



FY 2026 Proposed Mid-Biennial Budget Update Adoption

City Council
24 June 2025

OVERVIEW

- General Fund has been struggling with a structural deficit since FY 20-21
- FY 26 estimated General Fund Deficit - \$28.9M
- Deploying one-time measures to balance the FY 26 Budget

BUDGET BALANCING STRATEGIES OVERVIEW

| | April 2025 (1) | As of May 2025 | |
|--|---|---|---|
| | All Vacant Positions Budgeted / 3% Salary Savings | All Vacant Positions Budgeted / 3% Salary Savings (2) | Staff Recommendation Limited Vacant Positions Budgeted / No Salary Savings (3) |
| Revenues | \$284,047,716 | \$291,583,351 | \$291,583,351 |
| Expenditures | 312,999,561 | 312,999,561 | 310,261,633 |
| Surplus/(Deficit) | (\$28,951,845) | (\$21,416,210) | (\$18,678,282) |
| Adopted Budget Balancing Strategies | | | |
| Workers Compensation Transfer to the General Fund | | | 5,187,019 |
| Section 115 Trust for Pension | | | 3,000,000 |
| Proposed Additional Budget Balancing Options | | | |
| Section 115 Trust for Pension | | | 3,000,000 |
| Transfer Fund Balance from IT Cost Allocation Plan | | | 6,164,889 |
| Small Sites Reallocation | | | 2,500,000 |
| Revised Surplus/(Deficit) | | | \$1,173,626 |
| Less: Transfer to Marina Fund to Offset Projected Deficit | | | 1,300,000 |
| Revised Surplus/(Deficit) After Support for Marina Fund | | | (\$126,374) |

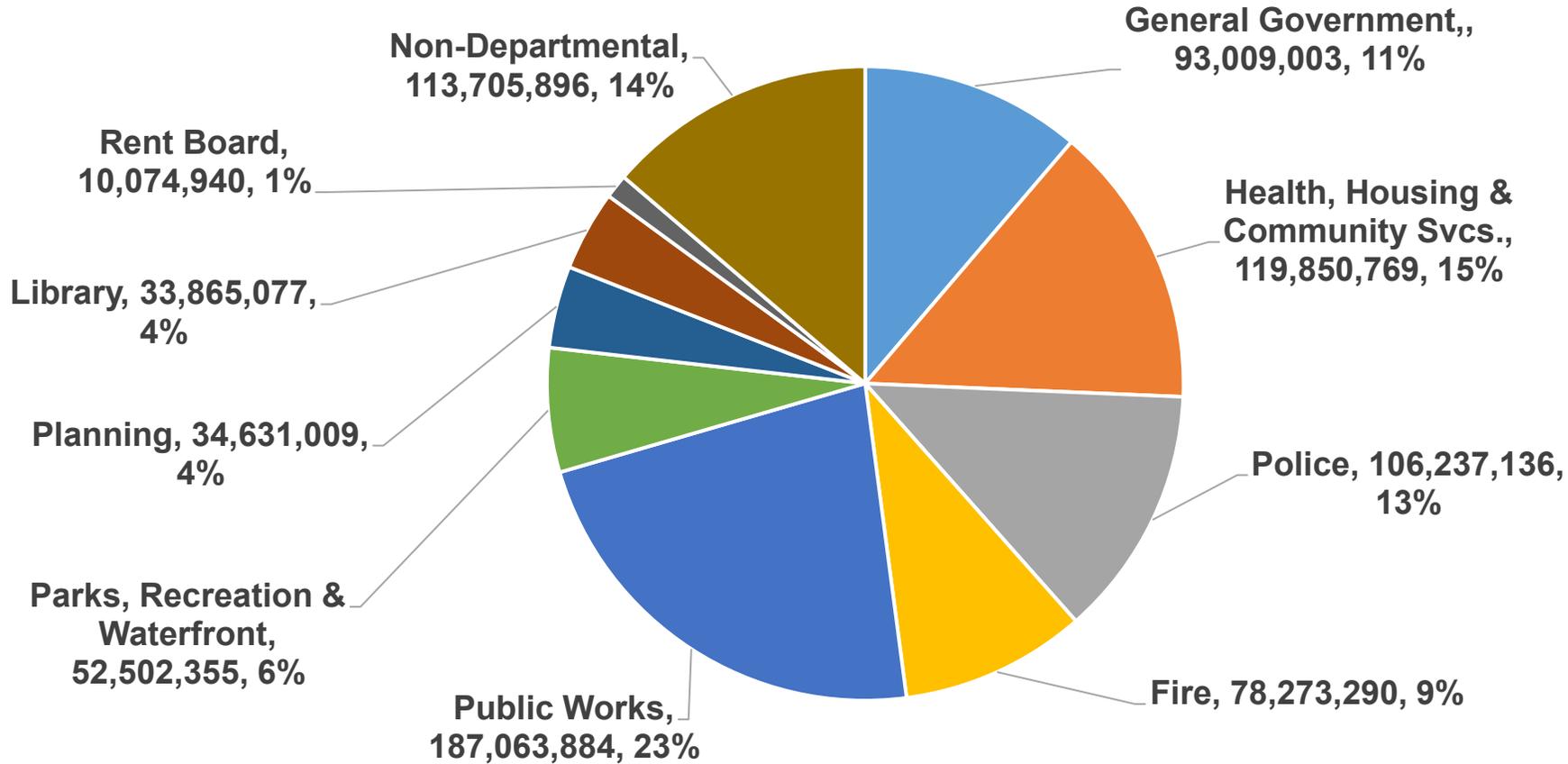
- Increased revenues of \$7.5M help offset the projected deficit. Additional strategies are needed to balance the budget. There are tradeoffs with some options.

How We Balanced the FY 2026 Budget

- 42.4 vacant positions not funded
- 11.8 positions shifted to grant or special fund sources
- 1 temporary provisional position removed from the budget
- Section 115 Pension Trust to offset pension costs.
- Measure U1 and IT Cost Allocation Plan fund balance
- Workers Compensation fund balance

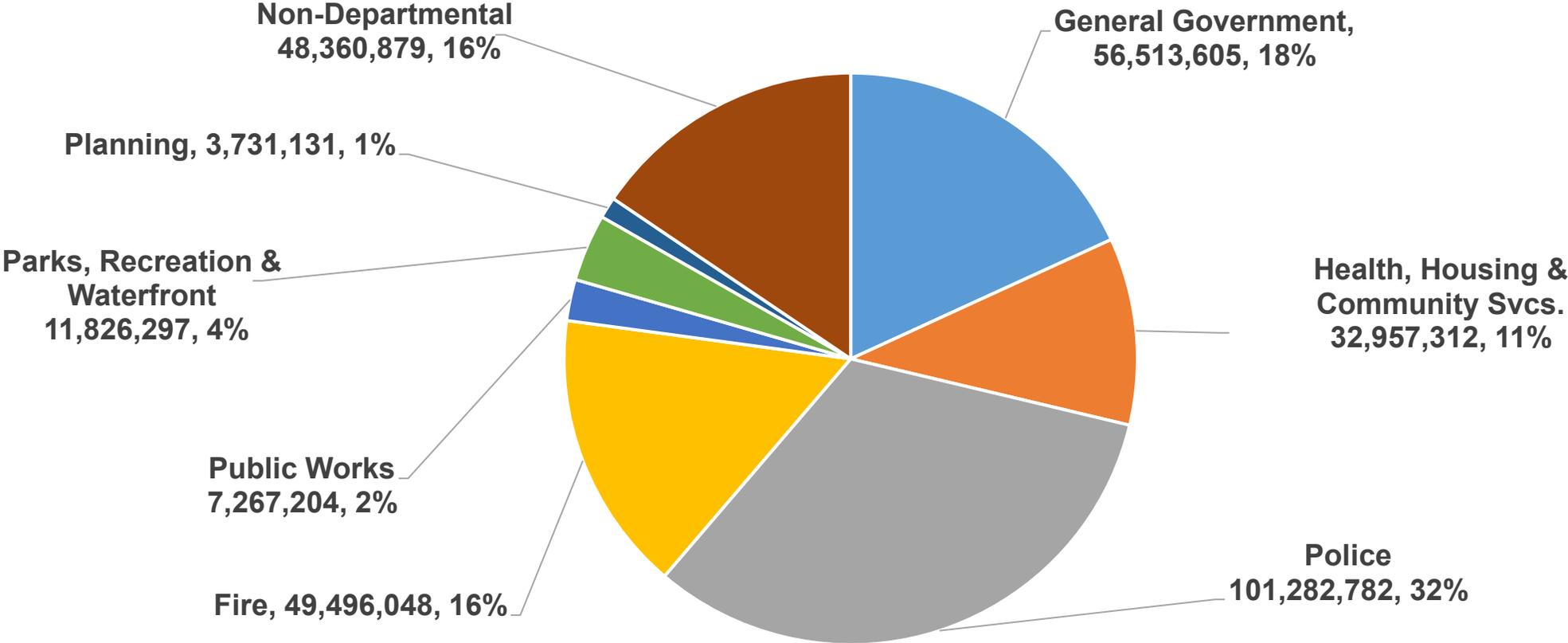
FY 26 MID-BIENNIAL BUDGET UPDATE

FY 2026 Update Summary of Expenditures by Department – All Funds \$829,213,359



FY 26 MID-BIENNIAL BUDGET UPDATE

FY 2026 Update Summary of Expenditures by Department – General Fund \$311,435,259



Looking Ahead: What Keeps Us Up at Night

- Estimated annual structural deficit in excess of \$20M
- Deferred maintenance and aging infrastructure
- Pension costs
- Workers Compensation funding levels
- Inflation
- Insurance and utility costs
- Federal and state funding
- Status of Marina and Parking Funds

Questions and Deliberation