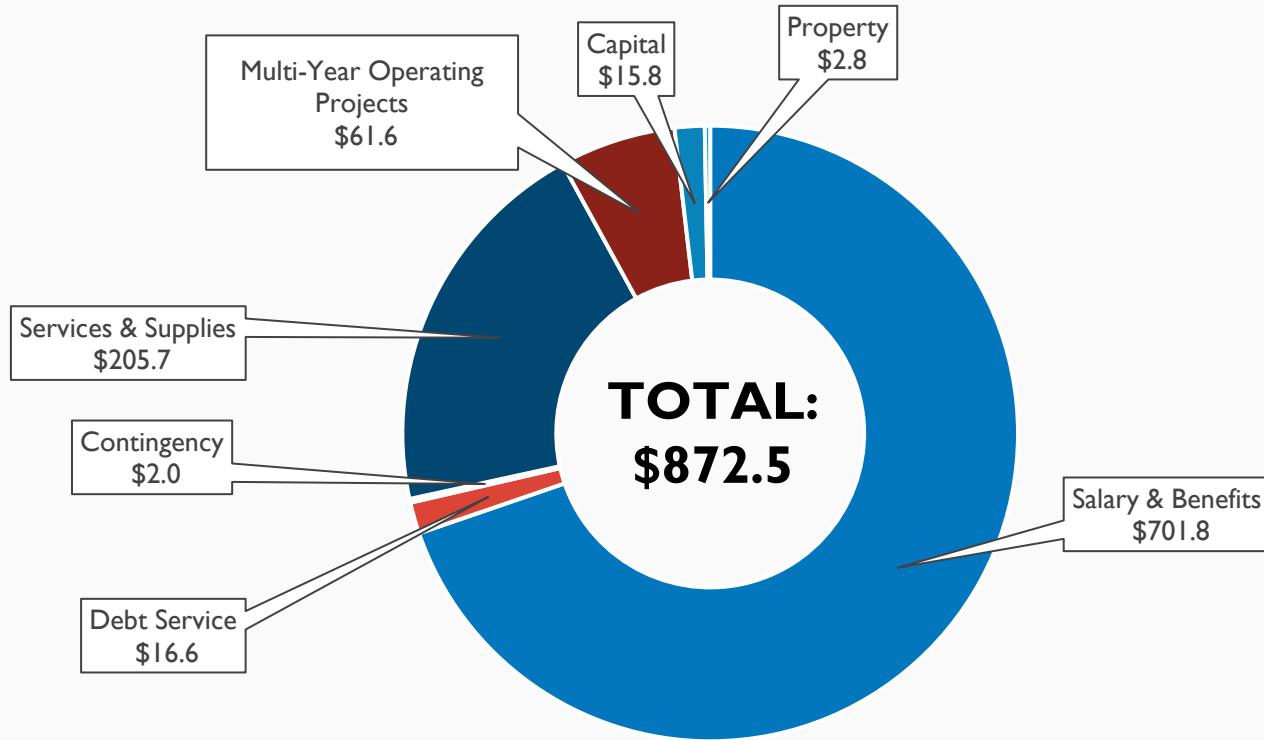
Homeless Services Funding



General Fund Appropriations (millions)

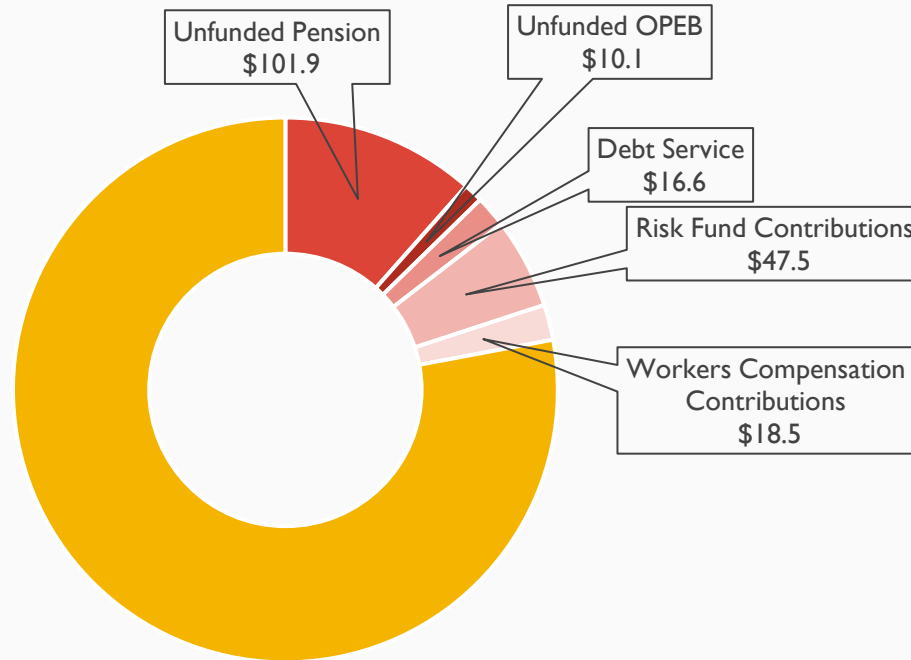


Appropriation By Spending Category (millions)



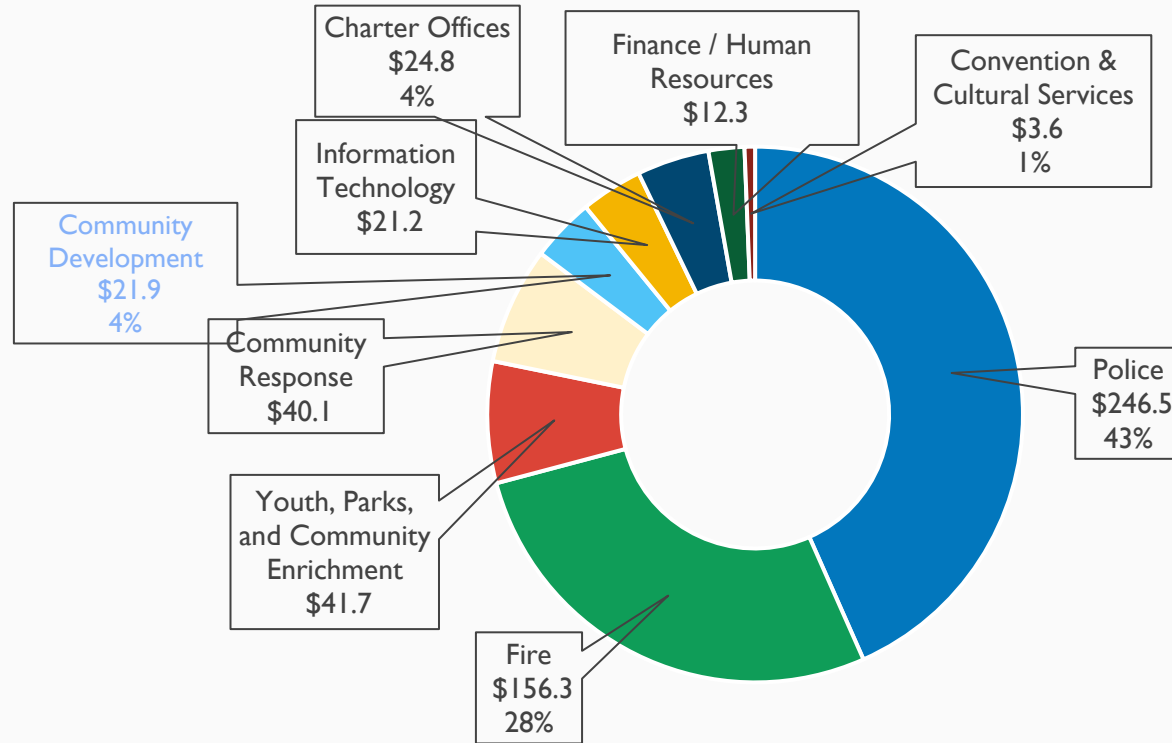
Offsets & Transfers: (\$133.8)

Non-Discretionary General Fund Costs



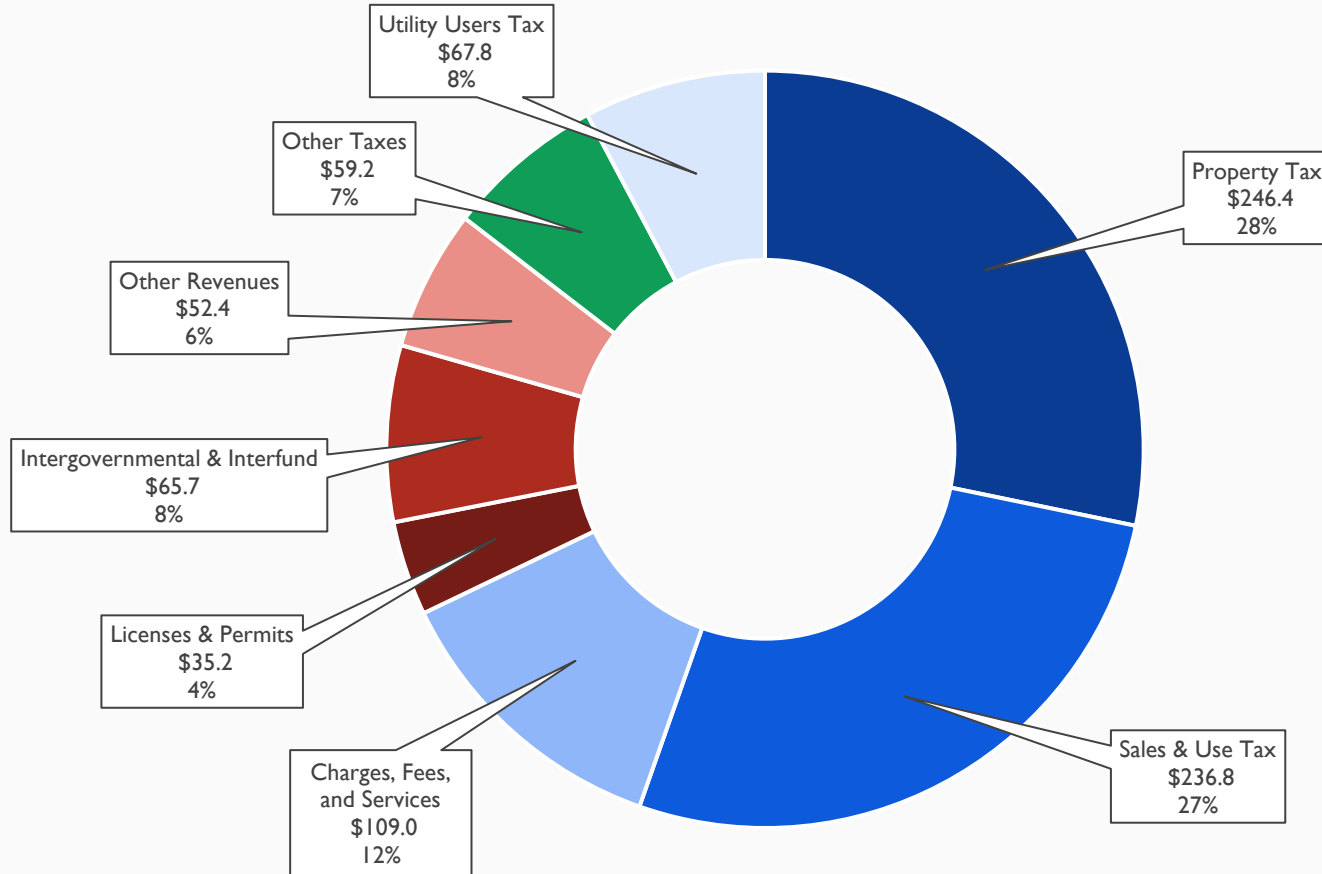
Unfunded pension liability, debt service, risk, and workers compensation payments are non-discretionary and total \$195M. This leaves \$678M of appropriations with varying levels of discretion.

Net General Fund Costs By Department



City Treasurer, Public Works, and Utilities have no net General Fund costs.

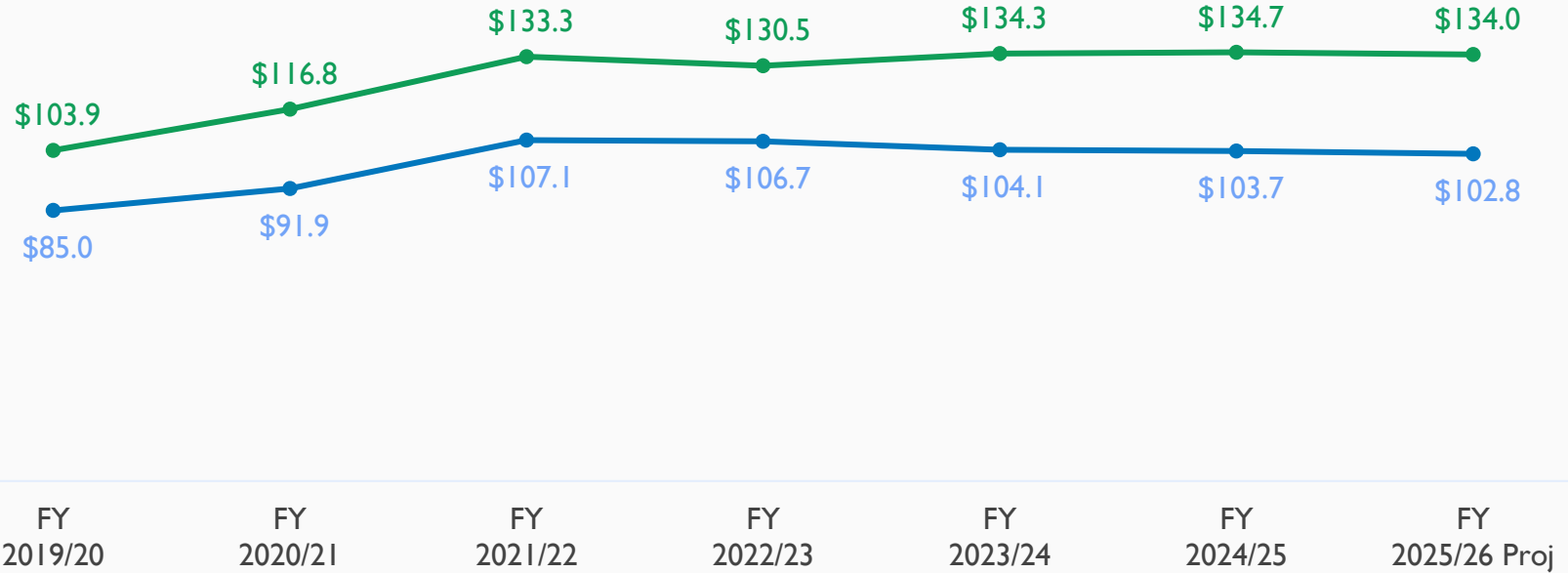
Funding By Source



Property Tax (\$ millions)



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



—●— Bradley-Burns —●— Measure U

Budget Balancing Scenarios

Scenario 1 – Fully Fund Priorities

- No reductions to Economic Development, Department of Community Response / City sheltering program, Fire, Office of Public Safety Accountability, or Police.
- All other departments would have a **56% reduction target**.

Scenario 1 – Department Impacts

Department	Reductions (millions)
City Attorney	\$ 5.4
City Auditor	\$ 0.7
City Clerk	\$ 1.6
City Manager excl. OIED	\$ 1.7
City Treasurer	\$ -
Community Development	\$ 12.3
Community Response	\$ -
Convention & Cultural Services	\$ 2.0
Finance	\$ 3.9
Fire	\$ -
Human Resources	\$ 3.0
Information Technology	\$ 12.0
Office of Public Safety Accountability	\$ -
Police	\$ -
Public Works	\$ -
Youth, Parks, and Community Enrichment	\$ 23.5
TOTAL	\$ 66.2

Scenario 1 – Considerations

- Inability for City to meet State & Charter mandates.
- Closure of neighborhood pools and community centers.
- Parks in neighborhoods without special district maintenance funding would not be maintained to safe standards.
- Elimination of vehicle towing, Impact Fee program, Neighborhood Development Action team, animal adoptions and homeless outreach, permit counter hours.
- Internal Service department cuts impacting delivery of priorities – IT systems, paying employees and vendors, execution of contracts, collection of revenue.
- Ability to meet Measure L baseline spending.

Scenario 2 – Across The Board Cuts

- To close the \$66.2 million deficit, each department would be assigned an 11.6% reduction target of their net General Fund allocation.
- Reductions could be increases in ongoing revenues or decreases in ongoing expenses.

Scenario 2 – Department Impacts

Department	Reductions (millions)
City Attorney	\$ 1.1
City Auditor	\$ 0.2
City Clerk	\$ 0.3
City Manager/ OIED	\$ 1.1
City Treasurer	\$ -
Community Development	\$ 2.5
Community Response	\$ 4.7
Convention & Cultural Services	\$ 0.4
Finance	\$ 0.8
Fire	\$ 18.2
Human Resources	\$ 0.6
Information Technology	\$ 2.5
Office of Public Safety Accountability	\$ 0.2
Police	\$ 28.7
Public Works	\$ -
Youth, Parks, and Community Enrichment	\$ 4.9
TOTAL	\$ 66.2

Scenario 2 – Considerations

Public Safety reductions could potentially include:

- Eliminating of Violent Crime Reduction teams
- Eliminating of Problem Oriented Policing teams
- Reducing burglary and robbery units
- Eliminating Internet Crimes Against Children team
- Eliminating traffic enforcement teams
- Dispatch reductions

Critical IT systems such as HR, payroll, finance, and 311 would be at risk.

Reduction in Equity programs in Human resources.

Reduction in CCS funding for Old Sacramento.

Scenario 3 – 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.

Scenario 3 – Reduction Targets

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	\$ 85.327

Strategic Investments Reflecting Council Input

- 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.
- Continue Single Role program in Fire and minimize public safety service impacts.
- 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

Departmental Presentations

- Budget Focused
- Budget Balancing Impacts
- Council questions and discussion

Upcoming Budget Schedule

2026 Budget Hearing Schedule¹

Legislative			
Date	Time	Body	Subject
Proposed Budget			
Tuesday, March 3, 2026	2:00 PM	City Council	Budget Context & Balancing Scenarios
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
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

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

Questions & Comments

