

General Fund Financial Update

CITY COUNCIL MEETING
OCTOBER 21, 2025

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INTERIM CHIEF FINANCIAL OFFICER

CFO Comments

Operating Revenues & Expenditures

Reserves

Prior Reductions

Operational Allocations

Questions & Feedback

Financial Update

FY 2024-25

CFO Comments

- Results for Fiscal Year (FY) 2024-25 are preliminary & unaudited but we do not anticipate material changes
- FY 2024-25 began with a **\$13.3 million** budget deficit
- Actions after adoption totaled **\$18.1 million** during FY 2024-25:
 - **\$10.4 million** in one time funding allocated from projects to shore up reserves
 - **\$4.0 million** mid year budget reduction
 - **\$3.7 million** in ongoing voter approved enhanced tax measures for business and transient occupancy tax
- FY 2024-25 results of operating expenditures, revenues and changes in appropriations and encumbrances versus budget **\$4.3 million** positive
 - **\$4.4 million** in one time interest revenue (investment returns)
- **\$13.3 million** deficit + **\$18.1 million** mid-year actions + **\$4.3 million** 24/25 results = **+9.5 million** change in reserves
- General Fund has gained immediate stability but remains in a structural deficit
- **\$8.4 million** deficit in FY 2025-26 expected to grow to **\$17.3 million** in FY 2026-27
 - Primary factors include stagnant sales tax revenue & CalPERS unfunded liability payment growth

CFO Comments

- **The City will need strategies going forward which address**
 - **Equity amongst departments (What does this look like?)**
 - **Tiers by department**
 - **Cut amount target / Minimum reduction amounts required (Sustainable Reserves VS Deficit)**
 - **Room for positive changes (Economic Development/ Department Efficiencies / Revenue Improvement)**
 - **Not too much too soon (Defendable position)**
 - **Timing (lengthening the budget process)**

General Fund Revenues FY 2024-25

Revenue Source	FY 2024/25 Budget	FY 2024/25 Actual	Over (Under) Budget	% Difference
Interest	\$ 600,000	\$ 5,022,393	\$ 4,422,393	737.1%
* Interest is flat budgeted to \$600K each year to insulate operations from gains and losses of the market				
Revenue Source	FY 2024/25 Budget	FY 2024/25 Actual	Over (Under) Budget	% Difference
TOT	\$ 7,000,000	\$ 7,399,552	\$ 399,552	5.7%
Business Taxes	\$ 4,750,000	\$ 8,018,506	\$ 3,268,506	68.8%
Total	\$ 11,750,000	\$ 15,418,058	\$ 3,668,058	31.2%
** Voter approved changes occurred after adoption and were not included in budget				
Revenue Source	FY 2024/25 Budget	FY 2024/25 Actual	Over (Under) Budget	% Difference
Sales Taxes	\$ 75,866,735	\$ 69,098,976	\$ (6,767,759)	-8.9%
Property Taxes	\$ 39,068,300	\$ 40,764,412	\$ 1,696,112	4.3%
Other Taxes (net of BT and TOT)	\$ 36,625,700	\$ 37,290,883	\$ 665,183	1.8%
Charges for Services	\$ 26,727,653	\$ 27,709,234	\$ 981,581	3.7%
UUT	\$ 14,200,000	\$ 15,059,524	\$ 859,524	6.1%
Contributions from Private Parties	\$ 3,611,535	\$ 3,408,160	\$ (203,375)	-5.6%
Licenses and Permits	\$ 3,181,000	\$ 2,899,067	\$ (281,933)	-8.9%
Miscellaneous	\$ 2,116,360	\$ 4,075,098	\$ 1,958,738	92.6%
Intergovernmental Revenue	\$ 1,991,493	\$ 1,807,234	\$ (184,259)	-9.3%
Fines and Forfeitures	\$ 1,610,900	\$ 1,613,965	\$ 3,065	0.2%
Total	\$ 204,999,676	\$ 203,726,554	\$ (1,273,122)	0.6%
			Total \$ 6,817,330	3.1%

General Fund Revenues FY 2024-25

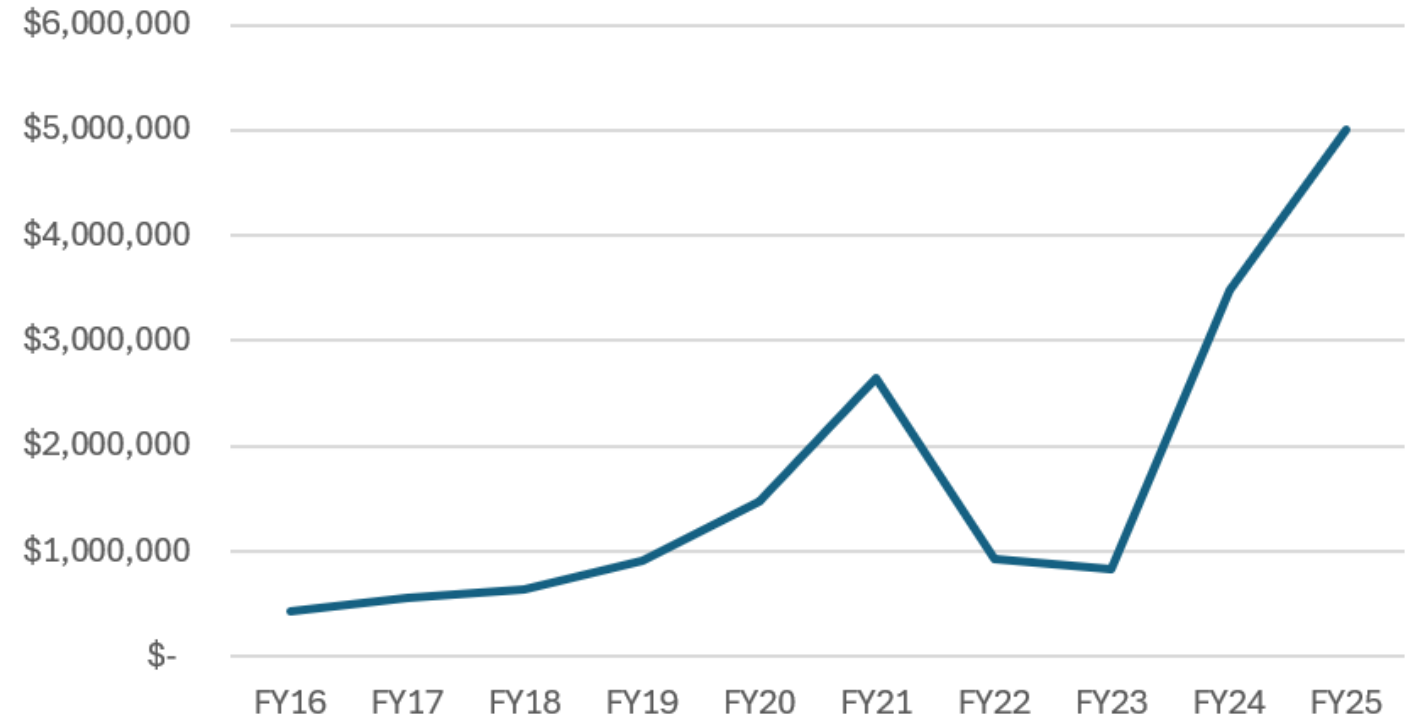
- **Revenues exceeded budget by \$6.8 million or 3.1%**
 - Budgets did not factor voter approved enhanced business and transient occupancy tax measure
- **Revenues outperforming budget**
 - Voter approved enhancements after adopted budget
 - Business taxes **\$3.3 million**
 - Transient occupancy tax **\$400 thousand**
 - Interest (investment portfolio returns) **\$4.4 million**
 - Large outlier from prior years, City flat budgets \$600K to insulate volatile returns from operations
 - Property taxes **\$1.7 million**
 - Charges for service **\$1.0 million**
- **Revenues underperforming budget**
 - Sales taxes **\$6.6 million**
 - Licenses and permits **\$300 thousand**
- **Without voter approved revenue enhancements and an anomaly investment return remaining categories **\$1.2 million** under budget**

Interest Revenue

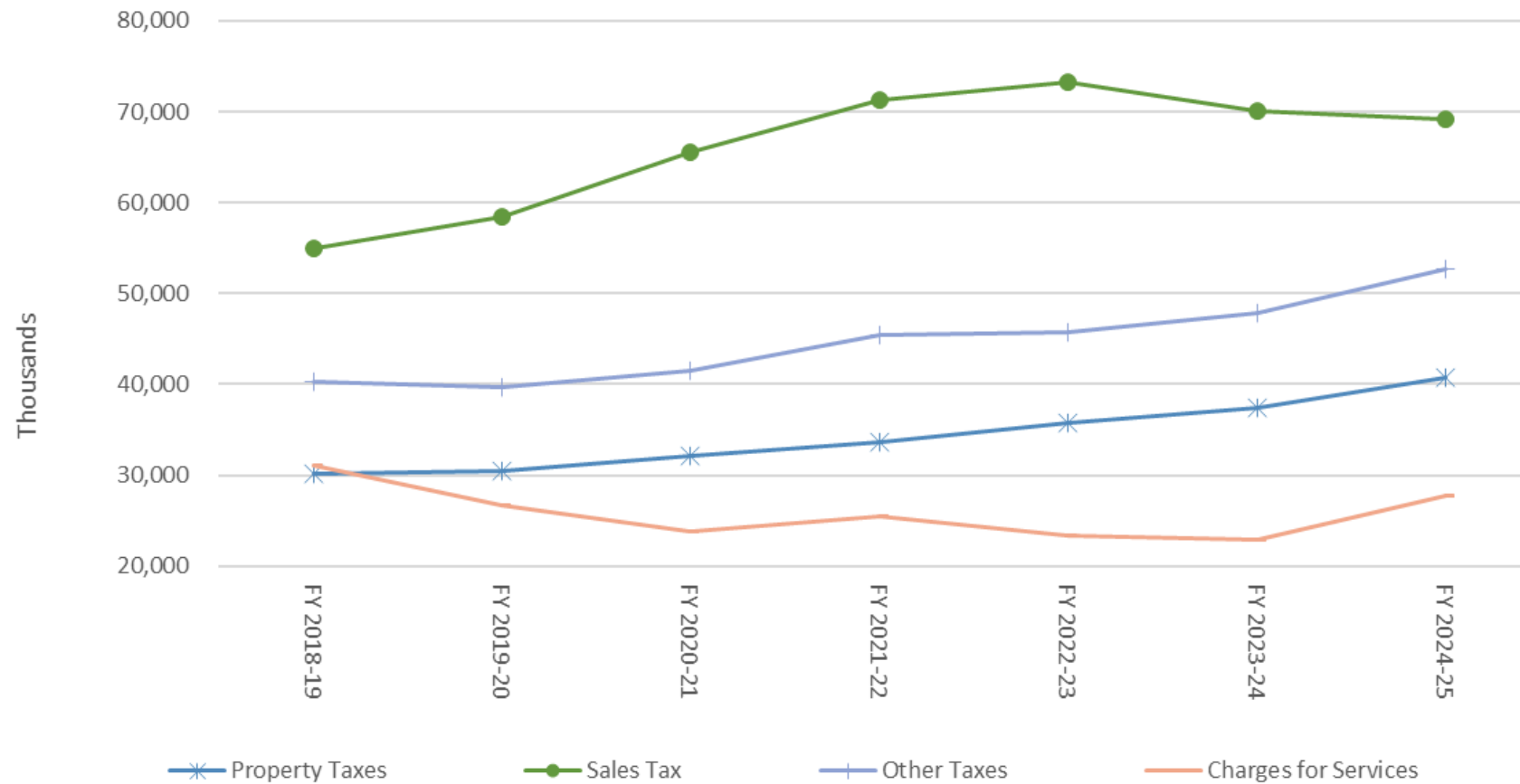
- Category is naturally volatile
- City has traditionally budgeted \$600K
- Conservative approach provides protection to operations following gains and losses in the portfolio
- In years like FY 2024-25 reserves benefit from overperformance
- FY2024-25 is a significant positive outlier

Revenue Source	FY 2024/25 Budget	FY 2024/25 Actual	Over (Under) Budget	% Difference
Interest	\$ 600,000	\$ 5,022,393	\$ 4,422,393	737%

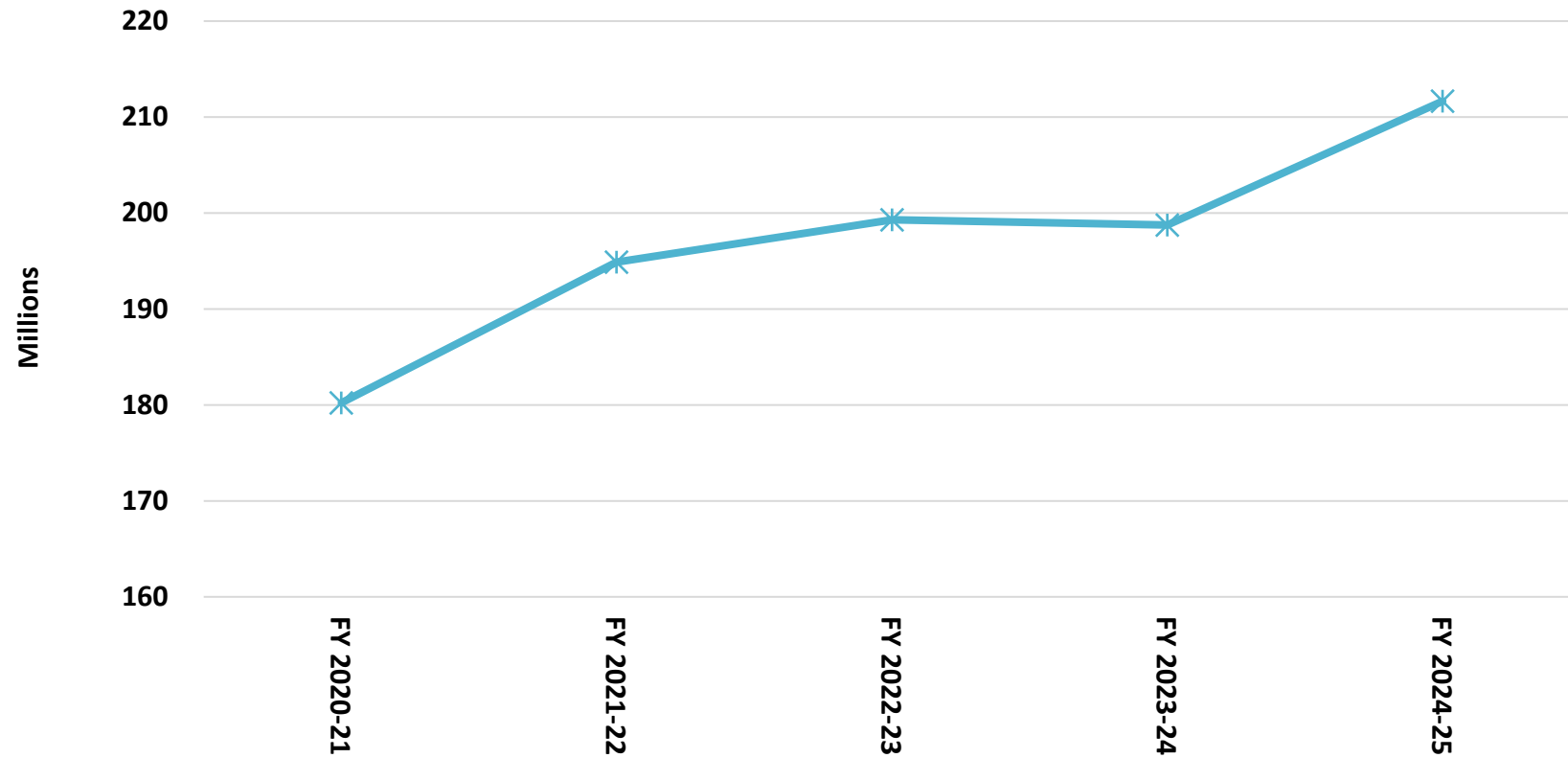
Interest Revenue (Investment Portfolio Returns)



Major General Fund Revenues 5-year Lookback



Major General Fund Revenue 5-year Lookback



General Fund Expenditures FY 2024-25

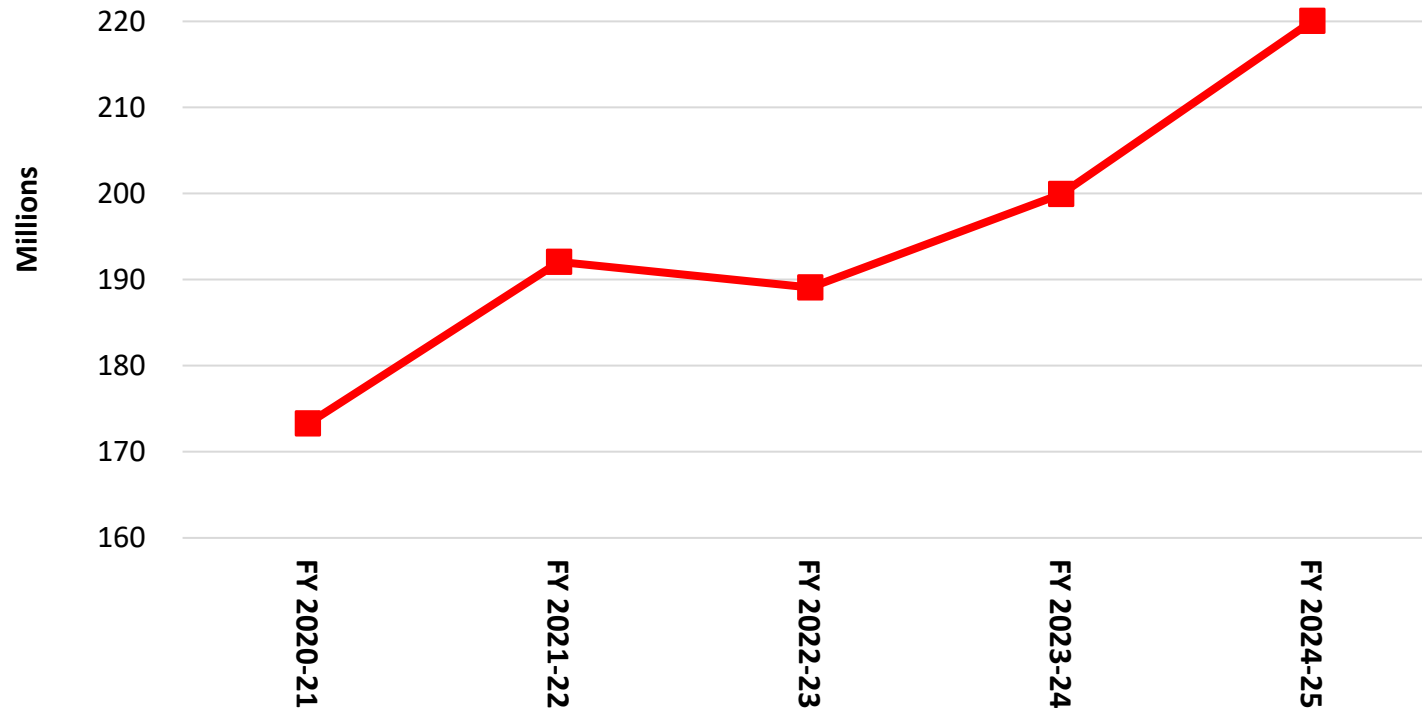
- Total operating expenditures exceeded final budget by **\$1.7 million** or 0.8%
 - Includes mid-year reduction approved by Council for **\$4.0 million**
- Most departments finished the year under budget
 - City Manager hiring freeze created savings across departments
 - The Fire Department **\$1.7 million** over driven primarily by overtime and Public Works over by **\$400 thousand**
- FY 2024-25 created no savings or “turnback”
 - We do not anticipate turnback going forward with tighter budgets from reductions and being fully staffed

FY 2024-25 Operating Expenditure Results

- Budget amount includes \$4 million mid-year reduction
- Does not include transfers and changes in project appropriations or encumbrances

Department	Budget + Carryover + Changes FY2024/25	Actuals + Encumbrance* FY2024/25	(Over) Under Budget	% Difference
Police	80,571,388	80,416,649	154,740	-0.2%
Fire	57,748,949	61,016,049	(1,667,596)	2.9%
Public Works	26,219,989	26,662,201	(442,212)	1.7%
Planning, Economic Development	19,746,875	17,963,009	1,783,866	-9.0%
Recreation & Parks	18,558,194	18,601,762	(43,568)	0.2%
Finance	7,889,387	7,562,333	327,054	-4.1%
City Attorney	5,057,586	4,685,509	372,077	-7.4%
Human Resources	4,778,764	3,855,903	922,861	-19.3%
City Manager	3,318,991	2,846,157	472,834	-14.2%
CIRO	1,781,767	1,385,710	396,057	-22.2%
City Council	1,371,463	1,455,929	(84,466)	6.2%
Water	780,984	703,836	77,149	-9.9%
HCS	125,207	125,206	1	0.0%
Non Departmental (Vacancy Offset)	(9,587,042)	(7,228,313)	(2,358,730)	-24.6%
Total	218,362,504	220,051,941	(1,689,437)	0.8%

Major General Fund Expenditure 5-year Lookback



General Fund Reserves FY 2024-25

- General Fund began FY 2024-25 with **\$13.3 million** deficit
- Reserves had a net increase of **\$9.5 million**
 - Significant mid-year actions taken by Council and voters
 - **\$10.4 million** in one-time funding released to shore up reserves including PG&E settlement projects
 - **\$4.0 million** in ongoing mid-year budget reductions
 - **\$3.7 million** in enhanced revenue from business and transient occupancy tax measures
- **\$13.3 million** deficit + **\$18.1 million** mid-year actions + **\$4.3 million** 24/25 results = **+9.5 million** change in reserves
- Without enhanced tax measures and one time project monies being released reserves would have decreased **\$5.0 million**
- Reserves are projected to fall **\$3 million** below Council mandated reserves of 17% of operating expenditures by FY 2026-27 and down to \$7.8 million by FY2027-28 without additional actions
- Per Governmental Accounting Standards Board we must lower our reserve by the adopted deficit (reserves are one year in advance)

Current Total Reserves Usage Projection					
			Upcoming Budget Adoptions		
	FY2025	FY2026	FY2027	FY2028	FY2029
6/30/2024 Reserves	\$ 68,826,590				
Adopted deficit	\$ (13,300,000)				
Mid-year budget reduction	\$ 4,000,000				
FY 25/26 results variance from budget	\$ 4,300,000				
Results of Operating	\$ 63,826,590				
Enhanced taxes	\$ 3,700,000				
One-time projects released	\$ 10,400,000				
6/30/2025 Preliminary Reserves	\$ 77,926,590				
FY 26/27 Budget Deficit		\$ (17,300,000)			
6/30/2026 Projected Reserves		\$ 60,626,590			
FY 27/28 Budget Deficit			\$ (23,100,000)		
6/30/2027 Projected Reserves			\$ 37,526,590		
FY 28/29 Budget Deficit				\$ (30,100,000)	
6/30/2028 Projected Reserves				\$ 7,426,590	
FY 29/30 Budget Deficit					\$ (33,700,000)
6/30/2029 Projected Reserves					\$ (26,273,410)
* Council Mandated Reserve was \$34.9M in FY2024, expected to be \$40.6M in 2027					

Long Range Financial Forecast

- First update will be at the end of January when payroll budgeting model runs
- Will create basis for targeted reduction amount

	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Revenues	\$215.1	\$219.7	\$224.5	\$228.1	233.1
Transfers In	2.5	2.5	2.5	2.5	2.5
Total Revenues & TI	\$217.6	\$222.2	\$227.0	\$230.6	235.6
Expenditures	216.8	230.3	240.7	251.8	260.2
Transfers Out	9.2	9.3	9.5	9.0	9.2
Total Expenditures & TO	\$226.0	\$239.6	\$250.1	\$260.8	269.3
Surplus (Deficit)	(\$8.4)	(\$17.3)	(\$23.1)	(\$30.1)	(33.7)

Budget Reductions

- All departments were directed to develop 8% reductions:
 - Results varied by department after review and then Council direction
 - Staff is developing a tiered approach to proposing budget reductions for FY 2026-27
- All departments are preparing financial presentations for the Long-Range Financial Planning and Audit Subcommittee that are designed to get feedback and guidance for department-specific tiering of programs and services

Cumulative Budget Reductions

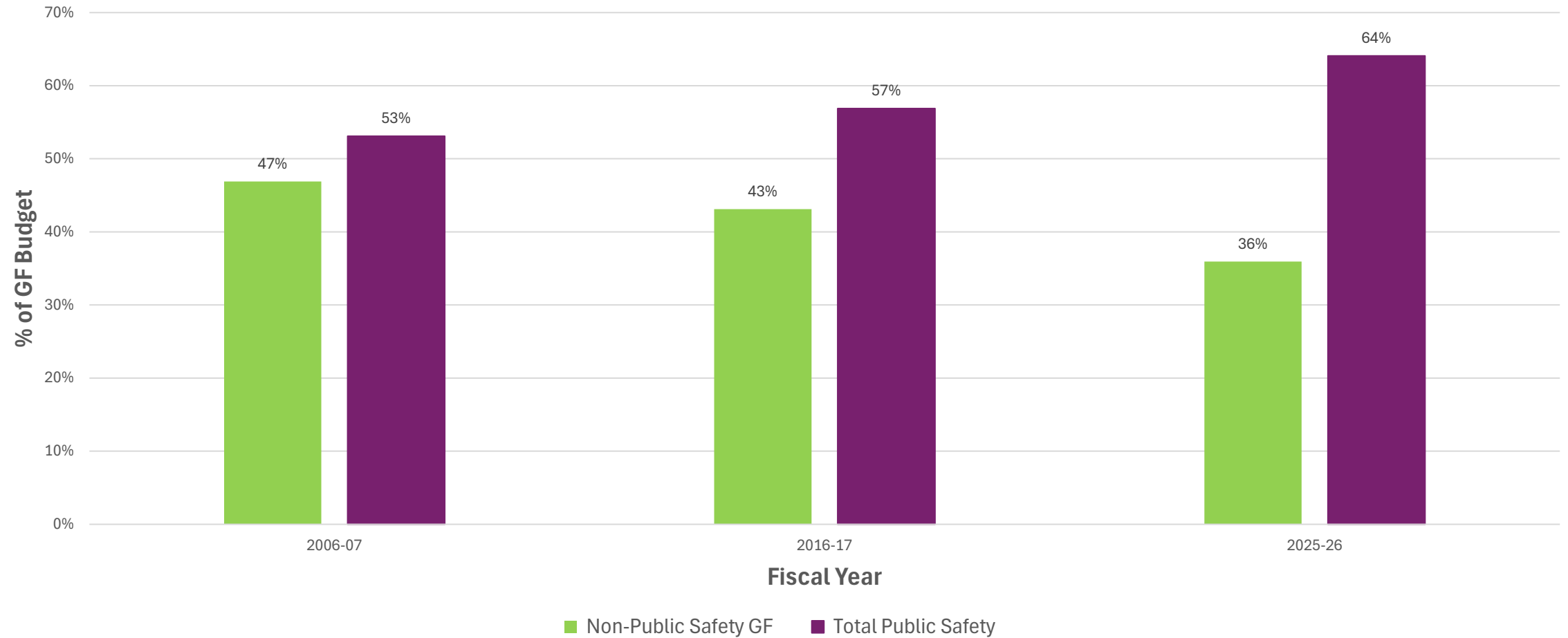
- Council has adopted \$15.2 million of ongoing budget reductions since mi-year FY 2024-25
- FY 25-26 original deficit amount of \$19.3 million reduced to \$8.4 million

GF Cut Amounts by Department - Mid Year + Adoption			
Department	8% Target	24/25 Mid-Year + 25/26 Adopted Cuts	(Below) Over Target
Police Department	\$ 6,222,331.0	\$ 3,005,002.0	\$ (3,217,329.0)
Fire Department	\$ 4,469,286.0	\$ 2,127,000.0	\$ (2,342,286.0)
Transportation & Public Works	\$ 2,060,252.0	\$ 1,894,605.0	\$ (165,647.0)
Planning & Econ Development	\$ 1,400,261.0	\$ 1,510,190.0	\$ 109,929.0
Recreation & Parks	\$ 1,369,611.0	\$ 1,166,731.0	\$ (202,880.0)
Finance	\$ 640,292.0	\$ 1,754,902.0	\$ 1,114,610.0
Housing & Community Services	\$ 392,022.0	\$ 1,579,000.0	\$ 1,186,978.0
Human Resources	\$ 371,420.0	\$ 519,435.0	\$ 148,015.0
City Attorney	\$ 367,459.0	\$ 308,050.0	\$ (59,409.0)
City Manager	\$ 253,062.0	\$ 844,900.0	\$ 591,838.0
Comms & Intergovt. Relations	\$ 145,580.0	\$ 444,368.0	\$ 298,788.0
Santa Rosa Water	\$ 59,617.0	\$ 57,000.0	\$ (2,617.0)
Total	\$ 17,751,193.0	\$ 15,211,183.0	\$ (2,540,010.0)

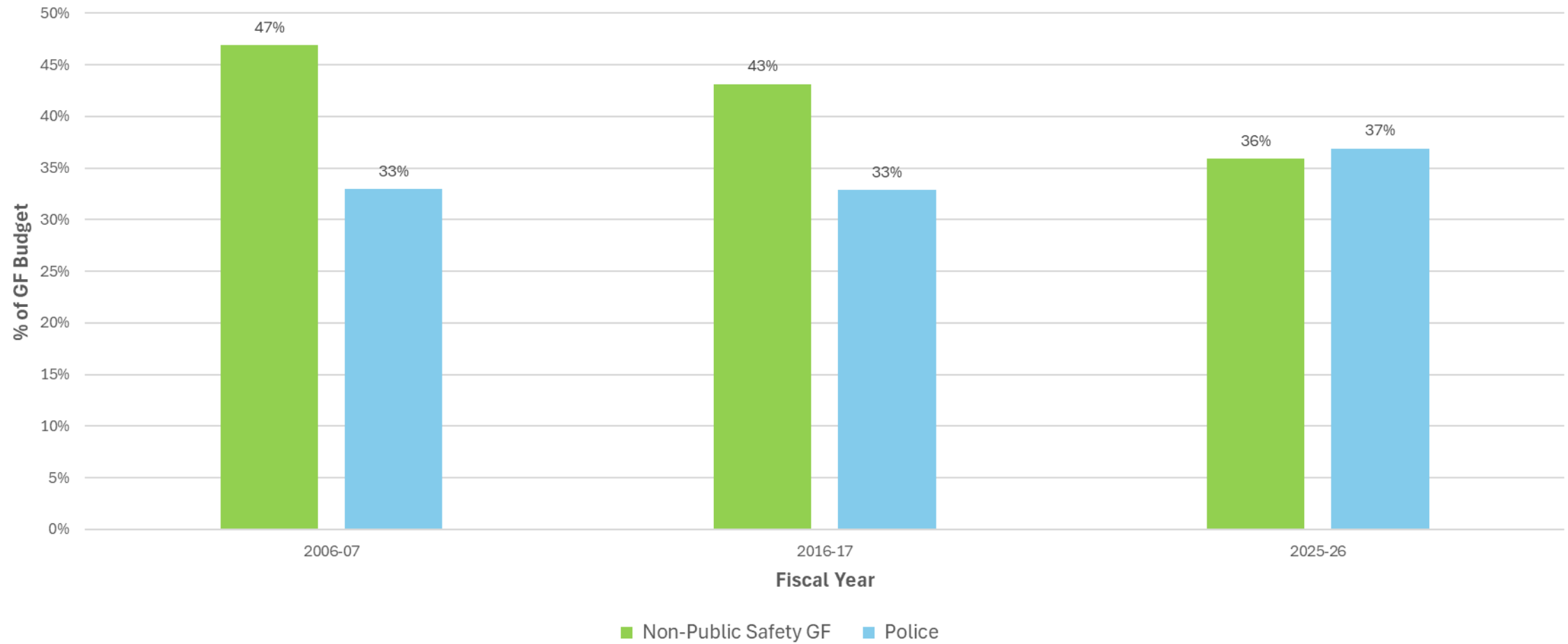
General Fund Allocation of Budget Data

- As requested, we have developed graphs detailing how budget in the General Fund has been allocated over time
- This data does not include grant funding or special taxes (SAFER, Measure H – Fire Prevention, PSAP)
- Data is separated as:
 - Public Safety (Police and Fire)
 - Police
 - Fire
 - Operational (PED, HCS, Public Works)
 - Administration (CMO, CAO, Finance, HR, CIRO)

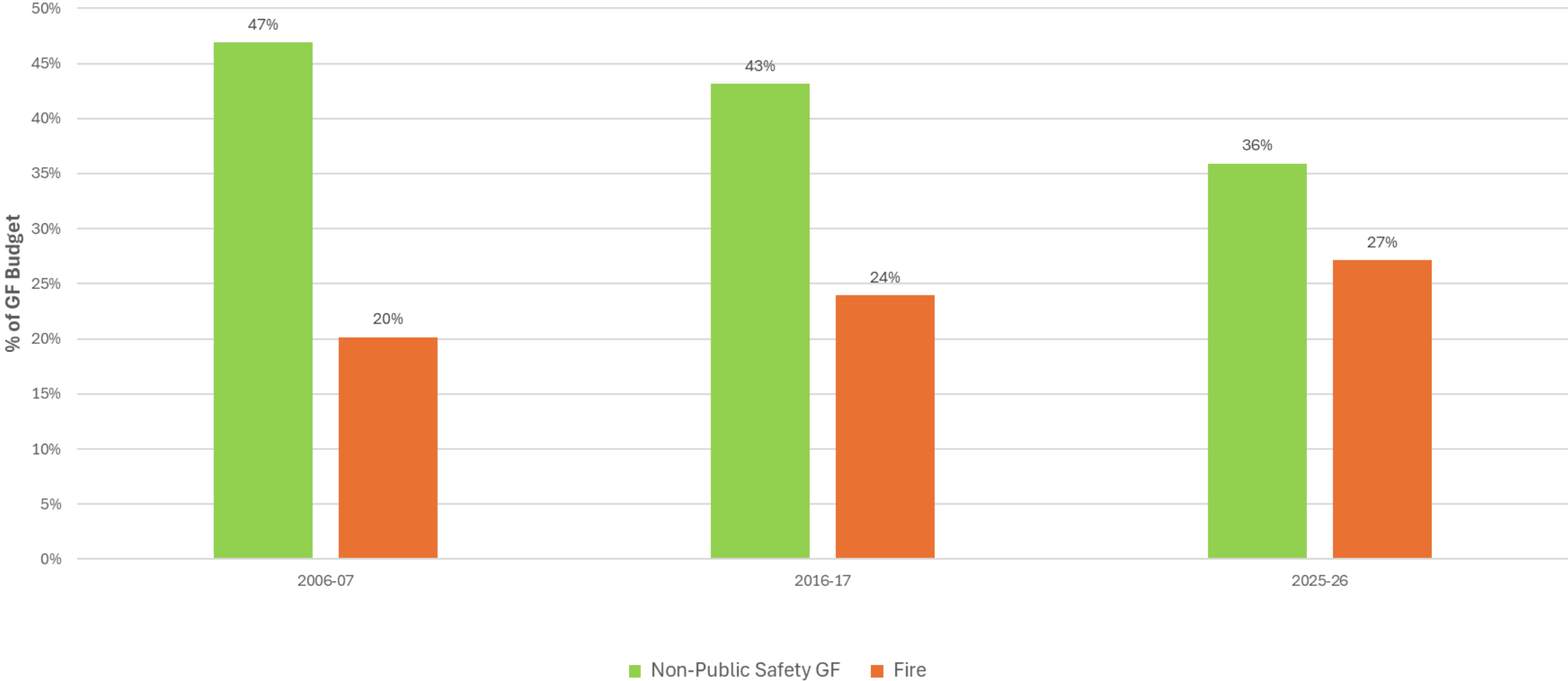
Percentage of GF Budget - Public Safety & Non-Public Safety



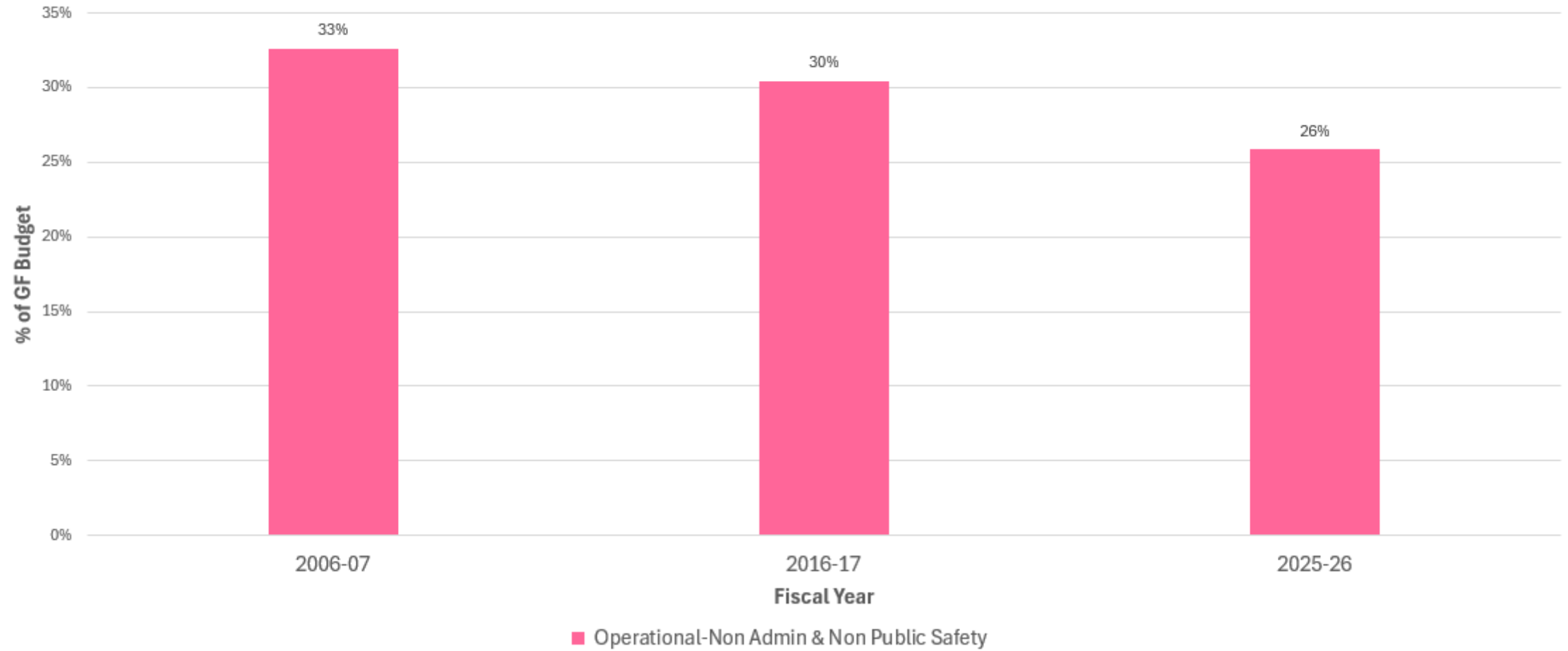
Percentage of GF Budget - Police & Non-Public Safety



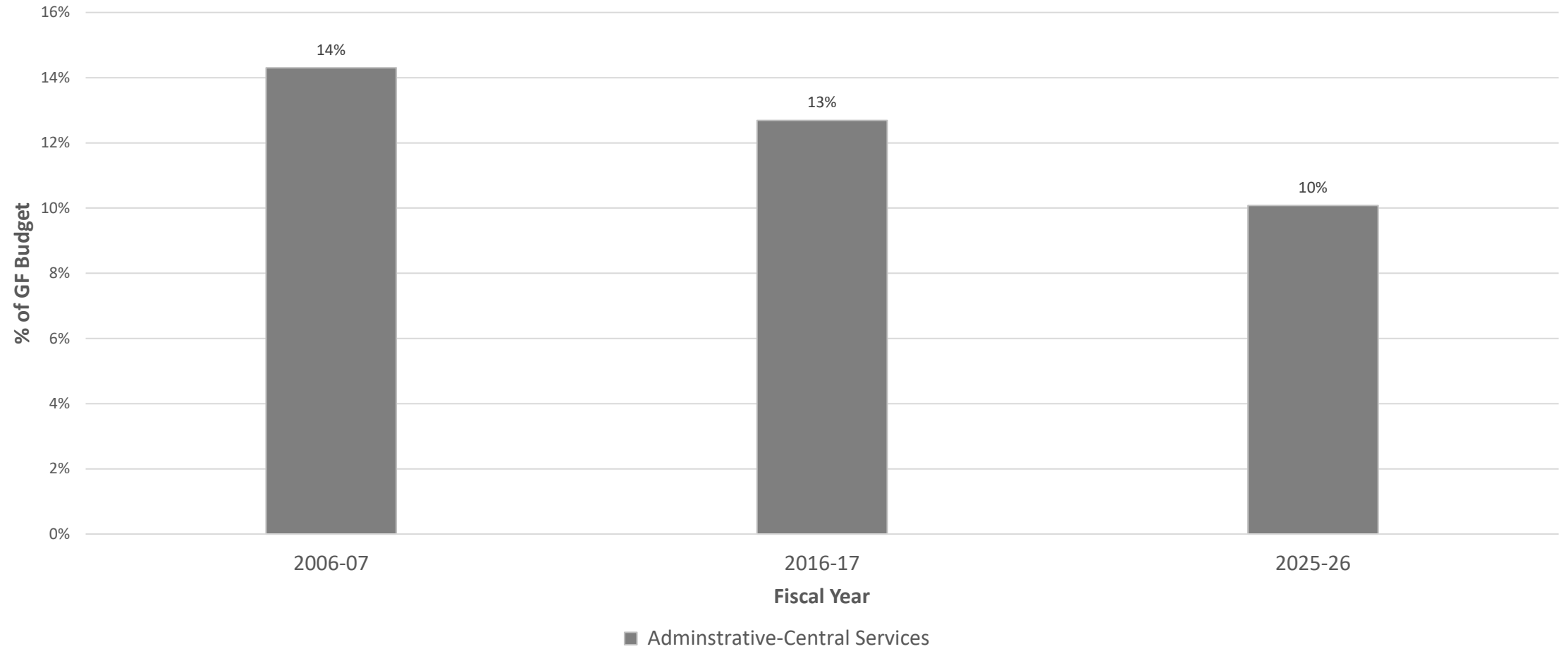
Percentage of GF Budget - Fire & Non-Public Safety



Percentage of GF Budget



Percentage of GF Budget



Questions