

Fiscal Year 2024/25

Proposed Budget Overview

SUMMARY

The Proposed FY2024/25 Budget recommends a balanced \$1.57 billion spending plan for City programs and services and supports a workforce of more than 5,000 employees. It closes a \$66 million funding gap without the elimination of any filled positions and reflects input provided by the City Council, City departments and the public.

FINANCIAL CHALLENGES

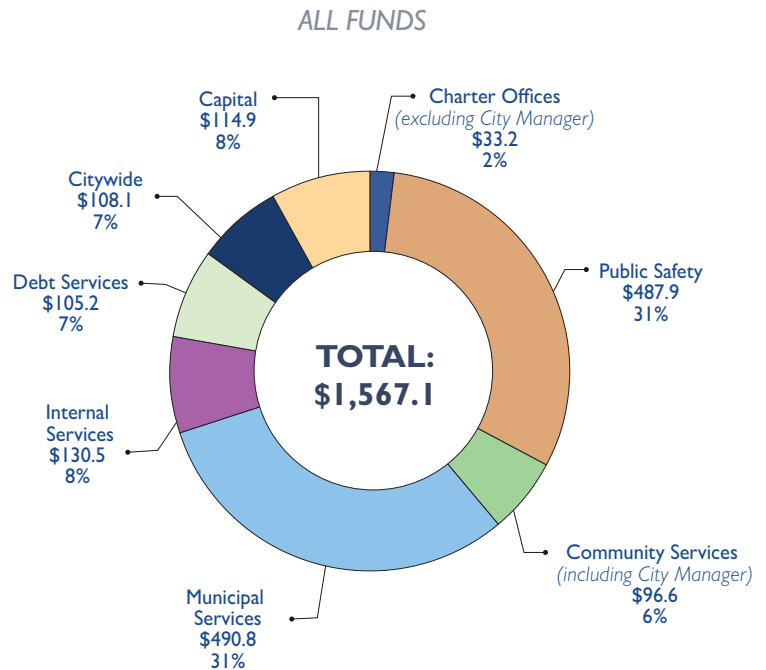
The City is facing significant financial challenges for the coming fiscal year, including a structural imbalance between City operating costs and available resources. Unfunded pension liabilities and substantial unfunded capital needs are also contributing to the City’s ongoing economic uncertainty. The Proposed FY2024/25 Budget begins to address these structural issues while maintaining core City services and advancing Council priorities.

ADDRESSING THE DEFICIT

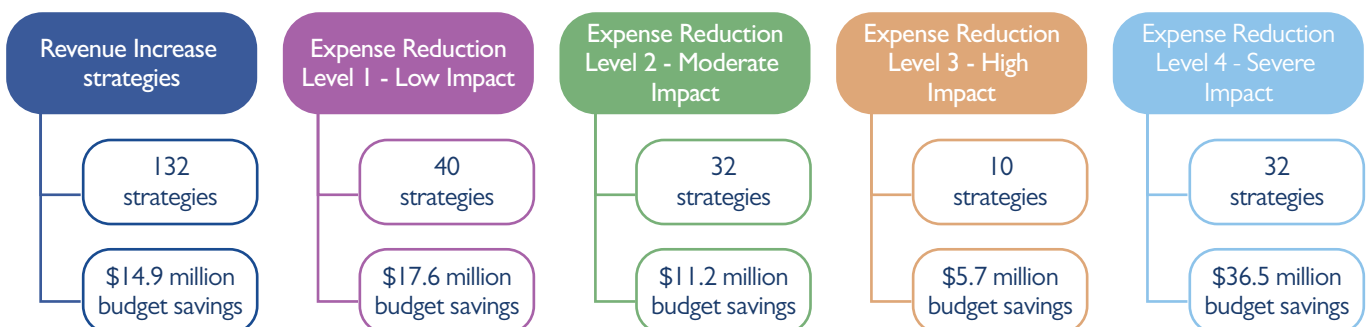
In February, the City released its updated financial forecast, which projected a \$66 million deficit for FY2024/25. The forecast showed the City is facing a structural deficit with annual budget shortfalls increasing throughout the forecast period.

The Proposed Budget seeks to address the City’s structural deficit by defining core City services and taking a strategic approach to **revenue enhancements** and **expenditure reductions** instead of simply pursuing across-the-board cuts.

City departments earlier this spring submitted potential revenue enhancements and expenditure reductions that totaled 15% of their General Fund/Measure U discretionary funding. The 246 strategies were categorized on a 1- 4 scale based on impact to residents and communities, with Level 1 resulting in low impact to programs and services and Level 4 resulting in severe impact.



REDUCTION STRATEGY SUMMARY



In addition, staff identified 30 “citywide” strategies that are available to balance the budget.

CLOSING THE GAP

Overall, the Proposed Budget addresses the \$66 million deficit through a combination of -

- Revenue enhancements
- Some Levels 1 and 2 expenditure reductions
- Prior year savings
- Other citywide reduction strategies

The balancing plan in the Proposed Budget eliminates 44.20 vacant FTEs but **does not eliminate any filled positions.**

HERE IS THE BREAKDOWN:
(MILLIONS)

	FY25 Proposed Budget	FTE Impact vs FY24 Midyear Forecast
Projected FY25 Surplus / (Deficit)	(\$66.0)	-
Citywide Revenue/Expense Adjustments	\$4.7	-
Department Augmentations*	(\$2.4)	(18.81)
Citywide Strategies**	\$33.7	-
Departmental Revenue Increases	\$14.9	-
Level 1 Reductions	\$17.0	(23.15)
Level 2 Reductions	\$4.0	(21.05)
Salary Savings Adjustments	(\$5.2)	-
FY25 Proposed Budget Surplus / (Deficit)	\$0.7	(63.01)

*Position reductions primarily due to elimination of Police contract with SacRT and elimination of YPCE vacancies to fund park maintenance.

**Includes \$7.4M of FY23 savings approved by Council on Feb 27, 2024.

STRATEGIC REDUCTIONS

A complete list of all proposed expenditure reductions can be found in the Proposed Budget. The proposed Level 1 and 2 reductions affect departments citywide and largely involve eliminating vacancies with the goal of minimizing - to the extent possible - program and service impacts to the community. Cost savings also are realized by shifting the funding of programs and services from the General Fund to other available funding sources and rightsizing all department budgets to actual expenditures. In addition, here is the list of other citywide reduction strategies utilized to balance the Proposed Budget totaling \$33.7 million.

OTHER CITYWIDE REDUCTION STRATEGIES

Strategy	One-Time / Ongoing	Savings (millions)	Service Impact
Debt Service Cost Shift to Transient Occupancy Tax Fund	Ongoing	\$1.1	Funds not available for other purposes
Eliminate RydeFreeRT	Ongoing	\$1.0	SacRT to find other funds or reduce this service
Transfer of Credit Card Fees to End-Users	Ongoing	\$0.5	Users pay credit card processing fees instead of the General Fund
Police ITMYOPs	Ongoing	\$0.4	Reduces available funding to invest in additional technology
Project Reductions	One-Time	\$14.0	Funds not available for other purposes
FY2022/23 Savings	One-Time	\$7.4	Funds not available for other purposes
Suspend FY2024/25 EUR Contribution	One-Time	\$4.0	City more vulnerable to economic downturn
Prior Round HHAP Savings	One-Time	\$3.8	Funds not available for other purposes
CalPERS Pre-payment Shift	One-Time	\$1.5	None
TOTAL		\$33.7	



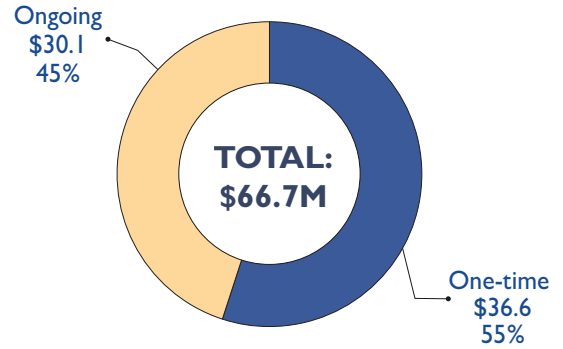
FUNDING KEY PRIORITIES:

The Proposed Budget maintains funding for key priorities such as homelessness and includes:

- Continued operation of 1,350 shelter spaces/beds.
- Continued staffing for the City's Incident Management Team responding to homelessness.
- Continued funding for the Affordable Housing Fee Credit program.

ONE-TIME VS. ONGOING

In closing the \$66 million deficit, the Proposed Budget identifies \$36.6 million in one-time strategies and \$30.1 million in ongoing strategies. One-time strategies will need to be covered in the following fiscal year.



LONG-TERM CHALLENGES

In addition to its structural operating budget deficit, the City has long-term unfunded liabilities, including unfunded capital and deferred maintenance needs, unfunded pension liabilities and unfunded retiree health benefit liabilities.

- \$1.4 Billion – Unfunded capital/deferred maintenance over next five years
- \$1.4 Billion – Unfunded pension liability
- \$0.2 Billion – Unfunded retiree other post-employment benefits (OPEB)

The City will need to develop funding policies and plans to close these deficits over time.

BUDGET HEARINGS SCHEDULE

Date / Meeting	Subject
Week of April 29, 2024	Release of Proposed Budget
May 7, 2024 – I I AM B&A Committee	Proposed Budget Overview Review of Fees & Charges
May 7, 2024 – 5PM Council	Proposed Budget Hearing: • Budget Overview • Community Services • Internal Services • Municipal Services • Public Safety
May 14, 2024 – 2PM Council	Proposed Budget Hearing: • Capital Plan • Fees & Charges • Asset Forfeiture • Pilot Equity Analysis
May 14, 2024 – 5PM Council	Proposed Budget Hearing: • Budget Deliberations & Council Direction
May 20, 2024 – 5:30PM Measure U Commission	Proposed Budget Overview
May 28, 2024 – I I AM B&A Committee	Final Budget Review
June 11, 2024 – Council – 5PM	Final Budget Review and Adoption