



FY 2026-27 Budget Priorities Public Hearing

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CITY COUNCIL MEETING
JANUARY 27, 2026

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BUDGET AND FINANCIAL ANALYSIS MANAGER

Overview

- 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
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)

Projected Use of Reserves

		Upcoming Budget Adoptions			
	FY2025	FY2026	FY2027	FY2028	FY2029
6/30/2025 Final Reserves	\$ 79,582,000				
FY 26/27 Budget Deficit		<u>\$ (17,300,000)</u>			
6/30/2026 Projected Reserves		\$ 62,282,000			
FY 27/28 Budget Deficit			<u>\$ (23,100,000)</u>		
6/30/2027 Projected Reserves			\$ 39,182,000		
FY 28/29 Budget Deficit				<u>\$ (30,100,000)</u>	
6/30/2028 Projected Reserves				\$ 9,082,000	
FY 29/30 Budget Deficit					<u>\$ (33,700,000)</u>
6/30/2029 Projected Reserves					\$ (24,618,000)

* 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	
Police Department	\$ 6,222,331.0	\$ 3,005,002.0	\$	(3,217,329)
Fire Department	\$ 4,469,286.0	\$ 2,127,000.0	\$	(2,342,286)
Transportation & Public Works	\$ 2,060,252.0	\$ 1,894,605.0	\$	(165,647)
Planning & Econ Development	\$ 1,400,261.0	\$ 1,510,190.0	\$	109,929
Recreation & Parks	\$ 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
City Attorney	\$ 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
Santa Rosa Water	\$ 59,617.0	\$ 57,000.0	\$	(2,617)
Total	\$ 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%
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%

Purpose of Public Hearing

- 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

Next Steps

- 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
