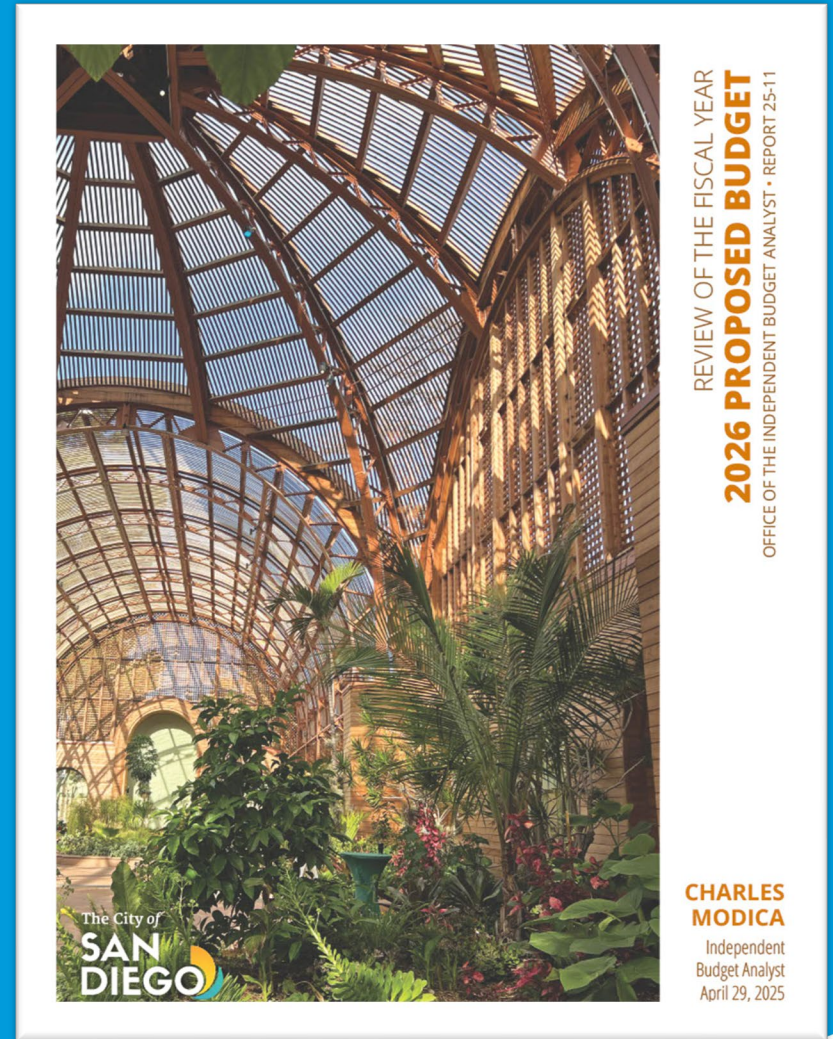


# Budget Town Hall

## IBA Review of the FY 2026 Proposed Budget



Office of the Independent Budget Analyst



# IBA Review of the FY 2026 Proposed Budget

## Presentation Overview

- Overview of the Proposed Budget
- Key Budget Issues
- Next Steps

# Overview of the Proposed Budget

# Overview

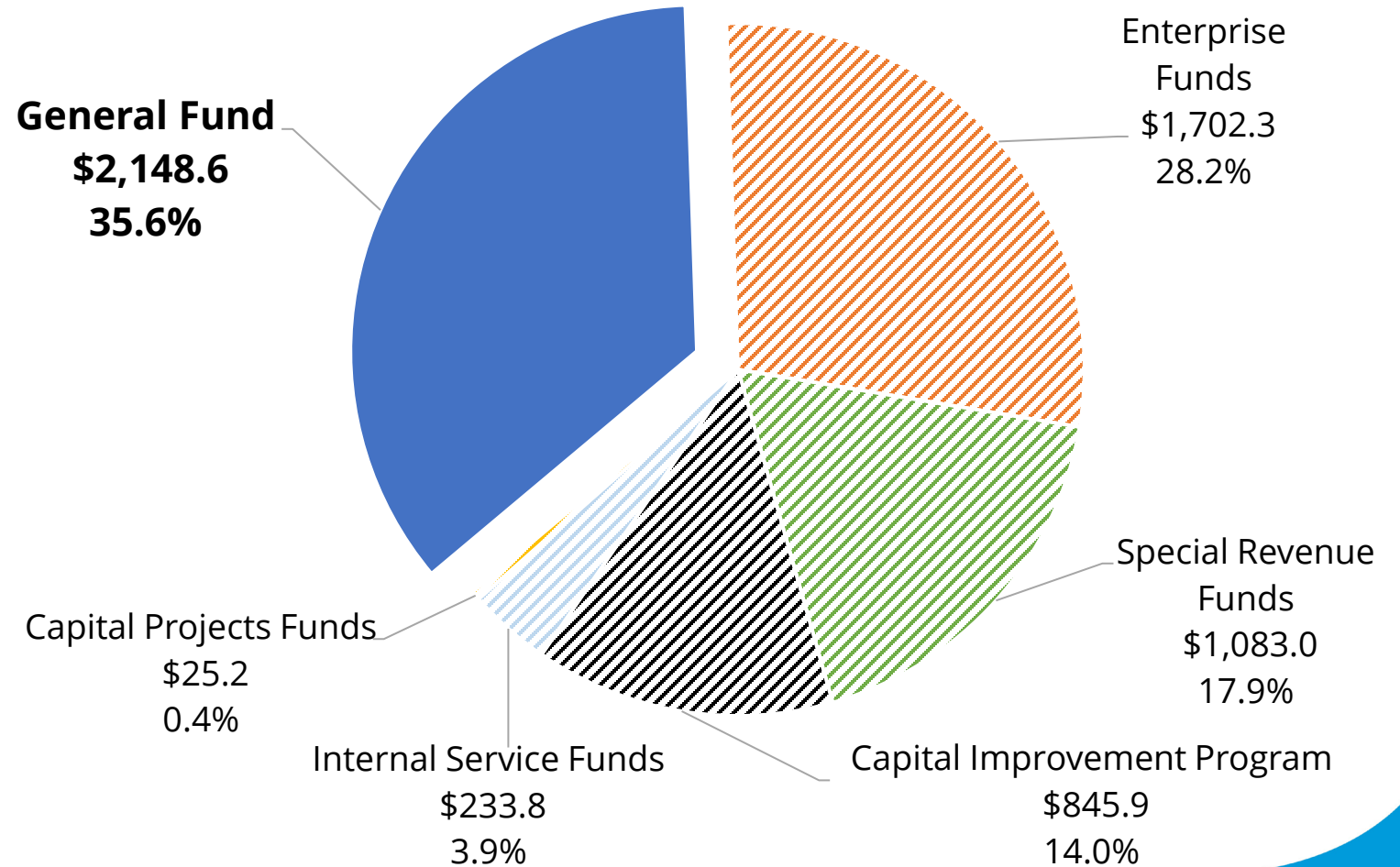
## Key Findings

- Past City budgets maintained significant structural imbalances
- With the failure of the sales tax measure, structural changes and significant cuts to ongoing expenses and service levels are needed
- Mitigations identified in the IBA's review of the Financial Outlook were included in the Proposed Budget
- Several revenue mitigations rely on future action and assumptions that could lead to more cuts if assumptions do not hold
- Program restorations will require identification of efficiencies or cuts elsewhere in the budget

# FY 2026 Proposed Budget by Fund

(Total of **\$6.04 billion**; \$ in million)

**General Fund  
has the most  
flexibility for use**





# General Fund Revenues

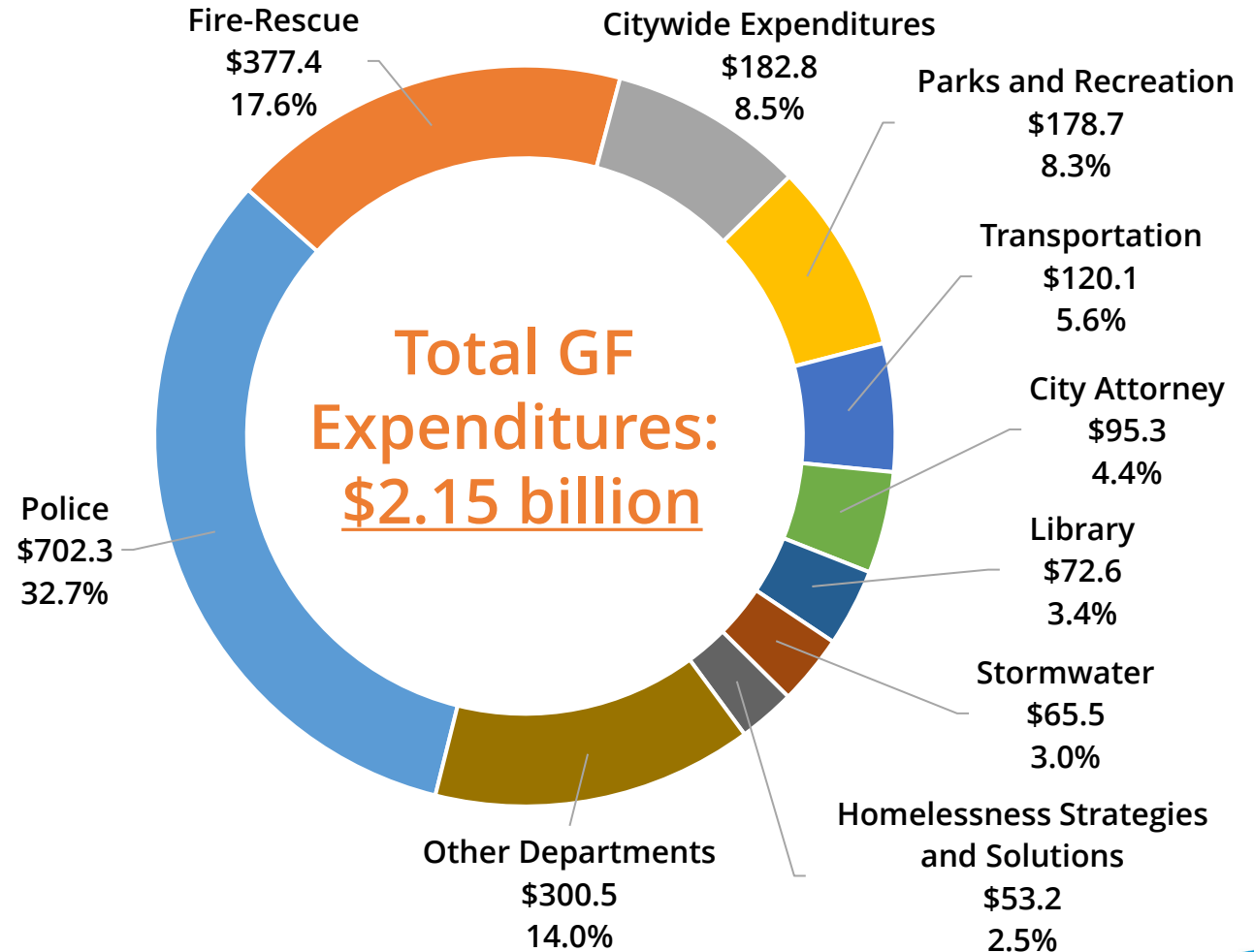
SUMMARY OF GENERAL FUND REVENUES (\$ in millions)				
	FY 2025 PROJECTED YEAR-END	FY 2026 PROPOSED	Mid Year to Proposed	
			CHANGE (\$)	CHANGE (%)
Major General Fund Revenues				
Property Tax	\$ 808.5	\$ 843.4	\$ 34.9	4.3%
Sales Tax	\$ 364.1	\$ 367.3	\$ 3.2	0.9%
Transient Occupancy Tax	\$ 170.4	\$ 175.2	\$ 4.8	2.8%
Franchise Fees	\$ 122.5	\$ 103.0	\$ (19.5)	-15.9%
Subtotal	\$ 1,465.5	\$ 1,488.9	\$ 23.4	1.6%
Other Revenues				
Other Major Revenues	\$ 105.3	\$ 113.6	\$ 8.3	7.9%
Departmental Revenues	\$ 486.1	\$ 546.1	\$ 60.0	12.3%
Subtotal	\$ 591.4	\$ 659.7	\$ 68.3	10.4%
Total Revenue	\$ 2,056.9	\$ 2,148.6	\$ 91.7	4.5%

Table may not total due to rounding

# The Mayor's Proposal to Spend Money

(\$ in millions)

## General Fund Expenditures by Department



# A Closer Look at the Mayor's Proposed Budget

## Significant General Fund Budget Additions

Debt Service  
Payments



\$12.1M

Housing Instability  
Prevention Program



\$5.8M

Fire-Rescue Overtime  
Adjustments



\$5.7M

Capital  
Leases/Financing



\$3.2M

Lifeline Rate  
Assistance Program



\$3.0M



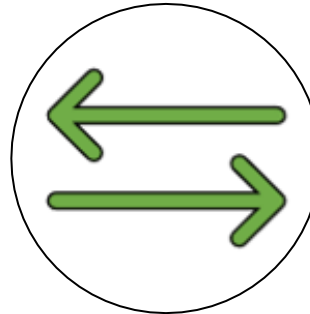
# A Closer Look at the Mayor's Proposed Budget

## Highlighted Budget Mitigations: Additional Revenue

Paid Parking and  
Parking Citation  
Amounts  
\$40.5M



Reimbursements  
and Transfers From  
Other Funds  
\$18.3M



Sycamore Facility  
Franchise Fees  
\$4.3M



Measure C –  
Increase in  
Hotel Tax Revenue  
\$33.8M



Increased  
User Fees  
\$6.1M



Cannabis Business  
Tax Rate Increase  
\$4.0M



# A Closer Look at the Mayor's Proposed Budget

## Highlighted Budget Mitigations: Decreased Expenses

Transfer of Trash  
Collection Expenses  
to Solid Waste Fund  
\$73.8M



Elimination of  
Sunday and Monday  
Library Hours  
\$8.6M



Waiver of Reserves  
Contributions  
\$64.0M



Debt Service Cost  
Delays  
\$7.8M



# A Closer Look at the Mayor's Proposed Budget

## Highlighted Budget Mitigations – Decreased Expenses

Waiver of  
Climate Equity  
Fund Contribution  
\$6.6M



Reduced  
Stormwater  
Operations  
\$5.3M



Closure of  
Rosecrans Shelter  
\$4.8M



Reduced Park  
Maintenance  
\$6.4M



Reduced  
Recreation Hours  
\$4.8M



Reduced Funding for  
Public Restrooms  
\$4.6M







# Key Budget Issues

# Key Budget Issues

## Homelessness and Housing

- \$53M in City Funding to maintain programs
  - \$34M of this amount from Measure C - first dedicated funding source
- \$34M from grant funds outside budget process
- Mitigations: Rosecrans, Caltrans Outreach, restrooms

## Pension

- Pension costs make up 17.6% of General Fund expenditures
- Most significant increase due to higher salaries than assumed in FY 2023



# Key Budget Issues

## Equity

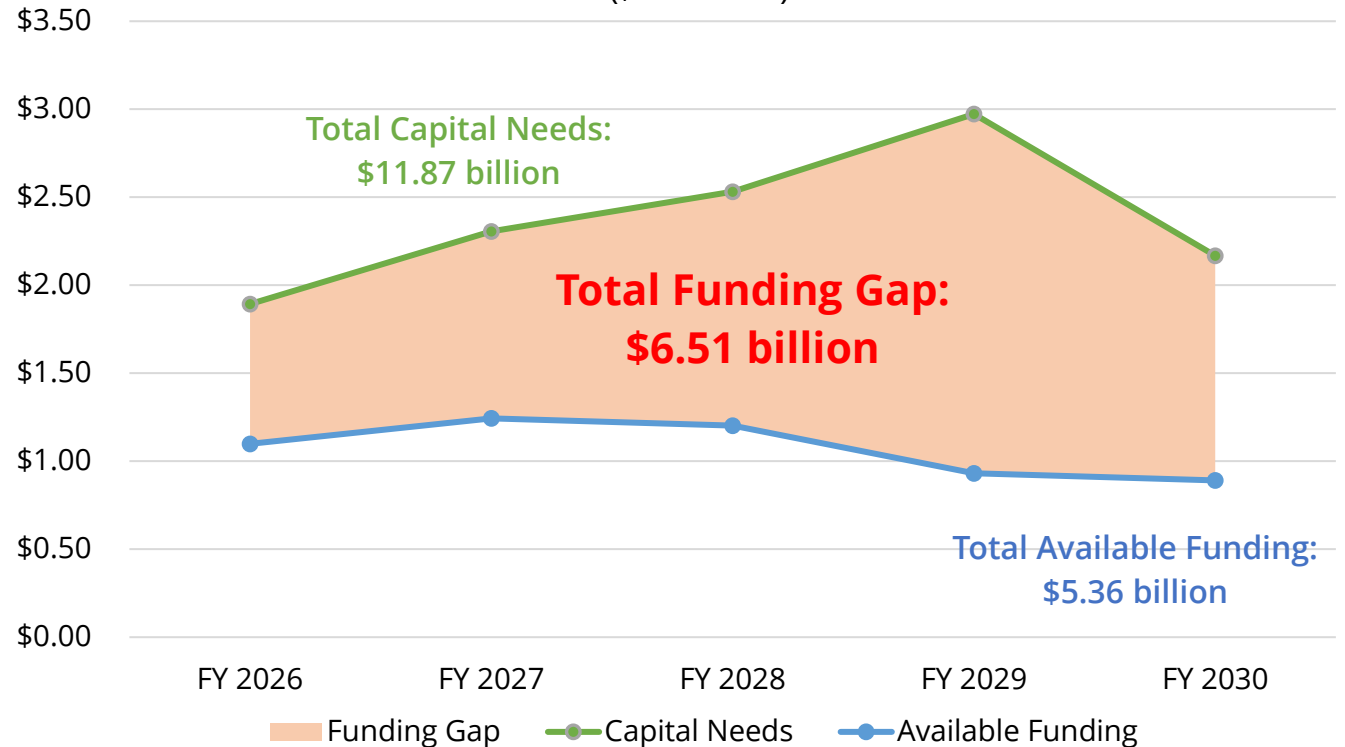
- High priority equity-focus maintained
- Equity impacts of reductions most pronounced in Parks and Library
  - **Reduced recreation center hours** impacts those less able to pay more for programming
  - **Reduction to park maintenance** impacts older parks that require more maintenance and have existing repair backlogs
  - **Elimination of Sunday and Monday library hours** may impact those in south that tend to have higher in-person and program usage rates
  - **Reduced Library donation matching funds** reduces funds allocated to libraries based on equity-focused distribution model

# Key Budget Issues

## Infrastructure needs far exceed funding available

- Proposed Budget includes \$845.9M for the Capital Improvements Program
- New source is still needed
  - \$1.1B in identified General Fund needs in FY 2026
  - Only \$171M is included in the Proposed Budget

**FY 2026 – FY 2030 Projected Capital Needs Funding**  
(\$ in billions)





# Next Steps

# Next Steps in the Process

