



# FY 2026-27 Budget Priorities Public Hearing

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CHIEF FINANCIAL OFFICER

CITY COUNCIL MEETING

JANUARY 27, 2026

VERONICA CONNER

BUDGET AND FINANCIAL ANALYSIS MANAGER

# Overview

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- The past year saw significant actions from the City Council in addressing the structural deficit which included:
  - \$10.4 million in one-time funds allocated to the City's reserves
  - \$15.2 million in ongoing annual reductions
  - Workforce reduction of 54 full time equivalent positions
  
- Voter approved enhanced revenues brought additional revenue to the General Fund
  - Business Tax saw a \$3.3 million increase
  - Transient Occupancy Tax saw a \$400K increase
  
- Despite these actions the General Fund 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
  
- The City has received an unmodified opinion (clean and without audit findings) back from our independent auditor for the Fiscal Year 2024-25 Annual Comprehensive Financial Statement

# Long Range Financial Forecast

- The City uses a 5-year financial forecast using trend analysis for revenues and expenditures to judge the health of the General Fund
- Will create basis for any potential 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
<b>Total Revenues &amp; TI</b>	<b>\$217.6</b>	<b>\$222.2</b>	<b>\$227.0</b>	<b>\$230.6</b>	<b>235.6</b>
Expenditures	216.8	230.3	240.7	251.8	260.2
Transfers Out	9.2	9.3	9.5	9.0	9.2
<b>Total Expenditures &amp; TO</b>	<b>\$226.0</b>	<b>\$239.6</b>	<b>\$250.1</b>	<b>\$260.8</b>	<b>269.3</b>
<b>Surplus (Deficit)</b>	<b>(\$8.4)</b>	<b>(\$17.3)</b>	<b>(\$23.1)</b>	<b>(\$30.1)</b>	<b>(33.7)</b>

# Projected Use of Reserves

	FY2025	FY2026	Upcoming Budget Adoptions		
			FY2027	FY2028	FY2029
<b>6/30/2025 Final Reserves</b>	<b>\$ 79,582,000</b>				
FY 26/27 Budget Deficit		\$ (17,300,000)			
<b>6/30/2026 Projected Reserves</b>		<b>\$ 62,282,000</b>			
FY 27/28 Budget Deficit			\$ (23,100,000)		
<b>6/30/2027 Projected Reserves</b>			<b>\$ 39,182,000</b>		
FY 28/29 Budget Deficit				\$ (30,100,000)	
<b>6/30/2028 Projected Reserves</b>				<b>\$ 9,082,000</b>	
FY 29/30 Budget Deficit					\$ (33,700,000)
<b>6/30/2029 Projected Reserves</b>					<b>\$ (24,618,000)</b>
* Council Mandated Reserve was \$34.9M in FY2024, expected to be \$40.6M in 2027					

# Cumulative Budget Reductions To Date

- 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 was 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
<b>Police Department</b>	\$ 6,222,331.0	\$ 3,005,002.0	\$ (3,217,329)
<b>Fire Department</b>	\$ 4,469,286.0	\$ 2,127,000.0	\$ (2,342,286)
<b>Transportation &amp; Public Works</b>	\$ 2,060,252.0	\$ 1,894,605.0	\$ (165,647)
Planning & Econ Development	\$ 1,400,261.0	\$ 1,510,190.0	\$ 109,929
<b>Recreation &amp; Parks</b>	\$ 1,369,611.0	\$ 1,166,731.0	\$ (202,880)
Finance	\$ 640,292.0	\$ 1,754,902.0	\$ 1,114,610
Housing & Community Services	\$ 392,022.0	\$ 1,579,000.0	\$ 1,186,978
Human Resources	\$ 371,420.0	\$ 519,435.0	\$ 148,015
<b>City Attorney</b>	\$ 367,459.0	\$ 308,050.0	\$ (59,409)
City Manager	\$ 253,062.0	\$ 844,900.0	\$ 591,838
Comms & Intergovt. Relations	\$ 145,580.0	\$ 444,368.0	\$ 298,788
<b>Santa Rosa Water</b>	\$ 59,617.0	\$ 57,000.0	\$ (2,617)
<b>Total</b>	\$ 17,751,193.0	\$ 15,211,183.0	\$ (2,540,010)

# 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%
<b>Total</b>	<b>\$ 11,750,000</b>	<b>\$ 15,418,058</b>	<b>\$ 3,668,058</b>	<b>31.2%</b>
** 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
<b>Sales Taxes</b>	<b>\$ 75,866,735</b>	<b>\$ 69,098,976</b>	<b>\$ (6,767,759)</b>	<b>-8.9%</b>
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%
<b>Total</b>	<b>\$ 204,999,676</b>	<b>\$ 203,726,554</b>	<b>\$ (1,273,122)</b>	<b>0.6%</b>
			<b>Total \$ 6,817,330</b>	<b>3.1%</b>

# Purpose of Public Hearing

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- Public input on budget priorities for Fiscal Year 2026-27
- Public input on Council Goals
- Written public input can be submitted online at: [www.srcity.org/BudgetComments](http://www.srcity.org/BudgetComments)

# Next Steps

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- Departments and City Manager develop a budget with consideration of Public Priorities and Council Goals: February-May 2026
- Mid-year financial update: March
- Council review of department budgets: May 5 & 6, 2026
- FY 2026-27 draft Budget Documents available to the public: June 2, 2026
- FY 2026-27 Budget Adoption Hearing: June 16, 2026



# Open Public Hearing on Budget Priorities

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