

FY 2027 Updated City Council Budget Priorities

Budget & Government Efficiency Committee

February 4, 2026

Item 4



Office of the Independent Budget Analyst



Background

Budget Priorities Resolution is Council's first step in the budget process

- Budget Priorities Resolutions are *initially* approved in the fall
 - Include Council's 1¢ TOT recommended allocation
- Priorities *updates* are determined in February
- Budget Priorities Resolutions are submitted to Mayor after approval by City Council

Background *(cont'd)*

B&GE Chair's Call Memo for Councilmembers' Priorities Updates

- B&GE Chair requested Councilmembers submit FY 2027 priorities updates to the IBA by Jan 9, 2026
- Call memo again referenced zero-based budgeting (ZBB)
 - Two Councilmembers recommended *Homelessness Strategies and Solutions* and *Transportation* Departments
 - Two other Councilmembers supported exploring this approach

Overall Remarks

- Currently projected \$105.2m baseline revenue shortfall
 - Anticipated reduction to City services for FY 2027
 - Not enough near-term increased revenue opportunities
 - The City also needs to address its structural deficit, rather than rely on one-time resources to fund ongoing services
- Most memos highlight concerns with structural budget deficit and related funding constraints
 - IBA Report provides insight into which priorities are ranked highest

IBA Report 26-03 Components

- How resources were addressed by Councilmembers
 - No *specific* resources were identified by a majority of Councilmembers
 - A majority discussed exploration of new resources and efficiencies
- Collective support for expenditure priorities
- The potential for updating Council's recommendation for the 1¢ "Council-discretionary" share of TOT revenue



FY 2027 Expenditure Priorities in the Initial Resolution

Operating Priorities - Homelessness and Housing	# of CMs Supporting
Housing Instability Prevention Program	8
Affordable Housing Preservation and Creation	7
Prevention and Diversion Resources	7
Eviction Prevention Program	7
Veteran’s Village Shelter	7
LGBTQ+ Affirming Shelter and Related Services	6

Operating Priorities - Other	# of CMs Supporting
Penny for the Arts	8
Office of the City Clerk	7
Lifeguard Staffing	7
Weed Abatement	6
Maintaining Library and Parks & Recreation Funding	6
Climate Action Plan	6



FY 2027 Expenditure Priorities in the Initial Resolution

Operating Priorities - Other	# of CMs Supporting
No Shots Fired	6
SD Access4All	5
Library Materials and Maintenance	5
Climate Equity Fund	4
Police Recruitment and Retention	4
Equity in Parks Programming	4

Infrastructure Priorities	# of CMs Supporting
Transportation and Mobility Safety	8
Streets	8
Stormwater	8
Sidewalks	7
Facilities	7
American with Disabilities Act (ADA) Projects	5

Lifeguard Wellness Program no longer has support of four CMs. This item will **not** be included in updated Resolution, unless Council designates it as such.

FY 2027 Newly Supported Expenditure Priorities

New Majority-Supported Priorities

- Office of the City Auditor (6 support)
- Brush Management (5 support)

New Priorities Supported by Four Councilmembers

- Recruitment, Retention, and Compensation *
- Avoidance of Across-the-Board Cuts *
- Unimproved Streets and Alleys *

** These priorities will **not** be included as priorities in the updated Budget Priorities Resolution unless Council designates them as such*

1 ¢ TOT Expenditure Recommendation

Support in Priorities Memos – Penny for the Arts		
Level of Support	CMs	Notes
Unspecified	1	1 CM Councilmember did not note funding for Penny for the Arts in their updated priorities memo.
Partial Funding	6	6 CMs expressed support for partially funding Penny for the Arts at 4.28% of TOT, the same percentage as in FY 2026.
Full Funding	2	2 CMs expressed support for fully funding Penny for the Arts at 9.52% of TOT.

Recommended B&GE Committee Actions

- Recommend the FY 2027 Updated Budget Priorities Resolution to the City Council for adoption including:
 - Updated expenditure priorities – based on IBA Report 26-03, with any desired modifications
 - Any desired update to the Council recommendation for use of the Council-discretionary 1¢ of TOT revenue
- The resulting B&GE decisions will be presented to the full Council for consideration on February 9
 - Council's approved Resolution will be submitted to the Mayor for consideration in the FY 2027 Proposed Budget