

FY 2026-2028 Biennial Budget

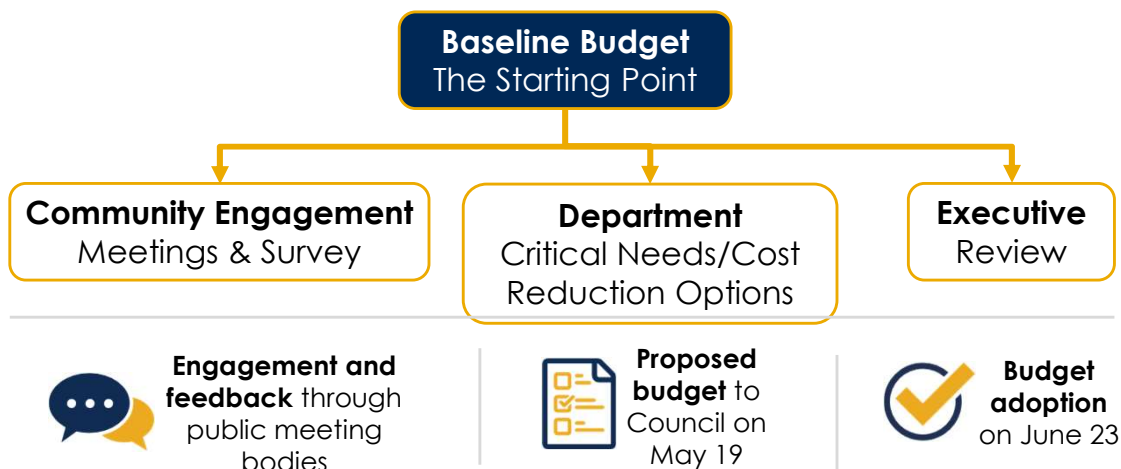
Finance Department

City Council
May 19, 2026

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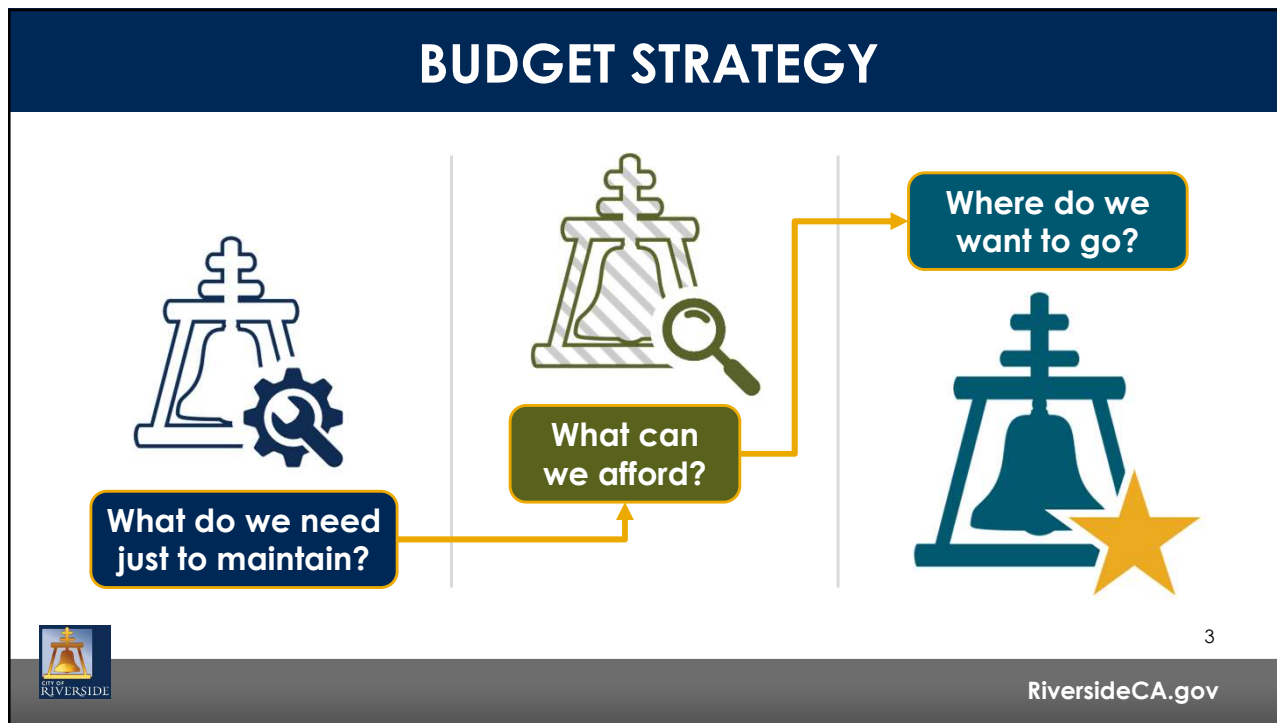
BUDGET DEVELOPMENT PROCESS



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YOUR MONEY. YOUR VOICE.

COMMUNITY BUDGET FORUMS

<p> Thursday, October 16, 2025 6 PM Parks Library Museum La Sierra Senior Center 5215 La Sierra Ave.</p>	<p> Wednesday, November 5, 2025 6 PM Parks Library Museum Ysmael Villegas Community Center 3091 Esperanza St.</p>
<p> Wednesday, October 22, 2025 6 PM Public Works Community & Economic Development Orange Terrace Community Center 20010 Orange Terrace Pkwy.</p>	<p> Thursday, November 13, 2025 7 PM Police Fire Housing & Human Services Arlanza Community Center 7950 Philbin Ave.</p>
<p> Thursday, October 30, 2025 6 PM Police Fire Housing & Human Services Springbrook Clubhouse 1011 N. Orange St.</p>	<p> Wednesday, November 19, 2025 6 PM Public Works Community & Economic Development Joyce Jackson Community Center 5505 Dewey Ave.</p>

Online Budget Survey

Jan 22 – Feb 23



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CITYWIDE OPERATING BUDGET



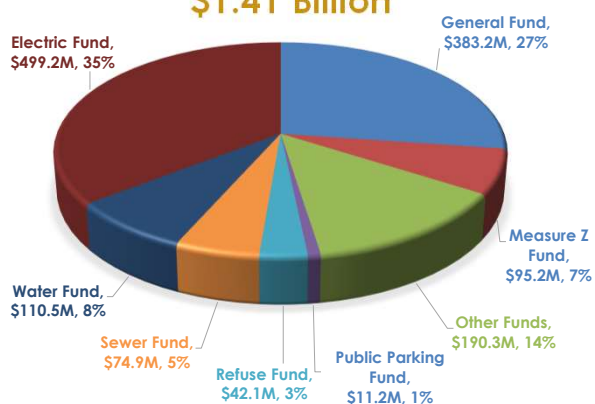
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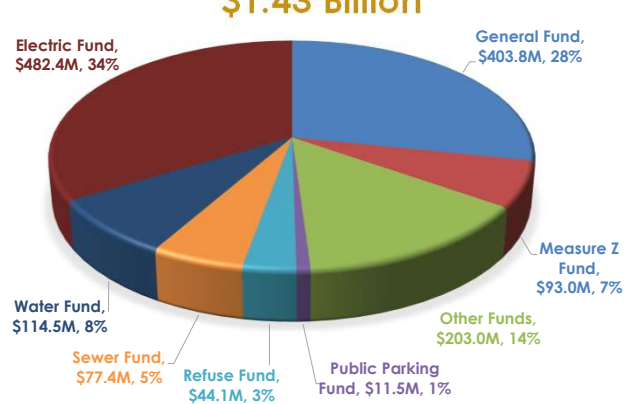
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CITYWIDE OPERATING BUDGET

FY 2026/27
\$1.41 Billion



FY 2027/28
\$1.43 Billion



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CITYWIDE PERSONNEL

Fund	Adopted FY 2025/26	Proposed FY 2026/27	Proposed FY 2027/28
General Fund	1,588.76	1,577.26 ↓ (-11.50)	1,581.26 ↑ (4.00)
Measure Z	173.25	173.25	173.25
Development	3.00	3.00	3.00
Grants and Restricted	6.00	4.00 ↓ (-2.00)	4.00
CDBG-Community Development	4.00	4.00	4.00
NPDES Storm Drain	2.00	2.00	2.00
Housing Authority	7.00	6.00 ↓ (-1.00)	6.00
Electric	473.00	468.00 ↓ (-5.00)	468.00
Water	165.00	165.00	165.00
Airport	8.00	8.00	8.00

Fund	Adopted FY 2025/26	Proposed FY 2026/27	Proposed FY 2027/28
Refuse	67.00	67.00	67.00
Sewer	121.00	122.00 ↑ (1.00)	122.00
Special Transit	36.00	42.00 ↑ (6.00)	42.00
Public Parking	23.00	23.00	23.00
Workers Compensation Trust	5.00	5.00	5.00
Liability Insurance Trust	10.00	23.50 ↑ (13.50)	23.50
Central Stores	9.00	9.00	9.00
Central Garage	39.00	39.00	39.00
Total	2,740.01	2,741.01 ↑ (1.00)	2,745.01 ↑ (4.00)




GENERAL FUND AND MEASURE Z




FISCAL HEALTH AND OUTLOOK

Potential multi-year deficits due to rising costs/slower revenue growth




Significant uncertainty of future fiscal outlook remains



Recommend proactive measures to balance potential multi-year deficits

Overall, the City maintains a strong position with record reserve levels



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GENERAL FUND & MEASURE Z RESERVE BALANCES


General Fund	
Policy Reserves	Balance (in millions)
Emergency Reserve (15%)	\$57.32
Contingency Reserve (5%)	19.11
Total	\$76.43
Other Reserves	
Reserved for Section 115 Trust Contributions	\$18.23
Infrastructure Reserve	5.32
Technology Reserve	5.00
Water GFT Escrow	25.82
Section 115 Trust	97.25
Unassigned	9.56
Total	\$161.18
Total Reserves	\$237.61

Measure Z	
	Balance (in millions)
Fund Balance*	\$24.34
Policy Reserve	5.00
Total	\$29.34

*Projected FY 2025/26 year-end fund balance

FUNDED BY





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WHY THE CITY IS FACING A GENERAL FUND DEFICIT

Revenues (Significant Changes from Previous Adopted Biennial Budget) In thousands			Expenditures (Significant Changes from Previous Adopted Biennial Budget) In thousands		
Category	FY 2026/27	FY 2027/28	Category	FY 2026/27	FY 2027/28
Property Tax	\$(297)	\$(2,186)	Payroll, Health, Benefits	\$4,124	\$9,385
Sales Tax	(1,334)	(1,213)	CalPERS UAL	6,025	6,072
Utility Users Tax	(1,680)	(1,765)	Workers Comp/General Liability Trust	3,247	2,872
Franchise Fees	(1,101)	(1,217)	Charges to/From & CAP	4,748	3,728
Licenses and Non-Developer Permits	(2,778)	(3,043)	Special Fund Subsidies	(1,908)	(1,627)
Other Financing Sources	(1,650)	(1,650)	Critical Needs (non personnel)	4,586	6,465
Various Other Adjustments	739	2,021	Other Baseline Adjustments	(1,809)	(1,938)
Total Revenue Changes	\$(8,102)	\$(9,052)	Total Expenditure Changes	\$19,033	\$24,979

Projected Deficit		
	FY 2026/27	FY 2027/28
Total	\$(27,135)	\$(34,031)



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WHY THE CITY IS FACING A MEASURE Z DEFICIT

(Significant Changes from Previous Adopted Biennial Budget) In thousands		
Category	FY 2026/27	FY 2027/28
Revenues		
Transaction and Use Tax	\$(5,450)	\$(5,865)
Interest	200	200
Total Revenues	\$(5,250)	\$(5,665)
Expenditures		
Payroll, Health, Benefits	\$2,709	\$3,944
CalPERS UAL	780	804
New Programs/Critical Needs	1,115	1,983
Total Expenditures	\$4,604	\$6,731
Projected Deficit	\$(9,854)	\$(12,396)









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BALANCED BUDGET FRAMEWORK

-  Protect core services
-  Strategically phase in reductions
-  Maximize one-time solutions
-  Minimize use of reserves
-  Maintain long-term fiscal sustainability



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ADJUSTING TO A BALANCED BUDGET

Deficit Reduction Measures (In thousands)		
General Fund		
Category	FY 2026/27	FY 2027/28
Cost Reductions	\$8,016	\$10,739
Use of Unassigned Fund Balance	5,599	3,963
General Liability Trust Fund Contribution True up	2,356	-
Fees and Charges CPI increase	862	1,191
Section 115 Trust/Set Aside	10,303	18,138
Total General Fund	\$27,135	\$34,031
Measure Z		
Category	FY 2026/27	FY 2027/28
Cost Reductions	\$9,935	\$11,533
Total Measure Z	\$9,935	\$11,533


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GENERAL FUND/MEASURE Z PROPOSED CUTS IN 2026-27		
2026-27	Reductions	Additions
Dollars	- \$17,951,254	Police, Fire, insurance, claim liabilities, animals, inflation
Personnel	- 38	Add one (Fire Marshall)
<i>Living Within Our Means</i>		
CUTS NECESSARY TO MAINTAIN CURRENT LEVEL OF SERVICE		



COST REDUCTIONS BY DEPARTMENT (General Fund in thousands)			
Department	FY 26/27	FY 27/28	% of Budget*
Police	\$1,094	\$3,099	0.8%
Parks, Recreation, and Community Services	1,088	1,738	3.0%
Public Works	779	1,309	3.1%
Community Development	740	864	3.8%
Human Resources	498	541	7.5%
Library	362	392	3.0%
City Manager	344	345	6.3%
Innovation and Technology	293	314	1.8%
Finance	290	296	2.6%
Fire	284	792	0.4%
City Attorney	210	258	3.7%
Marketing and Comms	165	172	5.6%

Department	FY 26/27	FY 27/28	% of Budget*
Museum	163	163	5.5%
Housing and Human Serv	150	150	4.9%
City Clerk	91	111	3.6%
General Services	67	196	1.1%
Various FY 25/26 Reductions	1,400	-	-
Total Cost Reductions	\$8,016	\$10,739	2.1%

* Reflects FY 2026/27 cost reduction as a percent of the department's pre reduction budget.



COST REDUCTIONS BY DEPARTMENT (Measure Z in thousands)

Department	FY 26/27	FY 27/28	% of Budget*
Public Works	\$2,675	\$3,175	19.1%
General Services	1,700	1,900	38.6%
Parks, Recreation, and Community Services	1,583	2,118	37.0%
Police	1,200	1,222	3.5%
Fire	1,127	1,161	8.5%
Housing and Human Services	870	1,175	12.7%
Innovation and Technology	692	694	35.9%
City Manager	80	80	35.6%
Finance	7	8	25.0%
Total Cost Reductions	\$9,935	\$11,533	10.4%

* Reflects FY 2026/27 cost reduction as a percent of the department's pre reduction budget.

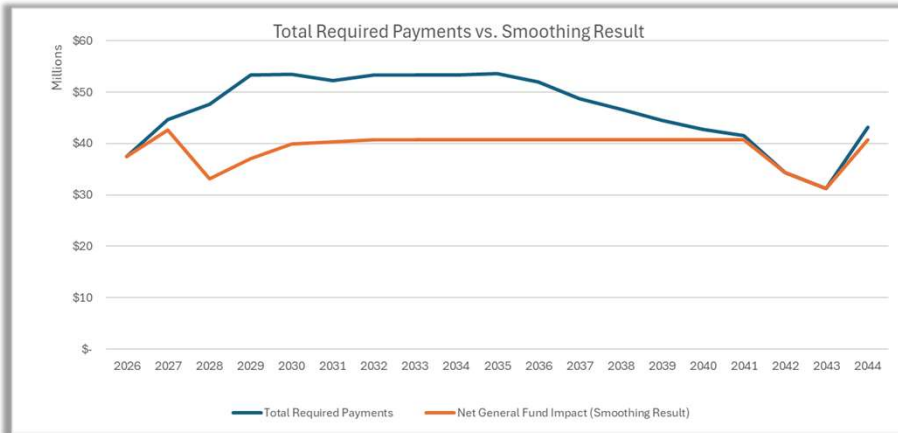
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SECTION 115 TRUST



- Reaches \$100M goal in FY27
- Begins Section 115 Trust Drawdown in FY28
- Smooths annual payments not to exceed \$40.7M
- Offsets annual fiscal impact >\$11M

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GENERAL FUND OVERVIEW

2026-2028 Proposed Biennial Budget (In thousands)					
	FY 2026/27 Proposed	FY 2027/28 Proposed	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
Revenue/Transfers In	\$ 383,193	\$ 403,763	\$ 420,108	\$ 432,390	\$ 444,923
Expenditure/Transfers Out	(383,193)	(403,763)	(420,108)	(433,390)	(444,923)
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -




GENERAL FUND REVENUES

General Fund (in thousands)					
Revenue Category	FY 2025/26 Adopted Budget	FY 2026/27 Proposed Budget	FY 2027/28 Proposed Budget	% Change	
				FY27	FY28
Property Taxes	\$96,473	\$101,784	\$105,000	5.5%	3.2%
Sales Tax	94,092	98,411	101,721	4.6%	3.4%
Cannabis Tax	1,000	1,000	1,000	0.0%	0.0%
Utility Users Tax	37,121	37,345	38,647	0.6%	3.5%
Transient Occupancy Tax	8,927	9,271	9,464	3.9%	2.1%
Franchise Fees	7,160	6,450	6,697	-9.9%	3.8%
Licenses & Non-Developer Permits	11,106	11,175	11,383	0.6%	1.9%
Non-Development Charges for Services	12,214	12,621	12,965	3.3%	2.7%
Development Fees & Charges	9,735	8,490	8,734	-12.8%	2.9%
General Fund Transfer	56,199	60,378	64,701	7.4%	7.2%
Measure Z Transfer	25,633	18,266	18,266	-28.7%	0.0%
Section 115 Set Aside/Trust	12,003	7,919	14,393	-34.0%	81.7%
Other Revenues & Transfers In	10,495	10,085	10,794	-3.9%	7.0%
Total Revenues & Transfers In	\$382,157	\$383,193	\$403,763	0.3%	5.4%

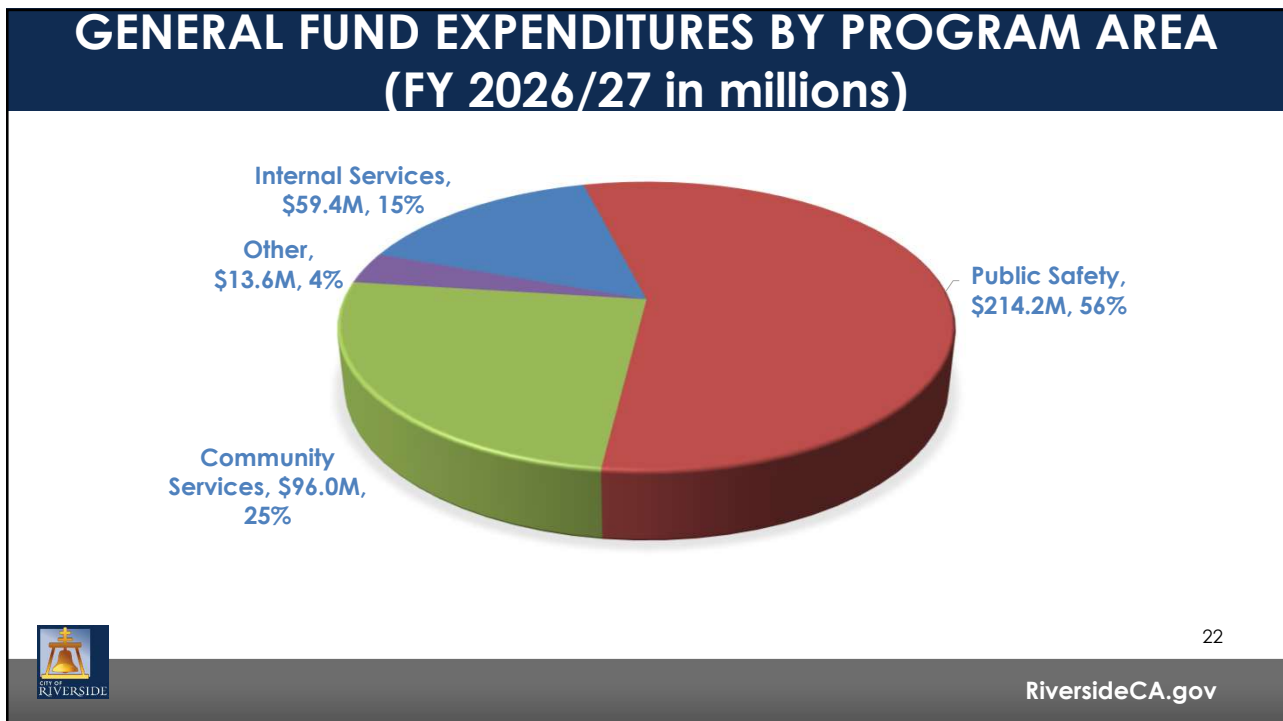


GENERAL FUND EXPENDITURES

General Fund (in thousands)					
Expenditure Category	FY 2025/26 Adopted Budget	FY 2026/27 Proposed Budget	FY 2027/28 Proposed Budget	% Change	
				FY27	FY28
Personnel	\$277,141	\$286,225	\$303,137	3.3%	5.9%
Vacancy Factor	(15,891)	(15,287)	(16,055)	-3.8%	5.0%
Cal PERS UAL-Safety	12,999	16,630	18,013	27.9%	8.3%
Cal PERS UAL-Misc	6,582	8,874	10,460	34.8%	17.9%
Non-Personnel	79,496	67,376	71,499	-15.2%	6.1%
Special Projects	10,492	11,132	11,585	6.1%	4.1%
Minor Capital Outlay	908	517	521	-43.0%	0.8%
Debt Service	22,048	22,496	23,069	2.0%	2.5%
Charges To/From	(21,125)	(20,461)	(21,576)	-3.1%	5.4%
Cost Allocation Plan	(22,831)	(19,590)	(20,564)	-14.2%	5.0%
Section 115 Trust Transfer	9,000	2,853	-	-68.3%	-100%
Water GFT Escrow	9,183	9,826	10,624	7.0%	8.1%
Other Funds Subsidy	14,157	12,602	13,049	-11.0%	3.5%
Total Expenditures & Transfers Out	\$382,157	\$383,193	\$403,763	0.3%	5.4%


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GENERAL FUND EXPENDITURES BY DEPARTMENT

General Fund (in millions)					
Expenditure Category	FY 25/26 Adopted Budget	FY 26/27 Proposed Budget	FY 27/28 Proposed Budget	% Change	
				FY27	FY28
Mayor	\$1.21	\$1.37	\$1.46	12.7%	6.4%
City Council	2.14	2.45	2.60	14.8%	6.2%
City Manager	5.43	5.13	5.32	-5.5%	3.8%
City Clerk	2.21	2.39	2.81	8.4%	17.6%
Office of City Attorney	6.37	5.50	5.80	-13.7%	5.4%
Marketing and Comms	3.01	2.76	2.82	-8.4%	2.4%
Office of Inspector Gnrl	-	0.71	0.82	-	14.3%
Human Resources	6.44	6.10	6.45	-5.3%	5.8%
General Services	5.72	5.93	6.23	3.7%	5.1%
Finance	10.19	10.96	11.73	7.5%	7.1%
Innovation and Tech	15.17	16.09	16.99	6.0%	5.6%
Housing and Human Svcs	2.92	2.93	3.14	0.3%	7.3%
Community Development	18.93	18.56	19.92	-1.9%	7.3%

General Fund (in millions)					
Expenditure Category	FY 25/26 Adopted Budget	FY 26/27 Proposed Budget	FY 27/28 Proposed Budget	% Change	
				FY27	FY28
Police	125.64	134.82	138.39	7.3%	2.7%
Fire	72.71	79.39	80.78	9.2%	1.8%
Public Works	25.21	24.64	25.41	-2.3%	3.1%
Library	11.75	11.70	12.42	-0.4%	6.2%
Parks, Rec, Com Svcs	35.41	35.41	36.26	0.0%	2.4%
Museum	2.69	2.78	4.40	3.3%	58.6%
Non-Deptl	42.66	23.35	29.93	-45.3%	28.2%
Cost Allocation Pln	(22.83)	(19.59)	(20.56)	-14.2%	5.0%
Water GFT	9.18	9.83	10.62	7.0%	8.1%
Total Expenditures & Transfers Out	\$382.16	\$383.19	\$403.76	0.3%	5.4%



Measure Z Spending Plan

(in millions)	FY 2025/26 Revised	FY 2026/27 Proposed	FY 2027/28 Proposed	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
Revenue	\$ 83.88	\$ 84.55	\$ 86.98	\$ 90.42	\$ 94.45	\$ 99.12
Expenditures	(103.95)	(95.20)	(93.01)	(95.66)	(96.65)	(99.02)
Net Change in Fund Balance	\$ (20.08)	\$ (10.65)	\$ (6.03)	\$ (5.23)	\$ (2.20)	\$ 0.10
Beginning Available Balance	\$ 44.41	\$ 24.34	\$ 13.69	\$ 7.66	\$ 2.43	\$ 0.22
Net Change in Fund Balance	(20.08)	(10.65)	(6.03)	(5.23)	(2.20)	0.10
Ending Available Balance	\$ 24.34	\$ 13.69	\$ 7.66	\$ 2.43	\$ 0.22	\$ 0.32



The Measure Z Policy Reserve of \$5M is maintained outside of the Spending Plan.

MEASURE Z EXPENDITURES

Measure Z (in thousands)					
Expenditure Category	FY 2025/26 Adopted Budget	FY 2026/27 Proposed Budget	FY 2027/28 Proposed Budget	% Change	
				FY 27	FY 28
Personnel	\$27,390	\$30,736	\$32,412	12.2%	5.5%
Cal PERS UAL-Safety	2,064	2,776	3,020	34.5%	8.8%
Cal PERS UAL-Misc	397	547	649	37.5%	18.7%
Non Personnel	9,468	7,276	6,855	-23.2%	-5.8%
Special Projects	10,133	6,943	6,860	-31.5%	-1.2%
Minor Capital Outlay	1,637	1,654	1,211	1.0%	-26.8%
Capital Outlay	15,975	12,300	11,300	-23.0%	-8.1%
Debt Service	14,806	14,702	12,436	-0.7%	-15.4%
Transfer to General Fund	25,633	18,266	18,266	-28.7%	0.0%
Total Expenditures & Transfers Out	\$107,503	\$95,200	\$93,009	-11.4%	-2.3%

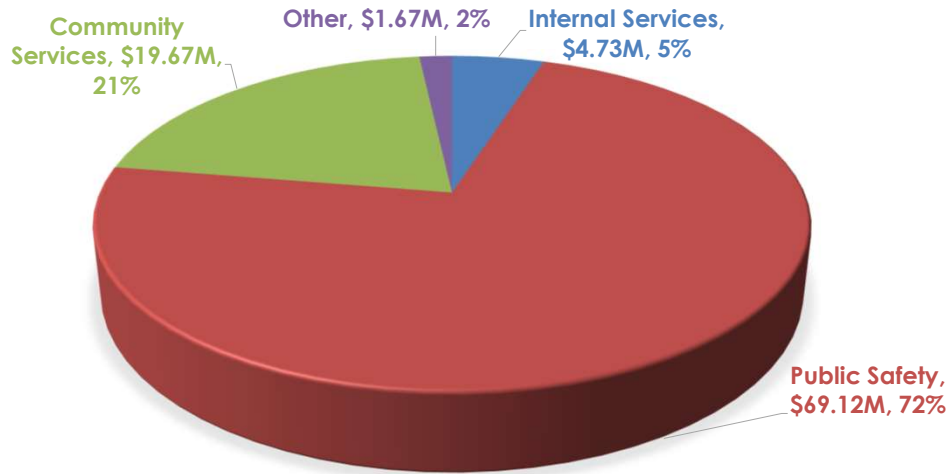


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MEASURE Z EXPENDITURES BY PROGRAM AREA (FY 2026/27 in millions)



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MEASURE Z EXPENDITURES BY DEPARTMENT

Expenditure Category	Measure Z (in thousands)				
	FY 25/26 Adopted Budget	FY 26/27 Proposed Budget	FY 27/28 Proposed Budget	% Change	
				FY27	FY28
Police	\$31,471	\$32,668	\$35,087	3.8%	7.4%
Fire	11,192	12,199	11,669	9.0%	-4.3%
Service Support Transfer	25,633	18,266	18,266	-27%	-
Public Works	16,325	11,350	10,850	-30.5%	-4.4%
Housing and Human Svcs	6,162	5,989	4,728	-2.8%	-21.1%
Museum	2,248	2,888	2,886	28.5%	-0.1%
Library	2,737	2,737	2,734	-	-0.1%
Parks, Rec, Com Svcs	3,258	2,697	2,165	-17.2%	-19.7%
General Services	3,642	2,704	2,542	-25.8%	6.0%
Innovation and Tech	2,305	1,233	1,246	-46.5%	1.0%
Office of City Attorney	423	440	465	4.0%	5.8%
Human Resources	188	188	198	-0.1%	5.4%
City Manager	220	145	152	-34.1%	4.7%
Finance	27	22	22	-16.3%	0.3%
Non-Departmental	1,673	1,673	-	-	-
Total Expenditures & Transfers Out	\$107,503	\$95,200	\$93,010	-11.4%	-2.3%

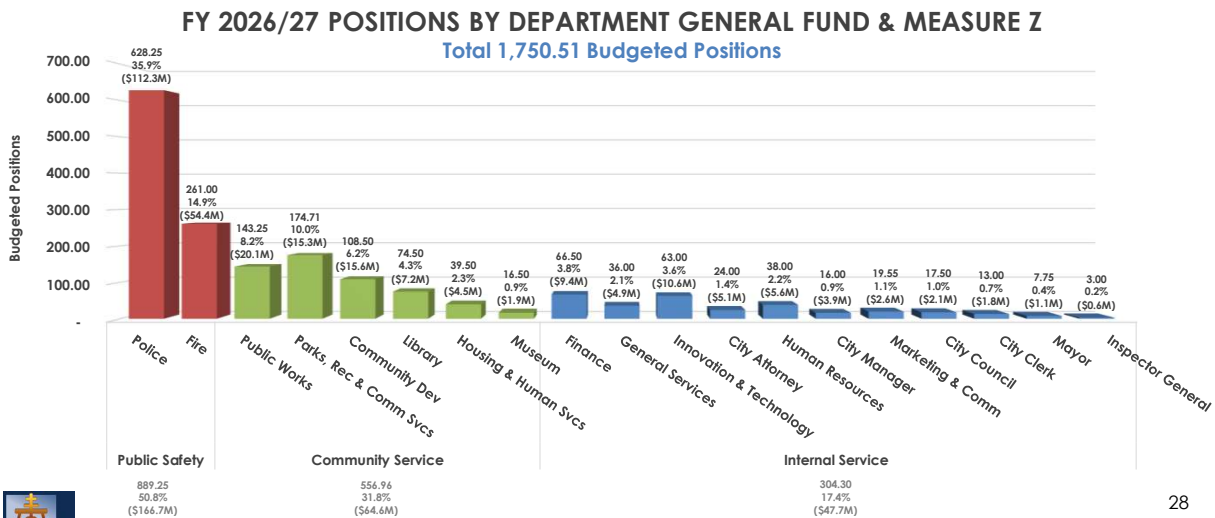


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WHO PROVIDES THE SERVICES?



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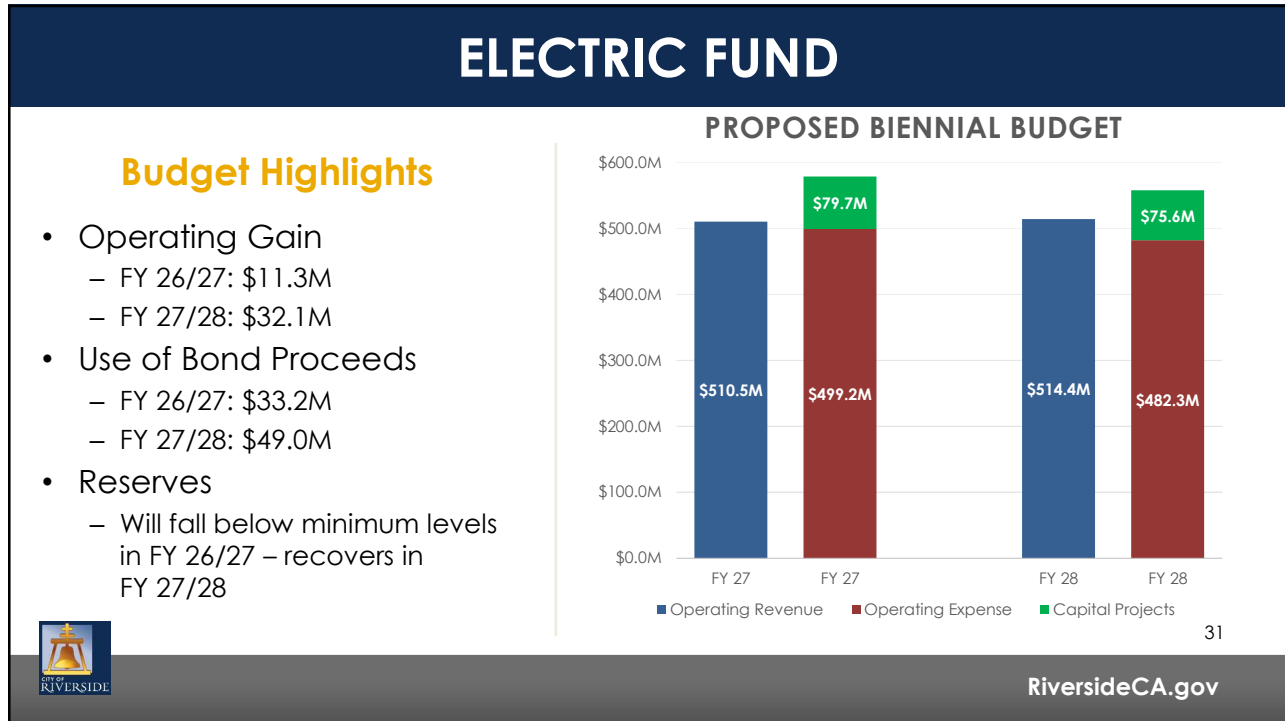
ENTERPRISE FUNDS



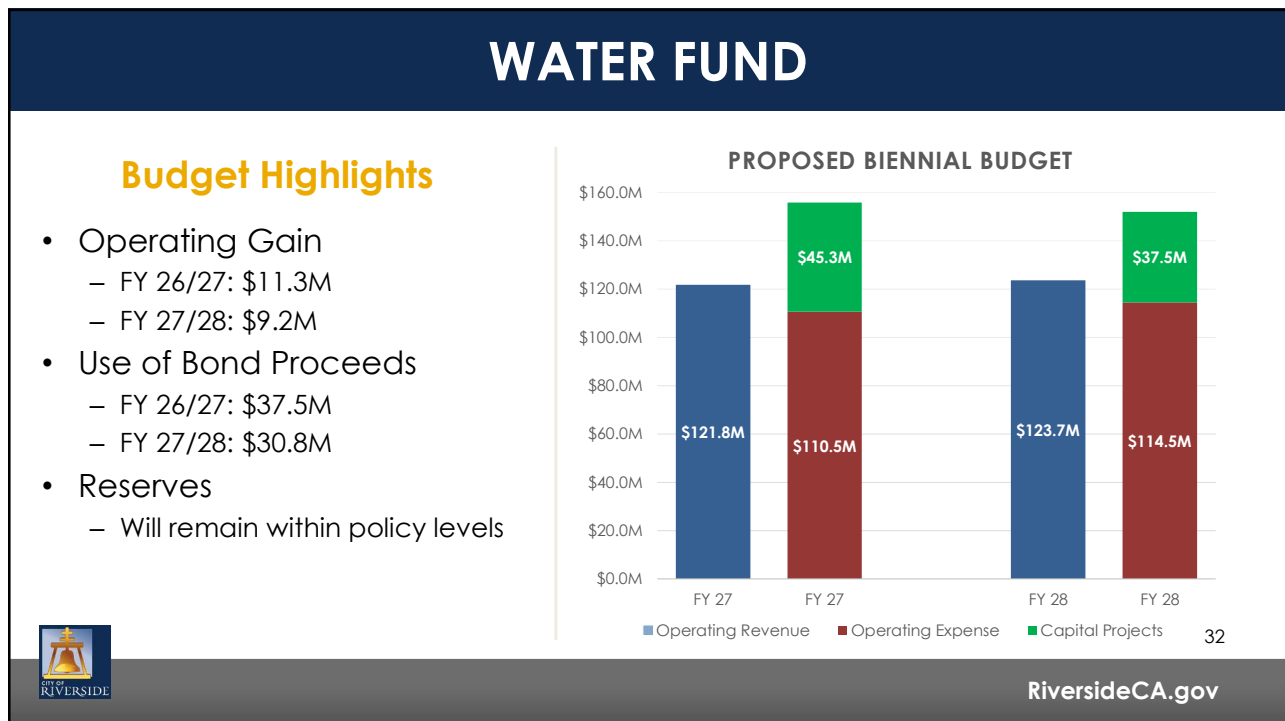
PROPOSED OPERATING BUDGETS

MAJOR ENTERPRISE FUNDS – OPERATING			
(in millions)	Incoming Resources	Outgoing Resources	Surplus / (Deficit)
FY 2026/27			
Electric	\$ 510,495,612	\$ 499,199,712	\$ 11,295,900
Water	121,799,488	110,527,067	11,272,421
Refuse	40,029,481	42,102,463	(2,072,982)
Sewer	74,256,685	74,936,059	(679,374)
Public Parking	11,929,649	11,248,515	681,134
Total	\$ 758,510,915	\$ 738,013,816	\$ 20,497,687
FY 2027/28			
Electric	\$ 514,414,635	\$ 482,331,309	\$ 32,083,326
Water	123,685,621	114,492,509	9,193,112
Refuse	42,297,332	44,119,773	(1,822,441)
Sewer	74,983,400	77,426,644	(2,443,244)
Public Parking	12,079,592	11,532,430	547,162
Total	\$ 767,460,580	\$ 729,902,665	\$ 37,557,915

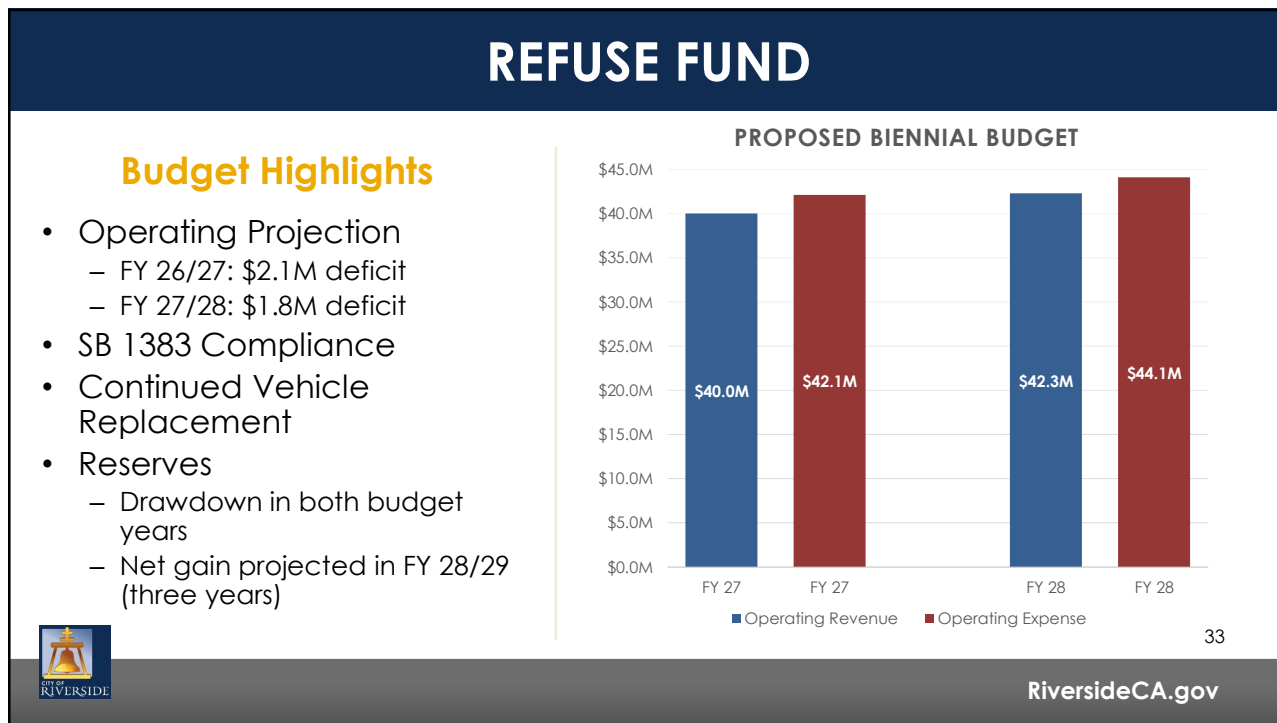




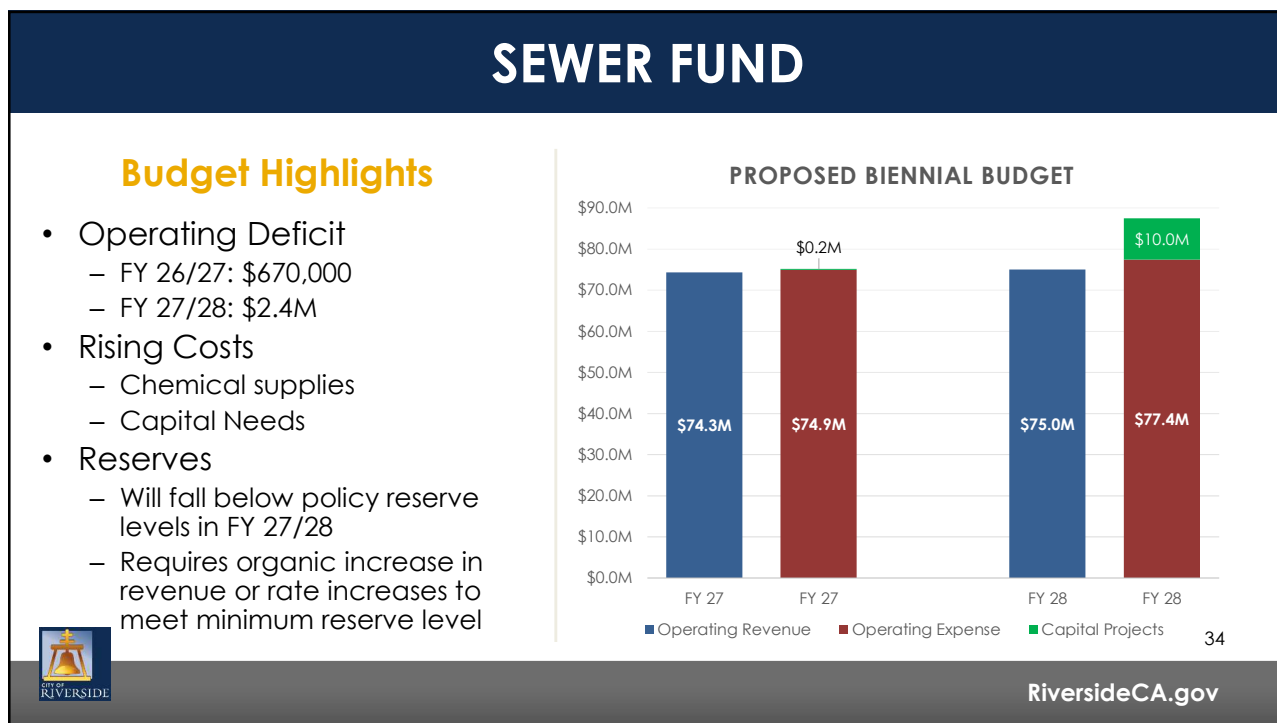
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PUBLIC PARKING FUND

Budget Highlights

- Operating Gain
 - FY 26/27: \$681,000
 - FY 25/26: \$547,000
- “Parking Your Way” program
 - Presents both higher revenues and higher costs
- Reserves
 - FY 26/27: \$512,000 drawdown
 - FY 27/28: \$1.75M increase

PROPOSED BIENNIAL BUDGET

Fiscal Year	Operating Revenue	Operating Expense	Capital Projects
FY 27	\$11.9M	\$11.3M	\$1.2M
FY 28	\$12.1M	\$11.5M	\$2.3M

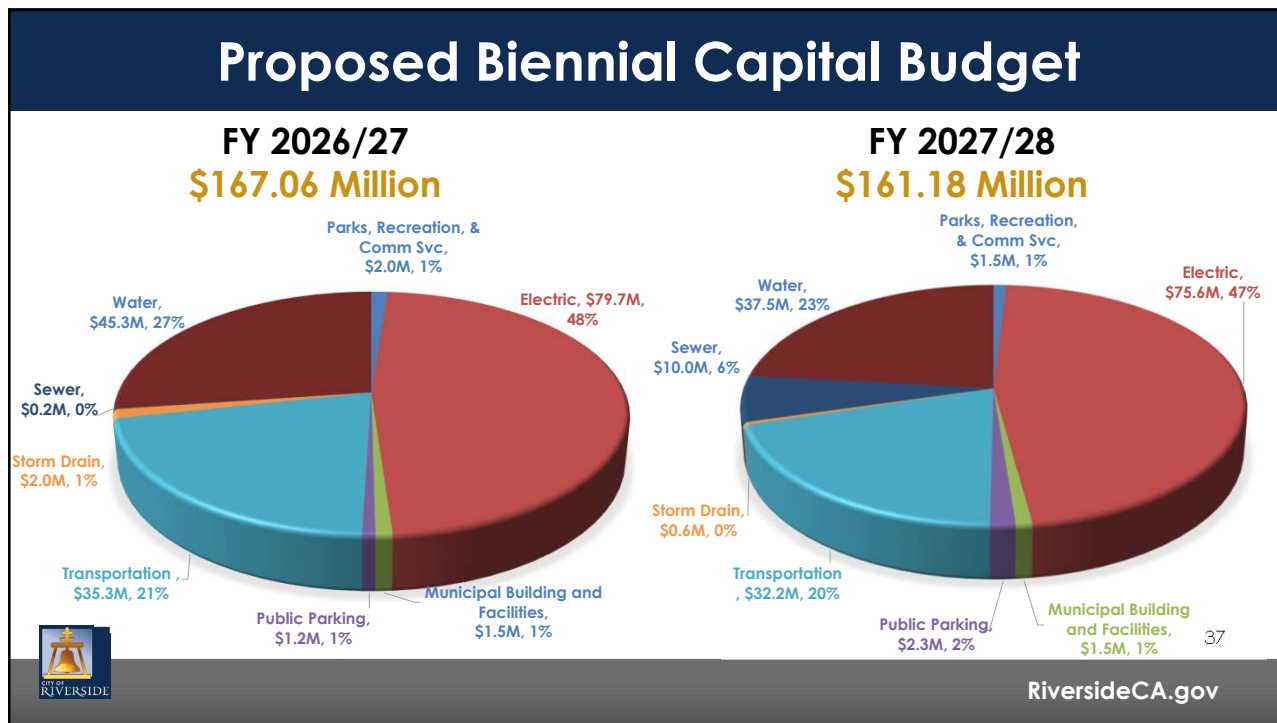
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Capital Budget

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Recommendations

That the City Council:

1. Receive and provide input on the proposed Fiscal Year 2026-2028 Biennial Budget; and
2. Set a public hearing date for adoption of the proposed Fiscal Year 2026-2028 Biennial Budget on June 23, 2026.

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