



City of Santa Rosa Budget Adoption Public Hearing FY 2026-27

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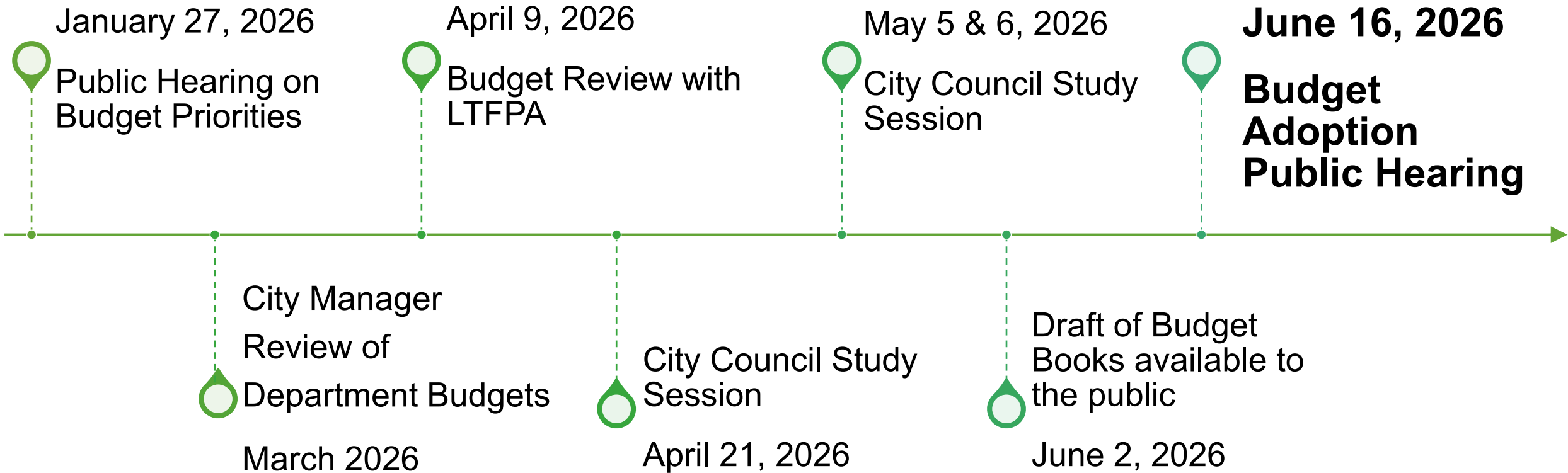
City Manager's Comments

PROPOSED BUDGET FY 2026-27

Presentation Overview

- Calendar Review
- Changes from Study Session
- FY 2026-27 Proposed Budget All Funds
- FY 2026-27 Proposed Budget General Fund
- Year 2 Potential Impacts
- Recommendation
- Capital Improvement Program Budget FY 2026-27

FY 2026-27 Budget Process



Changes from Study Session

- Updated official federal award amounts from Housing & Urban Development allocations increased Housing Authority revenue and expenditure budget +\$64K
- Added 1.0 FTE Fire Captain in Measure H Special Revenue Fund +\$383K as discussed in May Study Session
- Increased appropriations in Council approved capital projects from interest earned in the ARPA Special Revenue Fund reserves +\$703K to ensure federal spending requirements are met by the deadline

Changes from Study Session

- Added recommendation for City Council to address gap in General Fund Reserve Policy related to immediate critical facility needs
- +\$200K increase in FY 2026-27 General Fund proposed budget for Fire Management labor contract agreement through 6/30/2027
 - Fire Management was the only labor group scheduled to be out of contract 7/1/2026

Two Year Budget Strategy

City Manager's Proposed Budget

- Through a multi-pronged approach, the City Manager's proposed budget contains almost \$10M in deficit reduction solutions as part of a two-year process
 - **Year 1 (FY 2026-27):**
 - Strategic Reserve Usage, adjusted staffing as grant funded programs expire, Vacancy Management, Innovative Financing, Targeted cost recovery improvements
 - **Year 2 (FY 2027-28):**
 - Structural deficit of (\$9.8M) on 7/1/2027 remains, increased revenue or additional cuts will be needed to address deficit that is still growing

Citywide Budget Overview

PROPOSED BUDGET FY 2026-27



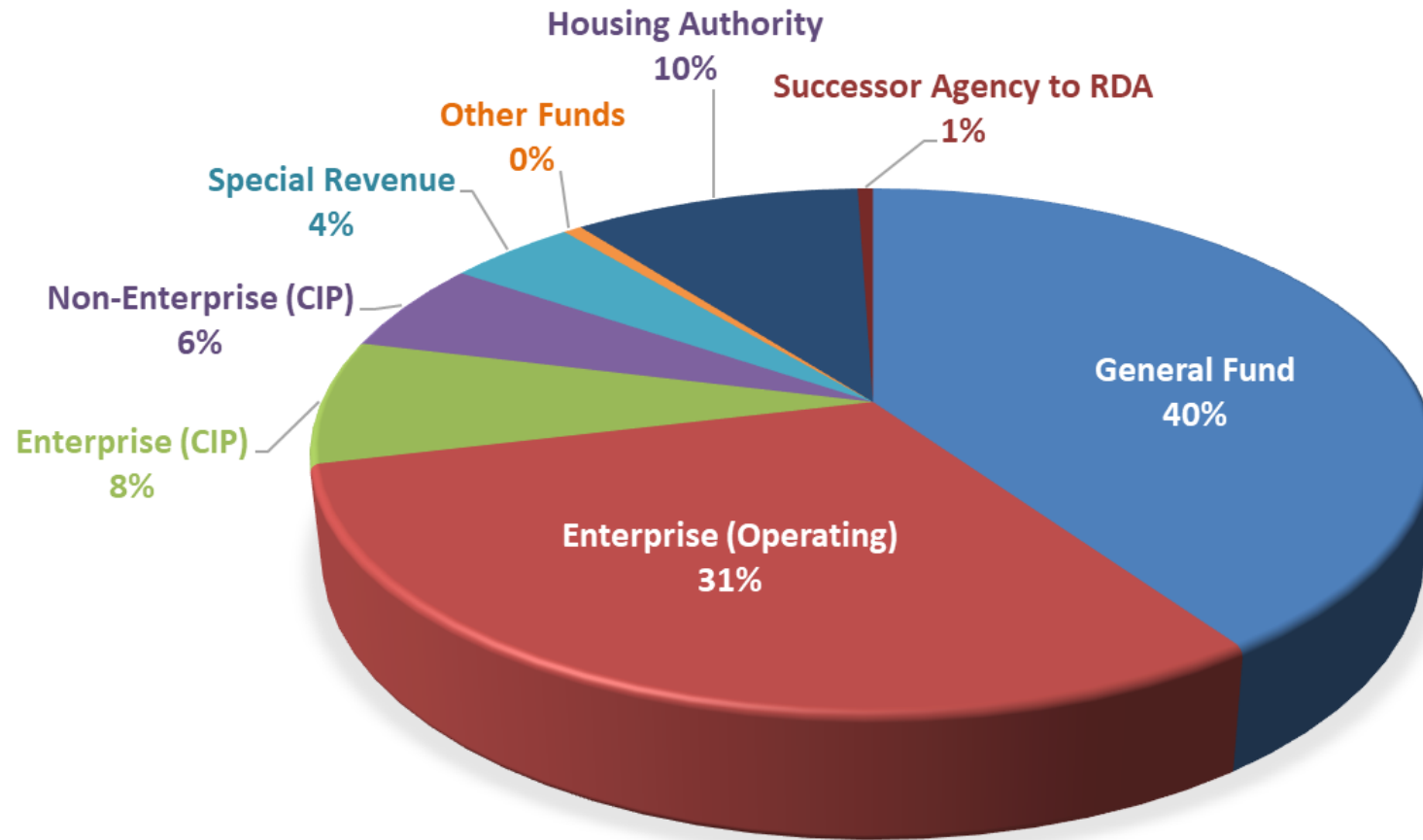
FY 2026-27 Citywide Revenues by Fund (in millions)

Fund Type	2025-26 Adopted Budget	2026-27 Proposed Budget	\$ Change	% Change
General Fund	\$215.0	\$224.7	\$9.6	4.5%
Enterprise Funds	200.0	207.8	7.8	3.9%
Special Revenue Funds	44.3	45.7	1.4	3.2%
Other Funds	0.5	0.5	-	-
Housing Authority	54.0	54.3	0.4	0.7%
Successor Agency to RDA	3.0	3.0	-	-
Total	\$516.9	\$535.9	\$19.0	3.7%

FY 2026-27 Citywide Expenditures by Fund Type (in millions)

Fund Type	2025-26 Adopted Budget	2026-27 Proposed Budget	\$ Change	% Change
General Fund	\$216.8	\$231.1	14.3	6.6%
Enterprise (Operating)	171.8	177.7	5.9	3.4%
Enterprise (CIP)	45.2	44.2	(1.0)	(2.2%)
Non-Enterprise (CIP)	30.8	32.4	1.6	5.2%
Special Revenue	28.6	29.1	0.5	1.7%
Other Funds	1.2	1.2	-	-
Housing Authority	56.7	57.2	0.5	0.7%
Successor Agency to RDA	3.0	3.0	-	-
Total	\$554.1	\$575.9	\$21.8	3.9%

FY 2026-27 Citywide Expenditures by Fund



General Fund Budget Overview

PROPOSED BUDGET FY 2026-27



FY 2026-27 General Fund Summary

(in millions)

	Proposed General Fund Budget
Revenue	\$224.7
Transfers In	\$8.2
Total Revenues + Transfers In	\$232.9
Expenditures	(\$231.1)
Transfers Out	(\$9.5)
Total Expenditures + Transfers Out	(\$240.5)
Subtotal Deficit	(\$7.6)
Labor Contract Cost Impacts (Unit 9)	(\$0.2)
Strategic Use of Reserves	\$7.8
Total*	-

*Reflects 2-year strategy with \$7.8M additional reductions (or additional revenue) required in FY 2027-28

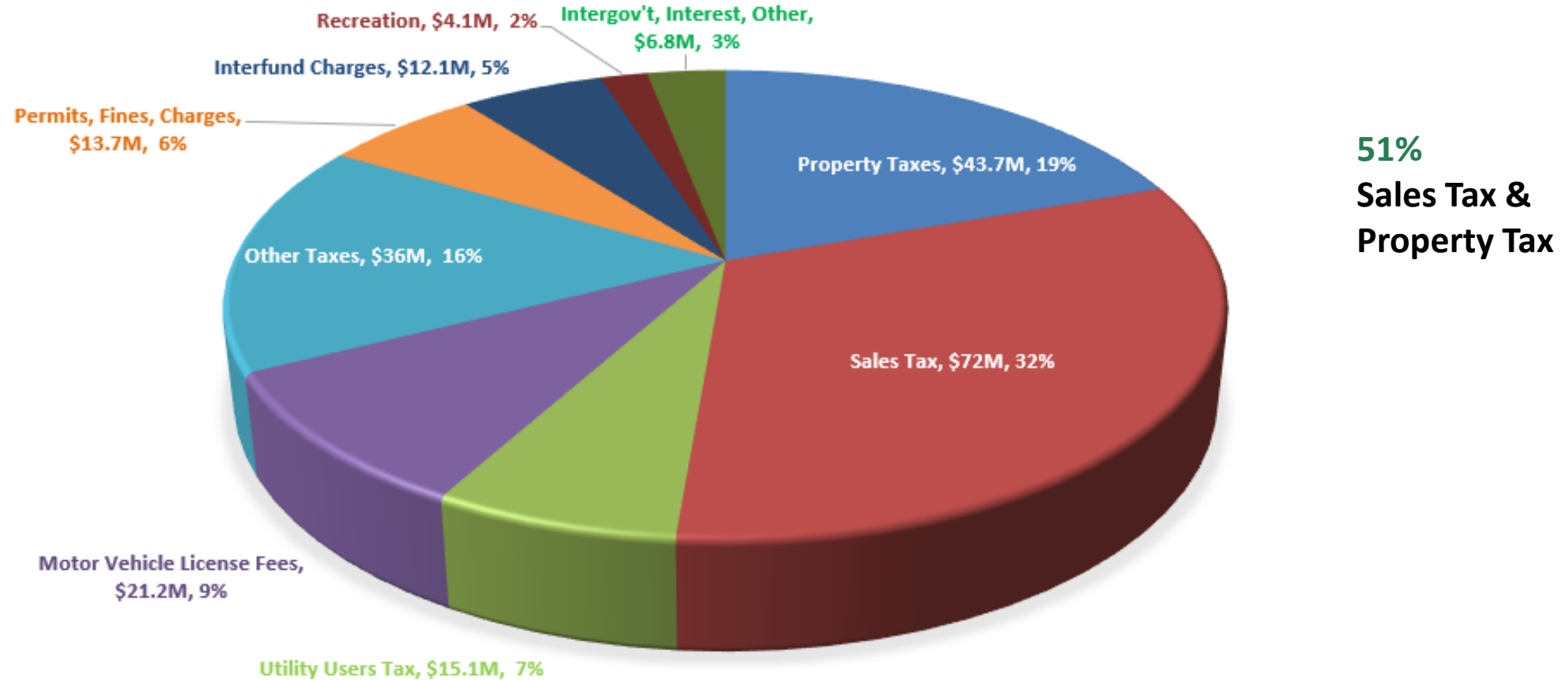
General Fund Revenue Overview

- Property tax maintains a 3- & 5-year average of over 5.5% growth +\$2.3M
- Sales tax increase of 1.5% per recent performance +\$1.1M
- Projected UUT increases in Gas & Electric, offset by decreases in Cable and Telephone +\$700K
- Other taxes contains Cannabis Tax, Transient Occupancy Tax, Franchise Fees, Real Property Transfer Tax, but is mainly grown by increase in Business Tax +\$2.8M
- Permits are trending at lower cost per permit, resulting in a slight decrease (\$400K)
- Recreation revenues reflect over 14% growth in enrollment and recent fee increases +\$800K
- Increase of \$350K to fund EMS Fire Captain formerly in inRESPONSE

FY 2026-27 General Fund Revenues by Category (in millions)

Category	2025-26 Adopted Budget	2026-27 Proposed Budget	\$ Change	% Change
Property Tax	\$41.5	\$43.8	\$2.3	5.5%
Sales Tax	70.4	71.5	1.1	1.5%
Utility Users Tax	14.4	15.1	0.7	5.1%
Vehicle License Fees	19.8	21.2	1.4	7.2%
Other Taxes	33.3	36.1	2.8	8.4%
Permits, Fines & Charges	14.1	13.7	(0.4)	(3.0%)
Interfund Charges	12.4	12.4	-	-
Recreation Revenues	3.3	4.1	0.8	24.5%
Intergov't, Interest & Other	5.9	6.8	0.9	14.7%
Total	\$215.1	\$224.7	\$9.6	4.5%

General Fund Revenues by Category



City Share of Property Tax & Sales Tax



Property Tax Allocation

Sonoma County Schools
55.1%

Sonoma County
29.5%

Other
3.7%

Santa Rosa
11.7%

Sales Tax Allocation



Santa Rosa
1.75 cents



Sonoma County
2.25 cents



State of CA
6 cents

Category	2025-26 Adopted Budget	2026-27 Proposed Budget	\$ Change	% Change
Special Revenue Funds	\$2.3	\$2.5	\$0.2	0%
Special Assessment Funds	0.1	0.1	-	-
Parking Fund	0.1	0.1	-	-
Pension Funds	-	5.6	5.6	n/a
Total	\$2.5	\$8.2	\$5.8	230%

General Fund Transfers In Detail (in millions)

- **NEW-** \$5.6M transfer in from pension fund (Fresh Start strategy)

General Fund Expenditures

PROPOSED BUDGET FY 2026-27



General Fund Expenditure Highlights

Major Increases

- Contractually agreed upon compensation adjustments for all bargaining units +\$4.9M
- Align overtime budget with actual costs for the Police Department +\$1M and Fire Department +\$2.5M to comply with 24/7 staffing
- Fixed cost increases in Health Insurance and Retirement benefits +\$1.3M
- Professional Services grew +\$1M for existing contractual increases and +\$550K for election costs and +\$450K for Animal Control and shelter contract
- Uncontrollable increases in vehicle costs for gasoline, vehicle replacement and maintenance +\$700K
- Information Technology costs driven by licensing increases and staffing costs +\$500K
- Overall, \$14.3M increase in expenditures equals a 6.6% YOY change

General Fund Solutions Highlights

Major Decreases

- Savings of (\$4.9M) in department budget reductions from eliminating vacancies and expired grant-funded positions, increasing revenue, department consolidations, use of technology, alignment of budget to actual spending, enhanced cost recovery and transferring of costs of eligible funds
- (\$3.8M) in pension savings from Pension Stabilization Pathway adopted 6/2/2026
- Major Fire Apparatus leasing strategy savings of (\$1M)
- Property insurance decrease of (\$600K) due to increase in prior year funding to build required reserves

Strategies Considered

**Eliminate Vacant
Positions**

**Major Apparatus
Leasing**

Use of Reserves

**Pensions Savings
Strategy**

**Flex
Programming for
Expiring Grants**

**Department
Consolidation**

**Use of
Technology**

**Alignment of
Budget to Actual
Spending**

**Enhanced Cost
Recovery**

**Transfer of Costs
to Eligible Funds**

**Credit Card
Convenience
Fees**

**Reduction of
Minor Capital
Support**

General Fund Solutions

Strategy Description	Amount
Pension Savings Strategy	3,800,000
Flexing Staffing Levels Consistent With Grant Funding	3,600,000
Major Apparatus Leasing	1,000,000
Eliminate Vacant Positions	486,105
Increase Revenue	350,000
Credit Card Convenience Fees*	264,000
Reduction of Minor Capital Support	100,000
Alignment of Budget to Actual Spending	84,325
Enhanced Cost Recovery	70,000
Department Consolidations	49,343
Transfer of Costs to Eligible Special Revenue Funds	45,000
Use of Technology	21,000
Total	\$9,869,805

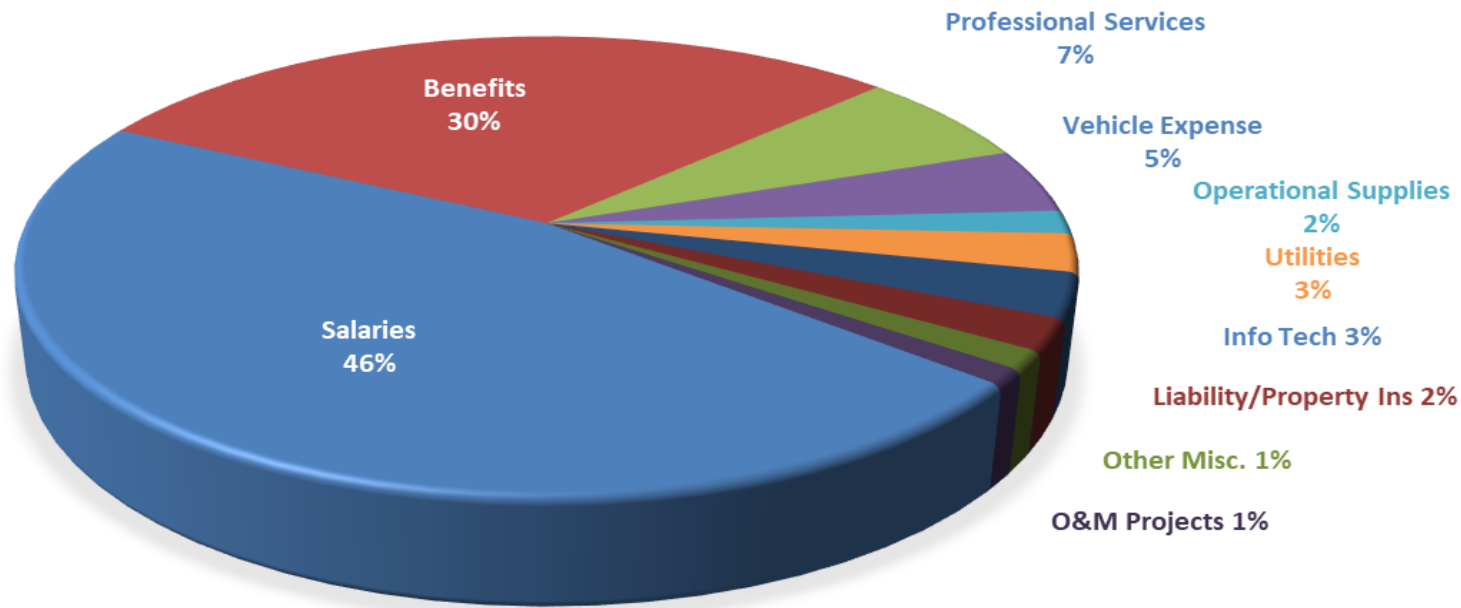
*Primarily PED plans and permits, excludes Recreation and Parking; program already in effect for Water Department

FY 2026-27 General Fund Expenditures by Category (in millions)

Category	2025-26 Adopted Budget	2026-27 Proposed Budget	\$ Change	% Change
Salaries	\$91.6	\$96.5	\$4.9	5.3%
Overtime	7.1	10.7	3.6	50.1%
Benefits	67.0	70.0	3.0	4.5%
Professional Services	13.6	15.5	1.9	14.0%
Vehicle Expense	11.0	10.6	(0.4)	(3.0%)
Operational Supplies	3.3	3.8	0.5	15.2%
Utilities	5.9	6.2	0.3	5.1%
Information Technology	6.7	7.2	0.5	7.5%
Liability/Property Insurance	5.7	5.1	(0.6)	(10.5%)
Other Miscellaneous	2.6	3.0	0.4	15.4%
O&M Projects	2.3	2.5	0.2	8.7%
Total	\$216.8	\$231.1	\$14.3	6.6%

General Fund Expenditures by Category

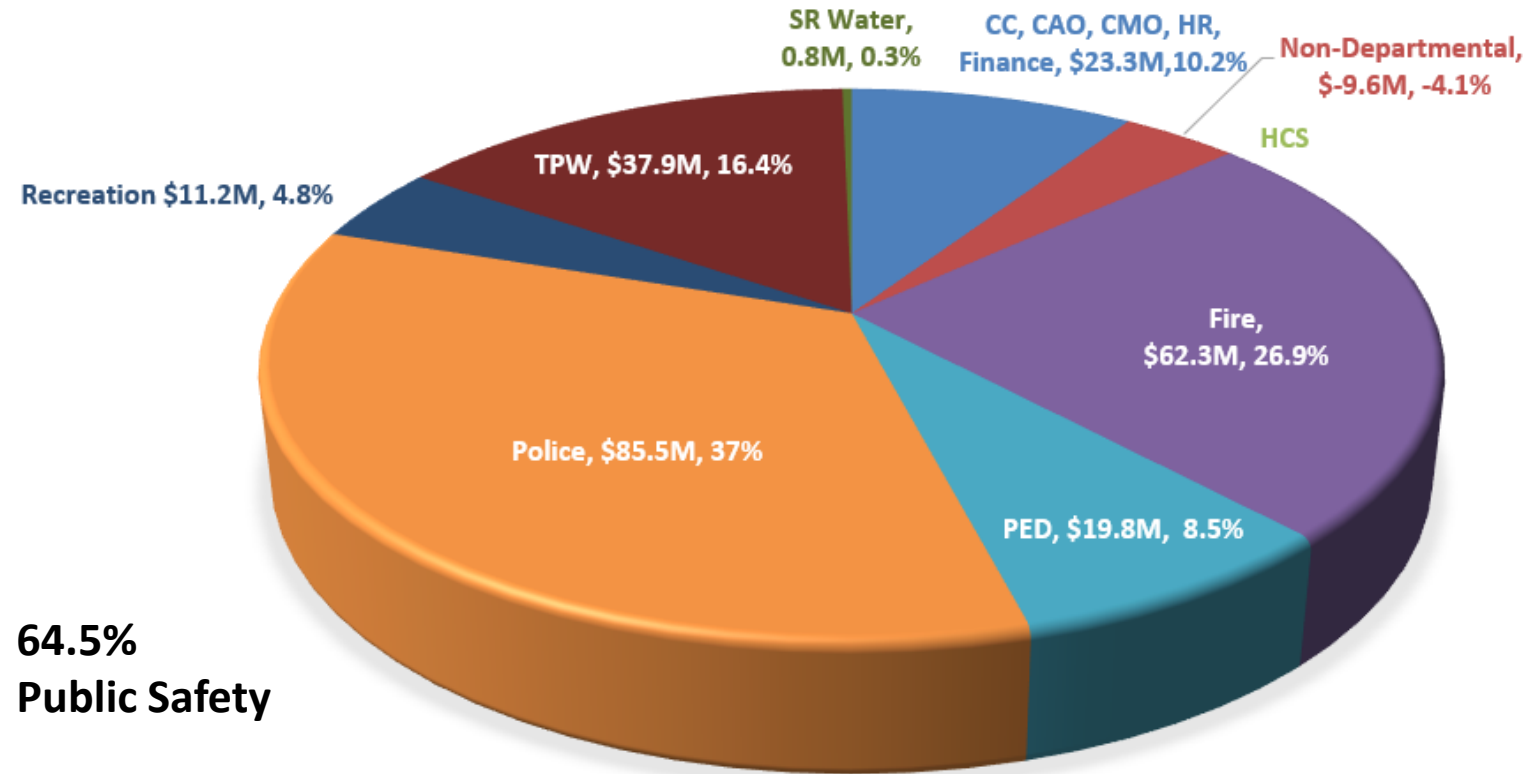
76%
**Salaries
&
Benefits**



FY 2026-27 General Fund Expenditures by Department (in millions)

Dept	2025-26 Proposed Budget	2026-27 Proposed Budget	\$ Change	% Change
Admin	\$21.8	\$23.3	\$1.5	6.8%
Non Dep	(9.9)	(9.6)	0.3	3.2%
Fire	58.9	62.2	3.3	5.6%
PED	19.1	19.8	0.7	3.7%
Police	80.0	85.5	5.5	6.9%
Rec	18.4	11.2	(7.2)	(39.1%)
TPW	27.7	37.9	10.2	36.8%
SR Water	0.7	0.8	0.1	14.3%
Total	\$216.8	\$231.1	\$14.4	6.6%

General Fund Expenditures by Department



Category	2025-26 Adopted Budget	2026-27 Proposed Budget	\$ Change	% Change
Bennett Valley Golf Course	\$0.5	\$0.5	-	0%
CIP	2.0	1.9	(0.1)	(5.9%)
Parking Fund	1.6	1.9	0.3	18.4%
RPTT – Housing	1.1	1.1	-	-
Homeless Services – General Fund	3.3	3.3	-	-
Misc.	0.8	0.8	-	-
Total	\$9.2	\$9.5	\$0.2	2.3%

General Fund Transfers Out Detail

(in millions)

- Final year for receipt of \$662K from Sonoma County for Roseland Pavement Maintenance, per annexation agreement

General Fund Baseline

Public Safety and Prevention Tax

	Police - 34.3%	Fire - 23.7%	Violence Prevention - 0.4%
General Fund Department Budget	\$85,535,331	\$62,263,302	\$1,118,945
Baseline Calculation	79,293,978	54,800,040	965,522
Over (Under) Baseline	\$6,241,353	\$7,463,262	\$153,423

Long-Range Financial Forecast

	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Revenues	\$215.1	\$224.7	\$231.3	\$236.1	\$242.4	\$242.1
Transfers In	2.5	8.2	2.6	2.6	2.6	2.6
Total Revenues & TI	\$217.6	\$232.9	\$234.0	\$238.8	\$245.1	\$244.8
Expenditures	216.8	231.1	234.1	241.6	249.4	257.6
Transfers Out	9.2	9.5	9.6	9.2	9.4	9.6
Total Expenditures & TO	\$226.0	\$240.5	\$243.7	\$250.8	\$258.8	\$267.2
Surplus (Deficit)	(\$8.4)	(\$7.6)	(\$9.8)	(\$12.1)	(\$13.8)	(\$22.4)

*Final FY 2026-27 Deficit will be **(\$7.8M)** with adoption of labor contracts

General Fund Reserves

General Fund Reserves Spend Down

	FY2025	FY2026	Upcoming Budget Adoptions			
			FY2027	FY2028	FY2029	FY2030
6/30/2025 Final Reserves	\$ 79,582,000					
FY 26/27 Budget Deficit		\$ (7,600,000)				
6/30/2026 Projected Reserves		\$ 71,982,000				
FY 27/28 Budget Deficit			\$ (9,800,000)			
6/30/2027 Projected Reserves			\$ 62,182,000			
FY 28/29 Budget Deficit				\$ (12,100,000)		
6/30/2028 Projected Reserves				\$ 50,082,000		
FY 29/30 Budget Deficit					\$ (13,800,000)	
6/30/2029 Projected Reserves					\$ 36,282,000	
FY 30/31 Budget Deficit						\$ (22,400,000)
6/30/2030 Projected Reserves						\$ 13,882,000

* Council Mandated Reserve was \$39.2M in FY2025, expected to be \$44.9M on June 30, 2027

General Fund Reserves

- With almost \$10 million in Year 1 solutions General Fund available reserves are projected to remain above City Council's mandated policy of 15%-17% of operating expenditures through FY 2027-28 (two years)
- The General Fund Reserve Policy was adopted in 2006 and requires 15%-17% of operating expenditures be available to "alleviate short-term revenue or expenditure volatility; or address one-time high priority needs"
- Does not include considerations for existing facilities, IT infrastructure or pension funding that are considered best practice for agencies like Santa Rosa

General Fund Reserves

- Staff is proposing that City Council revisit the General Fund Reserve Policy during Fiscal Year 2026-27 to review and potentially modernize
- Staff proposes that City Council Assign \$4.5 million in General Fund Reserves to address facility conditions as of 6/30/2026
 - Urgent Facility Needs or Property Exchange
 - Financial Impact
 - Critical stabilization and repairs must be funded directly from General Fund Reserves

General Fund Reserves

- An assignment of reserves does **NOT** appropriate funds. Assigned reserves **CANNOT** be **budgeted** or **spent** without an action from City Council
- An assignment of reserves does **NOT** add to the General Fund deficit
- Staff will be returning early in Fiscal Year 2026-27 to review immediate critical needs with City Council and potential appropriation of funds

Staffing Summary

PROPOSED BUDGET FY 2026-27



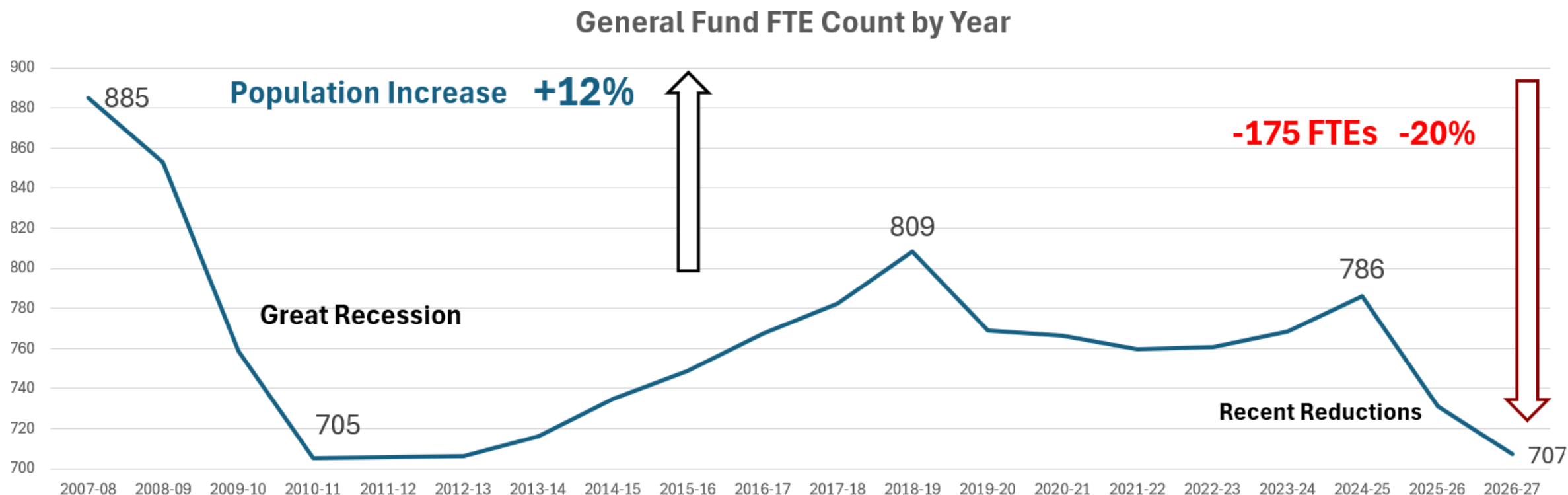
Authorized FTE Staff Summary

Dept.	FY 25-26	FTE Change	FY 26-27
CAO	15.00	-	15.00
CMO	9.00	7.00	16.00
Comm's & Intergovt Rel	7.00	-7.00	-
Finance	60.60	-28.00	32.60
Fire	180.00	-19.00	162.00
HCS	27.00	-2.00	25.00
HCS - Recreation	-	34.55	34.55
Recreation & Parks	69.55	-69.55	-

Authorized FTE Staff Summary

Dept.	FY 25-26	FTE Change	FY 26-27
HR	20.00	-	20.00
IT	33.00	-	33.00
PED	75.00	28.00	103.00
Police	249.00	-	249.00
TPW	250.00	28.00	278.00
Water	282.00	-	282.00
Total FTEs	1277.15	-27.00	1250.15

General Fund FTE Count by Fiscal Year



Questions?

Year 2 Potential Impacts

BUDGET PLANNING FY2027-28
FOR FISCAL YEAR STARTING JULY 1, 2027

Year 2 Challenges (starting July 1, 2027)

- Despite corrective action the General Fund remains in a structural deficit
 - FY 2025-26: \$15.2M in budget cuts and 54.0 FTEs in the General Fund
 - FY 2026-27: \$9.5M in budget cuts and 25.0 FTEs in the General Fund
- General Fund staffing is now at the bottom of Great Recession levels representing a **20%** reduction from the all-time high
- Sales Tax Revenue Measure Q expires in FY 2030-31; **\$23.5M** of ongoing revenue will be discontinued
- The City is committed to transparency on services and program eliminations in Police, Fire, Recreation, Parks and Public Works that will impact the community without revenue enhancements

Year 2 Challenges (continued)

- A **(\$9.8M)** deficit is projected in FY 2027-28 and expected to grow to **(\$22.4M)** in FY 2030-31 without additional revenue
- As a result, General Fund departments were directed by the City Manager to develop cut scenarios to illustrate reductions required July 1, 2027, to balance future budgets
- To address the FY 2027-28 deficit of **(\$9.8M)**, it is projected that a reduction of 41.5 FTEs is required, which would result in major impacts to core services
- Deficit are projected to further increase in FY 2030-31 due to expiration of Measure Q in March of 2031
- Current deferred maintenance to City infrastructure is growing with each year and will require significant financial resources

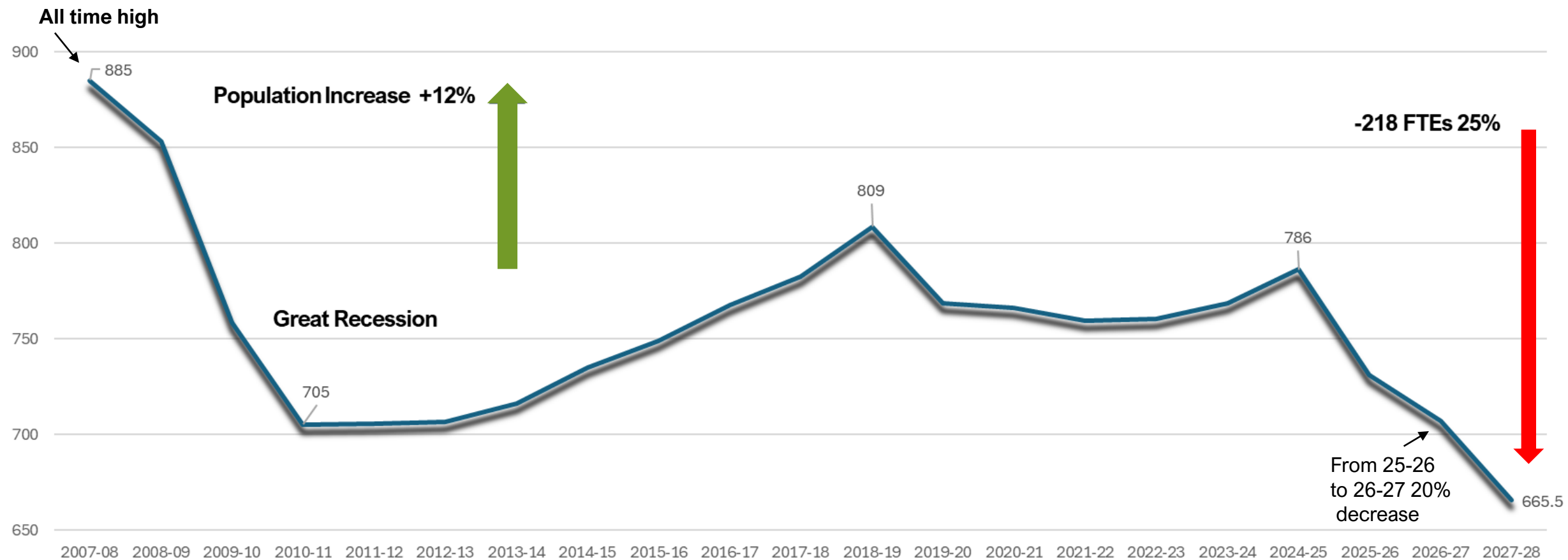
Structural Deficit Impacts Overview

Department Reductions

Department	FY 2027-28 7/1/2027		FY 2030-31 7/1/2030	
	Proposed Budget Reduction	FTE Count	Proposed Budget Reduction	FTE Count
Police	\$ 3,120,986	(11.0)	\$ 7,148,141	(24.0)
Fire	2,529,502	(8.0)	5,793,438	(18.0)
TPW	1,458,816	(8.0)	3,341,194	(18.0)
PED	817,724	(4.0)	1,872,872	(9.0)
IT	496,245	(3.0)	1,136,572	(6.0)
Finance	448,001	(2.0)	1,026,079	(5.0)
HCS - Recreation	364,420	(2.0)	834,649	(5.0)
Human Resources	180,500	(1.0)	413,407	(2.0)
City Attorneys Office	175,430	(1.0)	401,796	(2.0)
HCS	144,455	(1.0)	330,852	(2.0)
CMO/CIRO	47,624	(0.5)	109,076	(1.0)
Total	\$ 9,783,703	(41.50)	\$ 22,408,076	(92.00)

For illustration purposes only; not being recommended

General Fund FTE Count 10 Year History



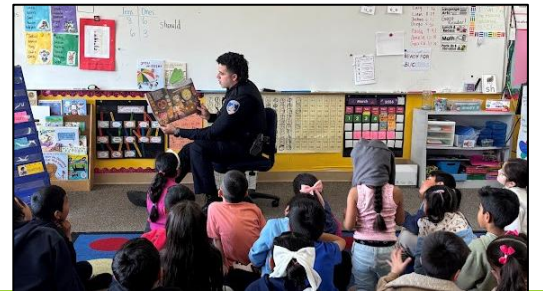
Department Impacts

July 1, 2027

Year 2 Public Safety Impacts (FY 2027-28)

Police

- Elimination or consolidation of Police special units
 - Impacts to Gangs, Narcotics, Traffic, Downtown Enforcement and SET teams
- As of 7/1/2027 proposed 11.0 FTE reduction; equivalent of \$3.1M
- As of 7/1/2030 proposed 24.0 FTE reduction; equivalent of \$7.1M
- These reductions will have significant impacts to police response times to emergency calls for service.
- Elimination of specialty teams will greatly impact our ability to recruit and retain police officers in a highly competitive hiring environment.



Year 2 Public Safety Impacts(FY 2027-28)

Police

- The loss of specialty teams and minimum staffing levels in patrol will create an environment where police officers are just responding to crimes and do not have the ability to thoroughly investigate the offenses and bring justice to victims of violent crimes.
- This inability to properly investigate crimes leads to increases in violent crimes and visible blight across the city.
- The impacts of eliminating these police positions will have measurable impacts of the safety of our community.
- Police Officer community engagement opportunities will be severely limited due to fewer officers available to respond to calls for service.

Year 2 Service Impacts (FY 2027-28)

Fire

- Fire Station Closure(s)
 - Impacts to call response times, particularly EMS, and core fire suppression readiness
 - Reduction of wildfire prevention and wildfire response capabilities
 - Reduction of special operations capability (technical rescue, water rescue, etc.)
 - Resources available will be below Measure O (PSAP) implementation levels, circa 2007
 - Call volume increase of ~66% in this time frame
 - Impact on recruitment and retention of employees due to uncertainty of future

Year 2 Service Impacts (FY 2027-28)

Fire

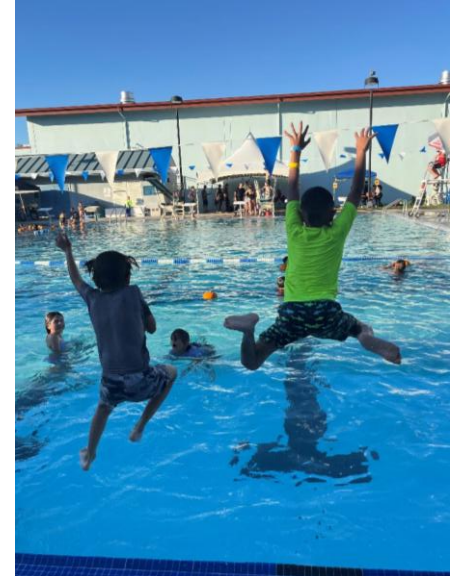
- Impact on recruitment and retention of employees due to uncertainty of future
- Other options will be explored to reduce service delivery impact
 - Any reduction of this magnitude will have negative operational consequences.
- As of 7/1/2027 proposed 8.0 FTE reduction the equivalent of \$2.5M
- As of 7/1/2030 proposed 18.0 FTE reduction the equivalent of \$5.8M



Year 2 Service Impacts (FY 2027-28)

Recreation

- As of 7/1/2027 proposed 2.0 FTE reduction the equivalent of \$364K
- As of 7/1/2030 proposed 5.0 FTE reduction the equivalent of \$835K
- Staffing reductions may lead to various program closures:
 - Adult Softball league
 - Tiny Tots program
 - Park Ambassador program
 - Youth sports



Year 2 Service Impacts (FY 2027-28)

Planning & Economic Development

- Non-fee generated services and programs in jeopardy of substantial reduction or termination
 - Economic development initiatives, dedicated customer service channels, long range planning functions not associated with state mandated policies
- Loss of community promotion support – removal of community promotions funding and Live at Julliard
- Significant and unpredictable swings in fee generated services (permitting and inspection)
 - Published review timelines currently exceed community expectations
 - Standard 4 week for minor plan review timeline can exceed 20 weeks
- Code Enforcement focus on only substandard housing and health life safety complaints
- Staff retention and attraction issues
- As of 7/1/2027 proposed 4.0 FTE reduction the equivalent of \$817K
- As of 7/1/2030 proposed 9.0 FTE reduction the equivalent of \$1.9M

Year 2 Service Impacts (FY 2027-28)

Additional Impacts

- Critical reduction of cybersecurity
- Human Resources requires longer time to fill public safety positions
 - Increased Worker's Compensation injuries
- Longer response time to critical legal issues
- Increased vendor payment processing time
- Delayed audits

Year 2 Service Impacts (FY 2027-28)

Parks Maintenance

- 3 MW for NW Quadrant Parks (19 parks)
- 3 MW for SW Quadrant Parks (12 parks)
- 3 MW for NE Quadrant Parks (24 parks)
- 3 MW for SE Quadrant Parks (23 parks)
- 4 MW for Downtown Public Spaces (8 locations)
- 4 MW for Sports Fields (12 locations)
- ~~➤ 3 MW for Landscaping (7 locations)~~

Public Works Reduction

- 7/1/2027: 8.0 FTE (~\$1.5 M)
- 7/1/2030: 18.0 FTE (~\$3.3M)



Year 2 Service Impacts (FY 2027-28)

Streets

- Decrease in streets and road repair
- 35% of streets are Poor or Fair (1 in 3 streets)
 - 42% of residential streets
- Street maintenance budget already reduced by 50%
 - No General Fund support for re-paving
- Street lighting and traffic poles

Public Works Reduction

- 7/1/2027: 8.0 FTE (~\$1.5 M)
- 7/1/2030: 18.0 FTE (~\$3.3M)



Year 2 Service Impacts (FY 2027-28)

Streets Maintenance

- 10 MW for heavy paving, mill/fill, crack sealing
- 6 MW for potholes
- 5 MW for pavement markings
- ~~➤ 4 MW for debris removal~~
- 4 MW for sidewalk and utility trench patching
- 3 MW for street signs
- 2 MW for storm drain cleaning
- ~~➤ 1 MW for graffiti removal~~

Public Works Reduction

- 7/1/2027: 8.0 FTE (~\$1.5 M)
- 7/1/2030: 18.0 FTE (~\$3.3M)

Other Annual Tasks

- Creek cleaning
- Weed abatement
- Storm response

Year 2 Service Impacts (FY 2027-28)

Other Fixes

- Re-direct CIP Funds
 - Re-visit Parks Measure M split:
 - 50% for CIP
 - 40% for Maintenance
 - 10% for Recreation
 - Gas Taxes could pay for many streets maintenance tasks
- Impacts to CIP
 - Fewer park improvements, but better maintained parks
 - Fewer streets paved, safety improvements, but maintain critical infrastructure functions
- General Fund must support Facilities maintenance

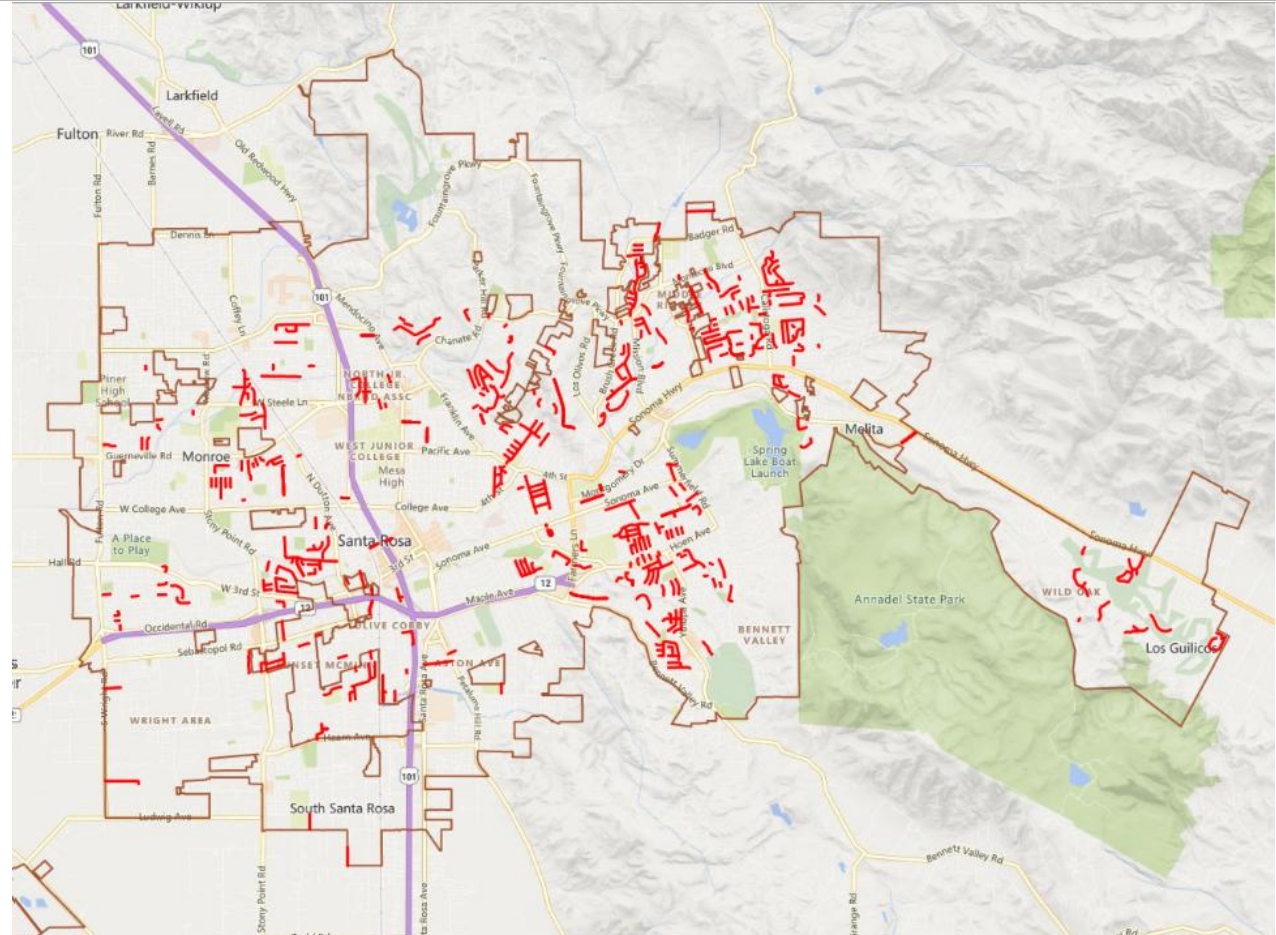
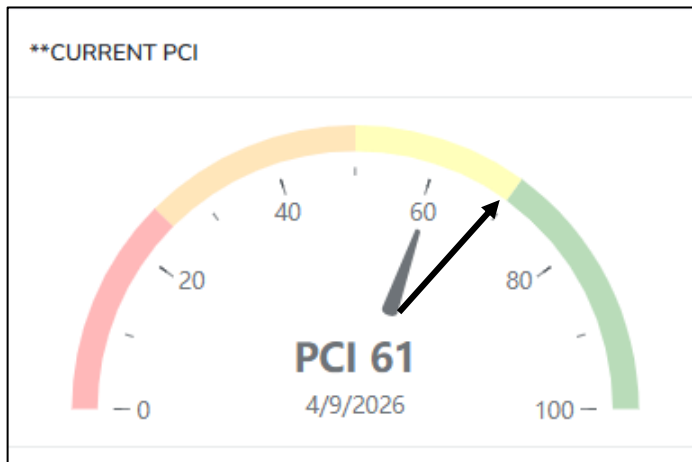
Public Works Reduction

- 7/1/2027: 8.0 FTE (~\$1.5 M)
- 7/1/2030: 18.0 FTE (~\$3.3M)

Current Network Condition

Residential with PCI below 25

- 44 centerline miles
- 809,898 square yards of surface area
- 3" mill and fill (\$52/square yard)
- \$42.1M construction

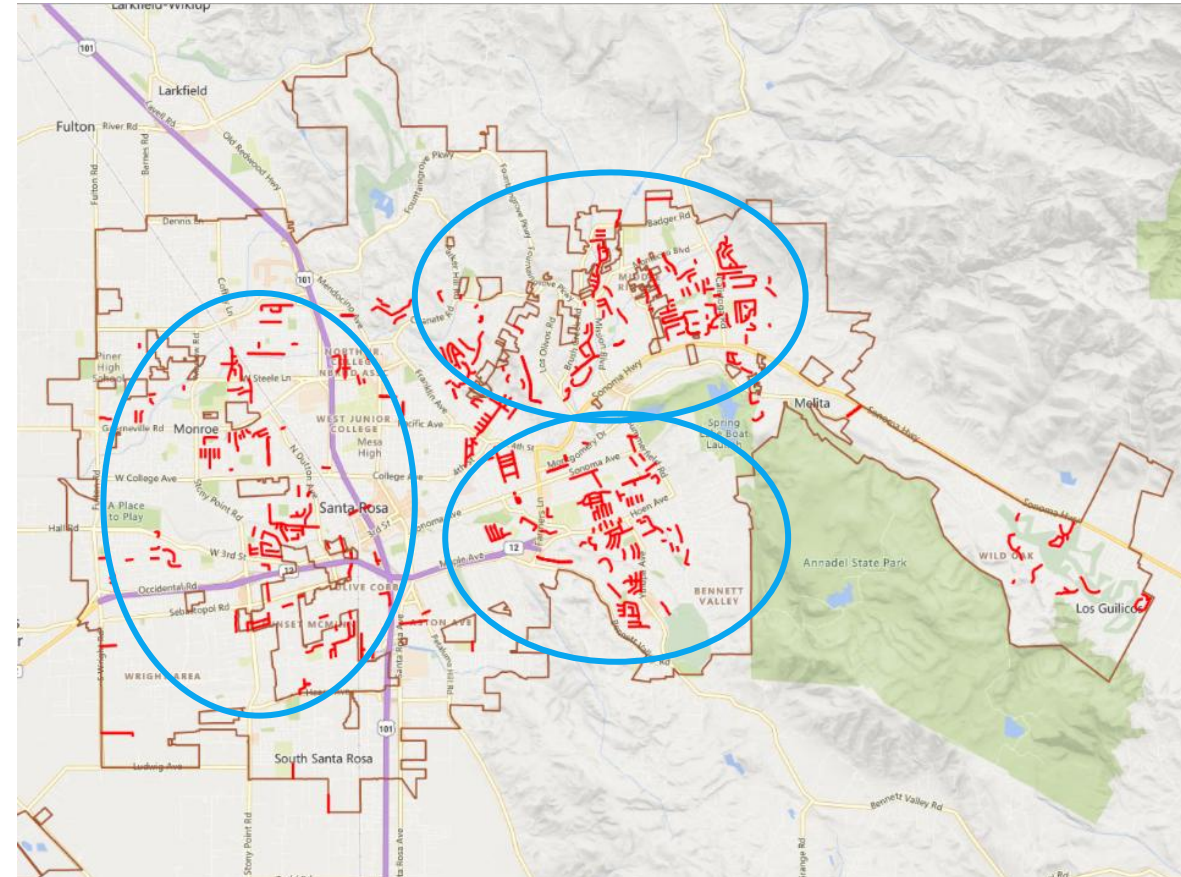
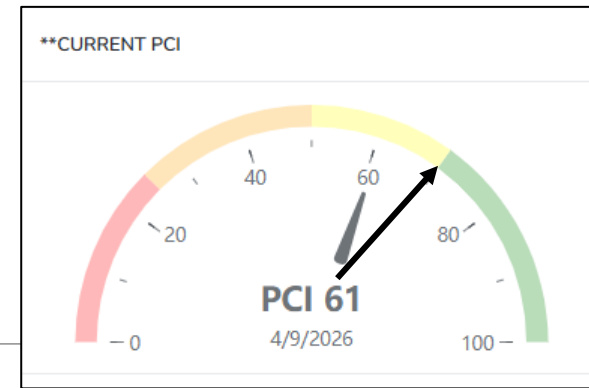


Delivery Model

Residential with PCI below 25

- \$42.1M construction
 - \$4.2M contingency
 - \$6.2M staff time
 - \$7.5M inspection
 - \$60M total
-
- 3-4 \$15 to \$20M projects

To maintain sustainably: need \$2.5-3M annually
in General Fund support



Unfunded Capital and Infrastructure Needs

- **\$7 Million** annual need for residential streets maintenance
 - \$4 million annual bond payment and \$3 million is ongoing maintenance
- **\$4.5 Million** City Facilities
- **\$2 Million** technology funding gap
 - The City has no technology replacement reserve that is common with agencies of our size
 - Missing major software application like HRIS Program or Project Management Application
 - Need is expected to grow with technology advancements

Sales Tax Measure Q Expiration

- Measure Q is a 0.5% sales tax that was approved by voters in November 2020 that is set to expire March 31, 2031
- The City receives approximately \$23.5 million of sales tax revenue annually
- Without Measure Q revenue the FY 2026-27 deficit would reach \$31.3 million

Year 2 Recommendation

- With the adoption of the Fiscal Year 2026-27 annual budget, \$7.8 million of reserves will be expended to allow Council time to determine a path forward
- This two-year strategy provides funding through June 30, 2027
- However, to maintain critical public safety and other services, additional revenue is needed to avoid drastic cuts to essential services
- With previous reductions of over \$25M and 79.0 FTEs the City can no longer reduce programs and staffing
- As such, staff will be recommending a proposal in July 2026 on how to increase revenue to maintain existing services and addressing deteriorating infrastructure

Recommendation

The City Manager and the Finance Department recommend that Council:

- Approve by five (5) resolutions to adopt the FY 2026-27 Operations & Maintenance Budget and Capital Improvement Program Budget
- By resolution, amend the Public Safety and Prevention Transaction & Use Tax Implementation Plan for FY 2026-27 for all budgeted programs
- Assign up to \$4.5 million in a critical facilities reserve to address facility needs as of June 30, 2026

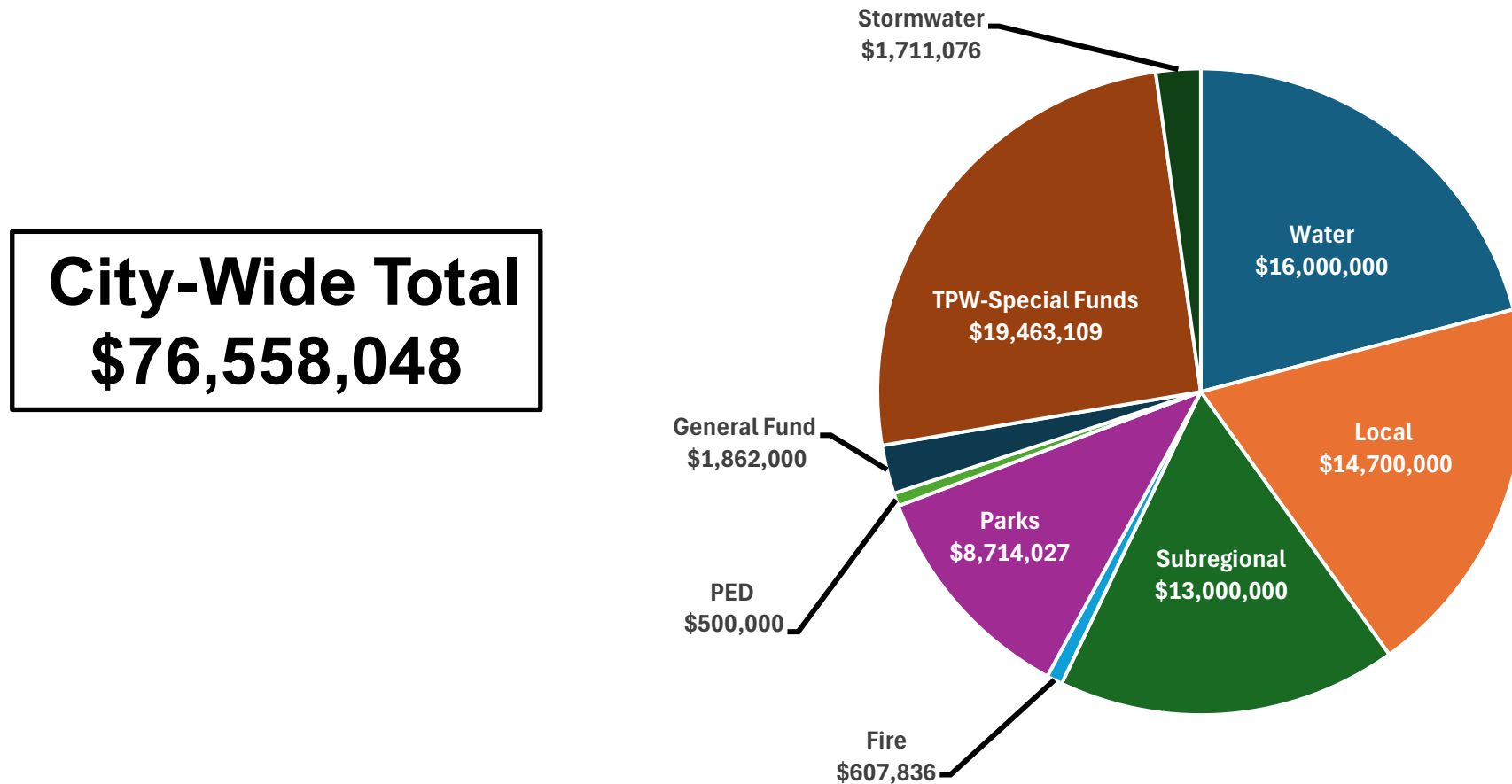
Questions?

Citywide Capital Improvement Program

PROPOSED BUDGET FY 2026-27



CIP FY 2026-27 Funding Sources



Fire Department Proposed CIP Budget

Fire Department CIP Budget	Proposed Budget
New Fire Station – Kawana Springs – Capital Facilities Fees	\$272,668
Permanent Fire Station 11 Build – Capital Facilities Fees	272,668
Permanent Fire Station 11 Build – PSAP Tax	<u>62,500</u>
Total Fire Department Capital Projects	\$607,836



Water Department Proposed CIP Budget

Water Department CIP Budget		Proposed Budget
Water Annual CIP		\$16,000,000
Wastewater Annual CIP		14,700,000
Regional Annual CIP		13,000,000
Storm Water & Creeks CIP		<u>626,076</u>
Total Water Department Capital Projects		\$44,326,076
Additional Storm Water & Creeks Gas Tax		675,000
Additional Storm Water & Creeks Enterprise & CFF		410,000

Water Proposed CIP Budget

	Current	FY26-27 Proposed
Master Plans and Studies	\$5,625,862	\$2,247,000
New Projects	-	\$500,000
In Design, Not Fully Funded	\$13,481,279	\$1,363,000
In Design, Fully Funded	\$22,955,726	\$11,890,000
Projects in Construction	\$4,433,730	-
TOTAL	\$46,496,597	\$16,000,000

Wastewater Proposed CIP Budget

	Current	FY26-27 Proposed
Master Plans and Studies	\$2,165,530	\$1,499,000
New Projects	-	\$845,000
In Design, Not Fully Funded	\$2,859,126	\$4,765,000
In Design, Fully Funded	\$9,808,068	\$7,541,000
Projects in Construction	\$16,144,731	\$50,000
TOTAL	\$30,977,455	\$14,700,000

Regional Proposed CIP Budget

	Current	FY26-27 Proposed
Master Plans and Studies	\$6,495,928	\$1,550,000
New Projects	-	\$500,000
In Design, Not Fully Funded	\$2,950,646	\$5,375,000
In Design, Fully Funded	\$2,815,717	\$5,575,000
Projects in Construction	\$5,028,219	-
TOTAL	\$17,290,510	\$13,000,000

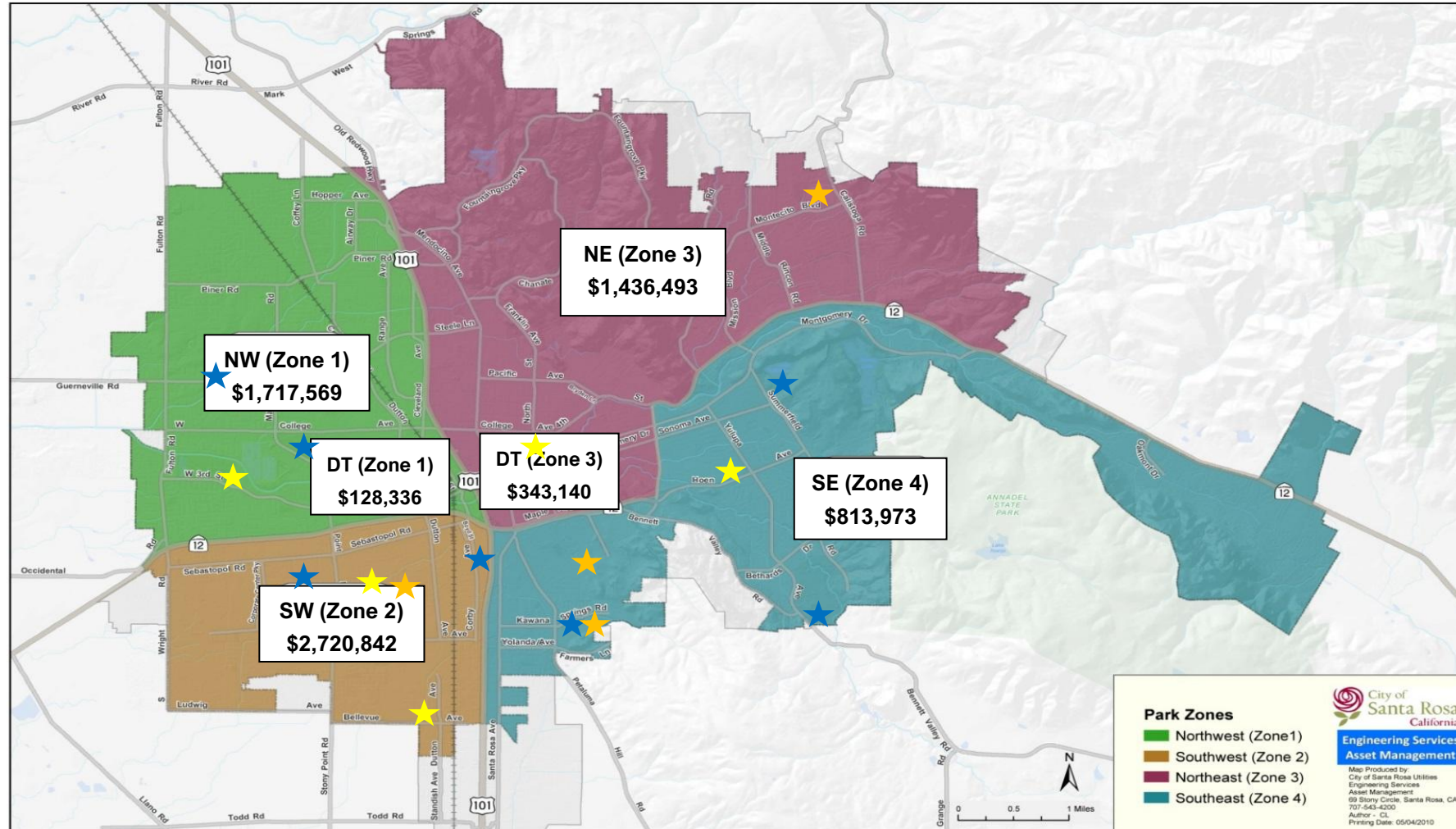
Storm Water & Creeks Proposed CIP Budget

	Current	FY26-27 Proposed
Master Plans and Studies	\$689,758	\$875,000
New Projects	--	-
In Design, Not Fully Funded	\$380,495	-
In Design, Fully Funded	\$3,818,528	\$836,076
Projects in Construction	\$1,560,452	-
TOTAL	\$6,449,233	\$1,711,076

Funding Sources:

- \$495,000 Storm Water/Creek Enterprise
- \$541,076 CFF – Storm Drainage/Sewer
- \$675,000 Gas Tax – TPW

Park Development Impact Fee Zones



Parks Proposed CIP Budget

Project Description	Proposed Budget
MLK Park Design/Build	\$4,381,058
Kawana Springs Community Park	2,275,000
Rincon Valley Park	1,336,493
Natural Play Area Renovation - Bayer	100,000
Fountaingrove Roadway Irrigation	100,000
South Davis Park	50,000
Downtown Parks Zone 1	128,336
Downtown Parks Zone 3	<u>343,140</u>
Total Parks Capital Projects	\$8,714,027



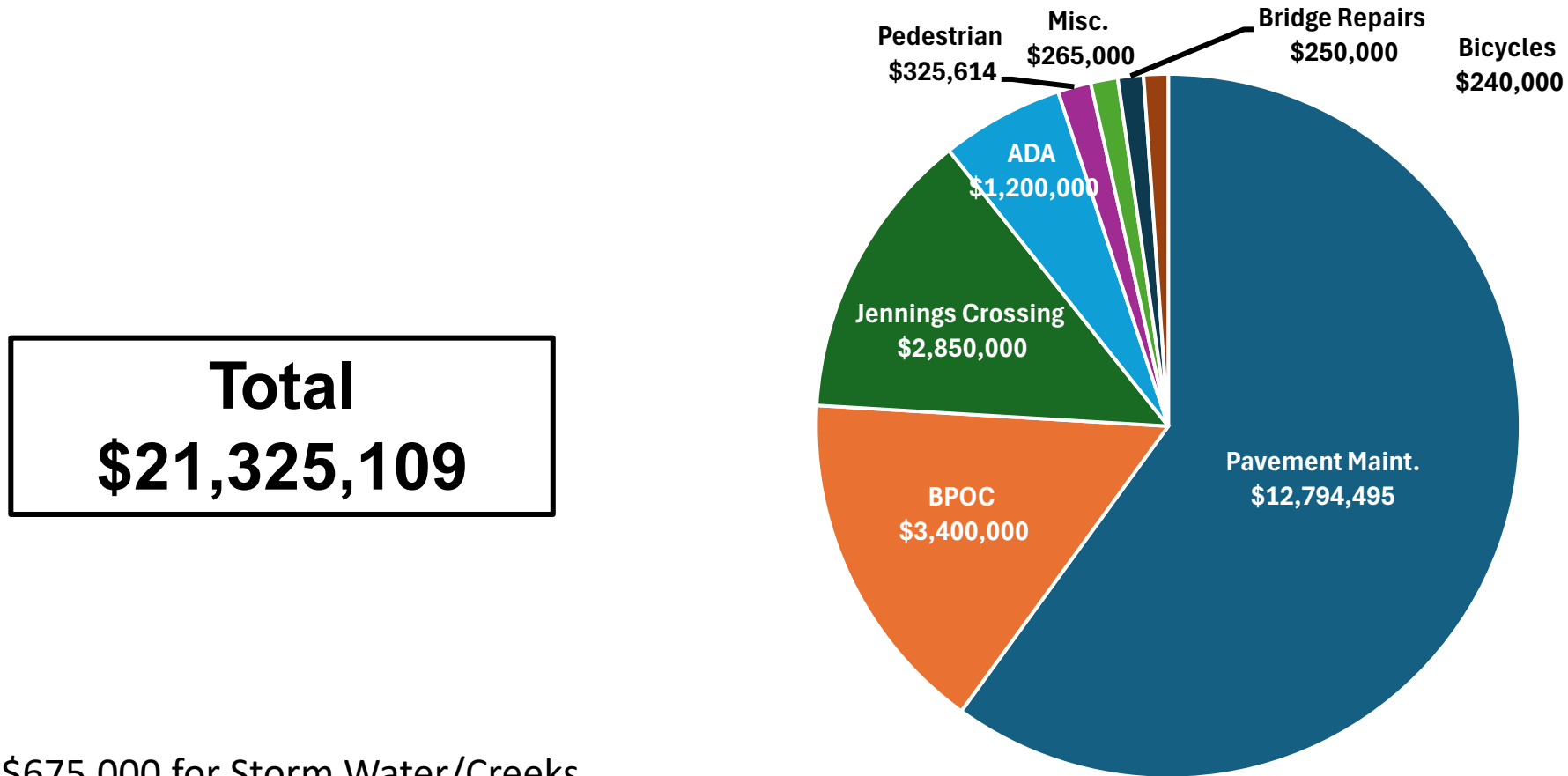
Transportation & Public Works Funding Sources

Funding Source	Proposed Budget
Gas Taxes	\$8,945,070
Utility Impact Fee	4,188,616
Impact/Development Fees	3,426,149
Measure M/DD – Streets	2,903,274
General Fund	1,862,000
Total	\$21,325,109

Excludes \$675,000 for Storm Water/Creeks

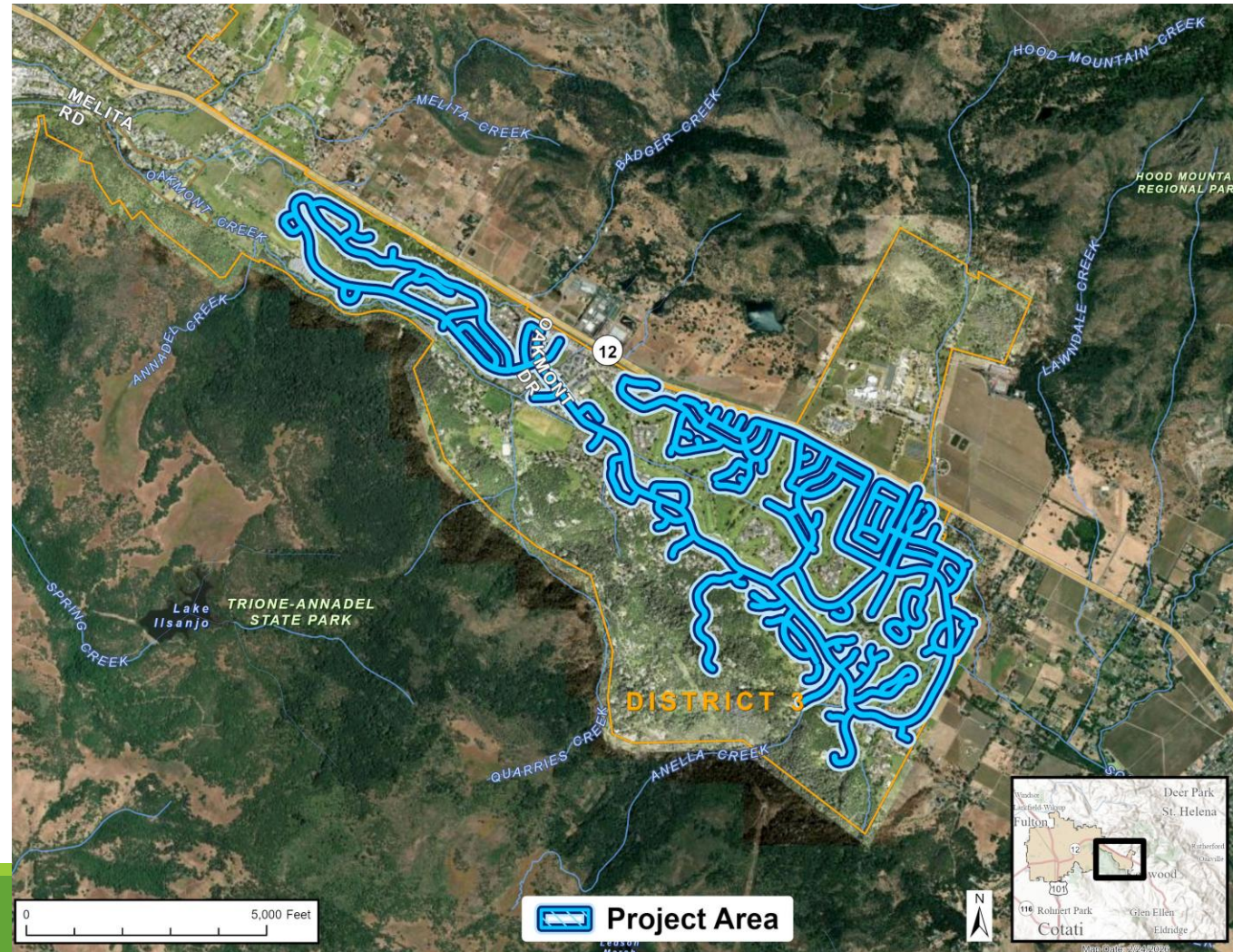
Excludes Parks Capital Projects

TPW FY 2026-27 CIP Appropriations

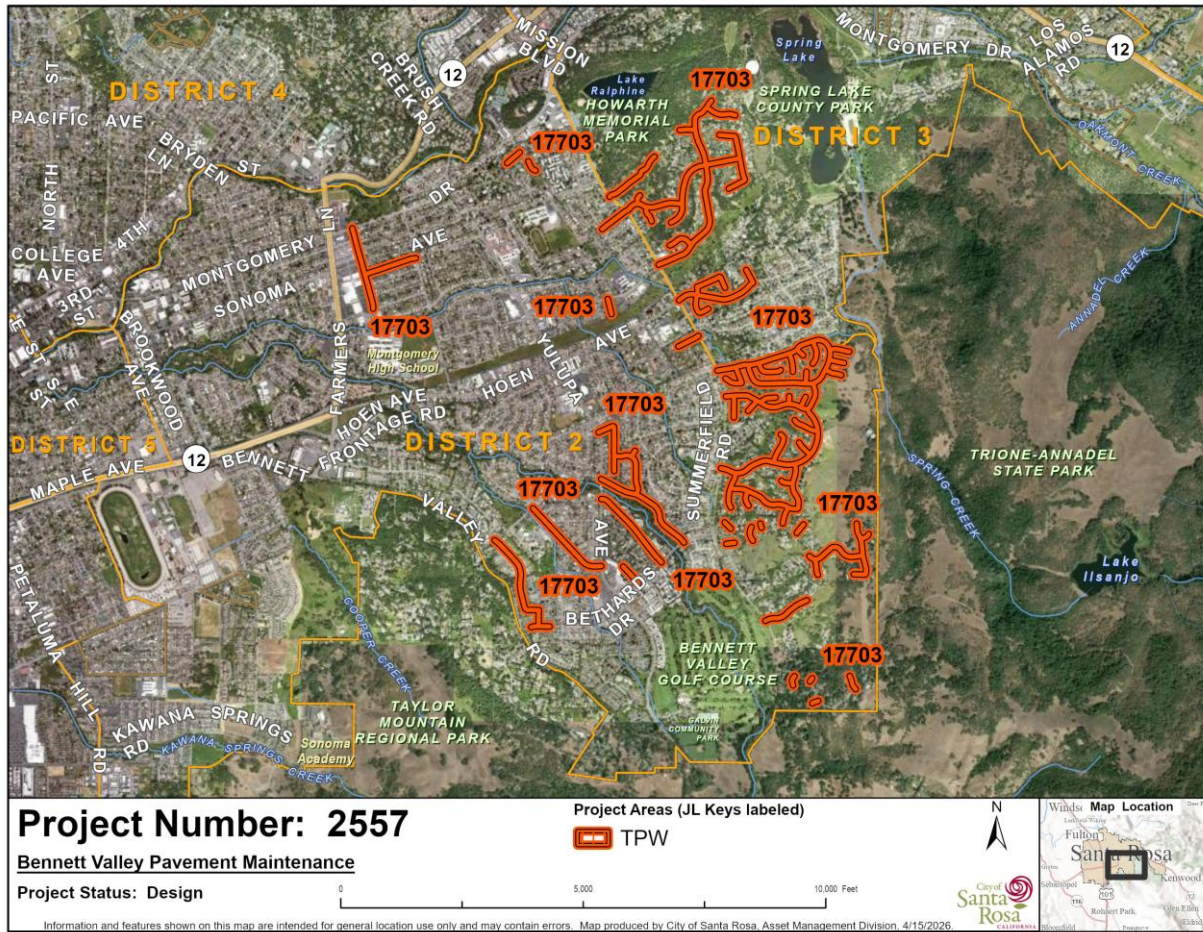


Excludes \$675,000 for Storm Water/Creeks
Excludes Parks Capital Projects

Pavement Maintenance



Pavement Maintenance



Questions?