First-Quarter Financial Review Fiscal Year 2027

Finance Committee Meeting
November 17, 2026



Recommendation to Finance Committee (1 of 2)

A. Receive a report from staff on the status of revenues and expenditures in relation to budget for the three months ended September 30, 2026;

B. Accept the Fiscal Year (FY) 2027 Interim Financial Statements for the three months ended September 30, 2026;

C. Adopt, by reading of title only, a Resolution of the Council of the City of Santa Barbara Amending Resolution 2026-082, to Approve Proposed First-Quarter (Q1) Adjustments to FY2027 Revenue and Expenditure Appropriations as Detailed in the Attached Schedule of Proposed Q1 Adjustments;

D. Adopt, by reading of title only, a Resolution of the Council of the City of Santa Barbara Amending the Position Salary Control Resolution 2026-108 for Authorized Positions for Fiscal Year 2027. Changes Are Effective November 14, 2026;

Recommendation to Finance Committee (2 of 2)

E. Receive a report from staff on the Operational Sustainability Initiative (OSI), including the initiatives prioritized by the OSI Executive Board and the five-year delivery road map;

F. Endorse the OSI as the City's framework for developing, analyzing, and recommending revenue enhancements and expenditure controls to achieve financial stability as a priority identified in the Citywide Strategic Plan; and

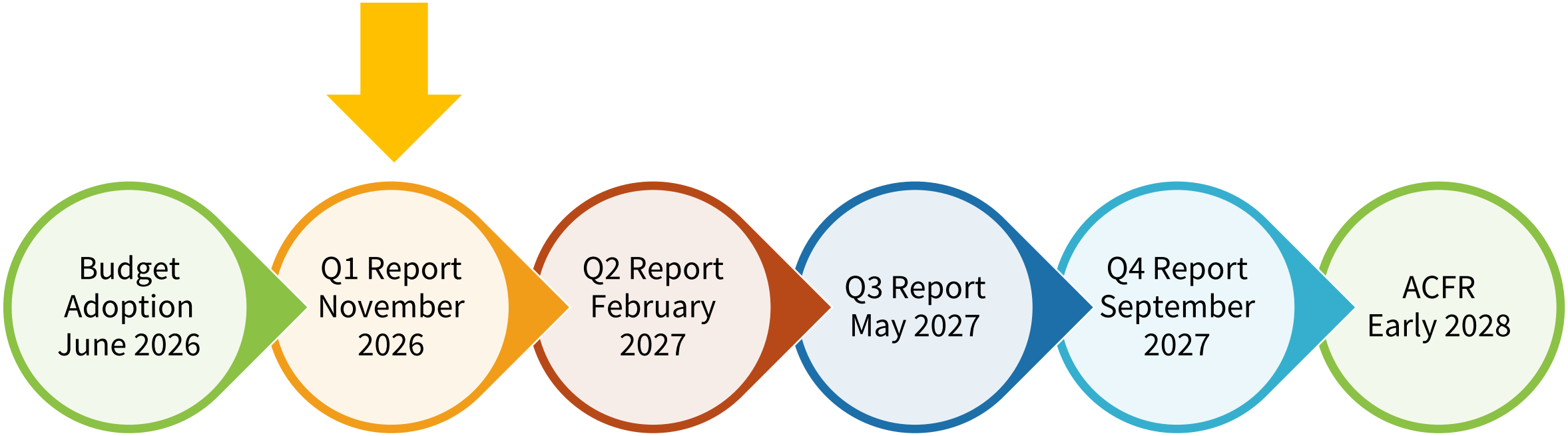
G. Provide direction to staff on the OSI prioritized initiatives, direct staff to begin analyzing each initiative, and direct staff to return to the Finance Committee in early 2027 to provide an update and receive further direction.



Agenda

1. General Fund Overview
2. Enterprise Funds Overview
3. Proposed Budget Adjustments
4. Position & Salary Changes
5. Operational Sustainability Initiative (OSI)
6. Public Comment, Questions, & Discussion

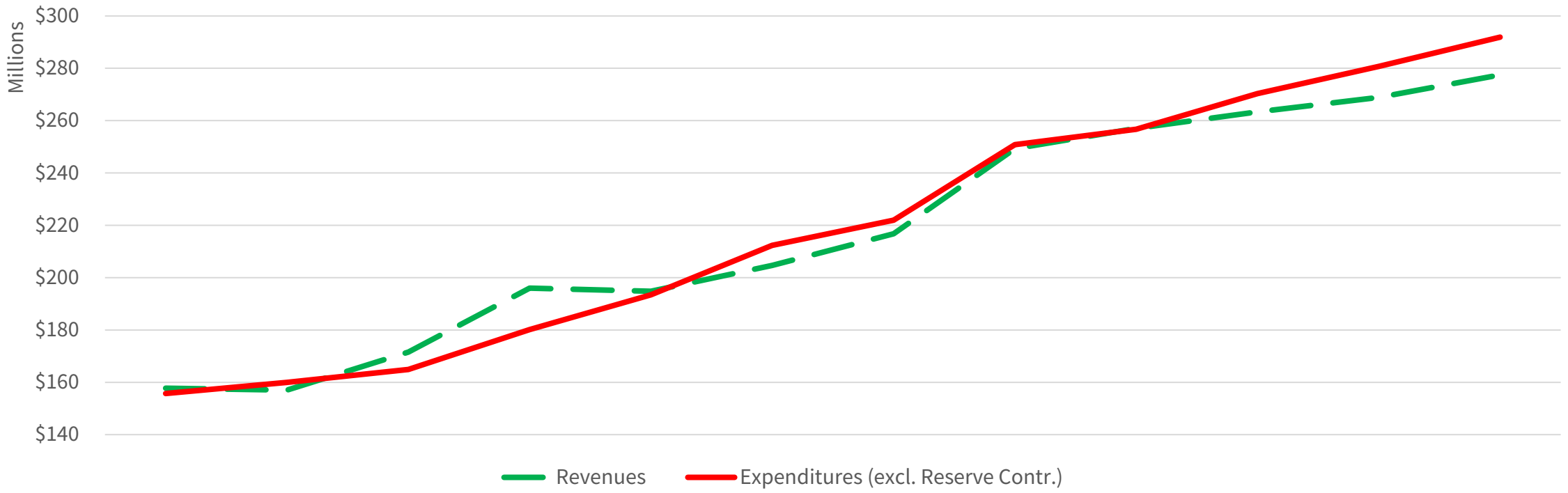
Financial Reporting Timeline



General Fund Overview



General Fund Multi-Year Forecast *



Revenue & Expense	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Actual	FY2026 Projection	FY2027 Budget	FY2028 Forecast	FY2029 Forecast	FY2030 Forecast
Revenue	$157.7	$157.0	$171.6	$196.0	$194.8	$204.6	$216.8	$249.3	$257.1	$263.4	$268.9	$277.5
Expenditure	$155.7	$159.9	$164.9	$180.1	$193.4	$212.3	$221.9	$250.8	$256.7	$270.3	$280.8	$291.9
Surplus /(Deficit)	**$2.0**	**($2.9)**	**$6.6**	**$15.9**	**$1.4**	**($7.7)**	**($5.1)**	**($1.6)**	**$0.3**	**($7.0)**	**($11.9)**	**($14.4)**

* Includes Measure C sales tax revenues & expenditures but does NOT include the annual reserve contribution.

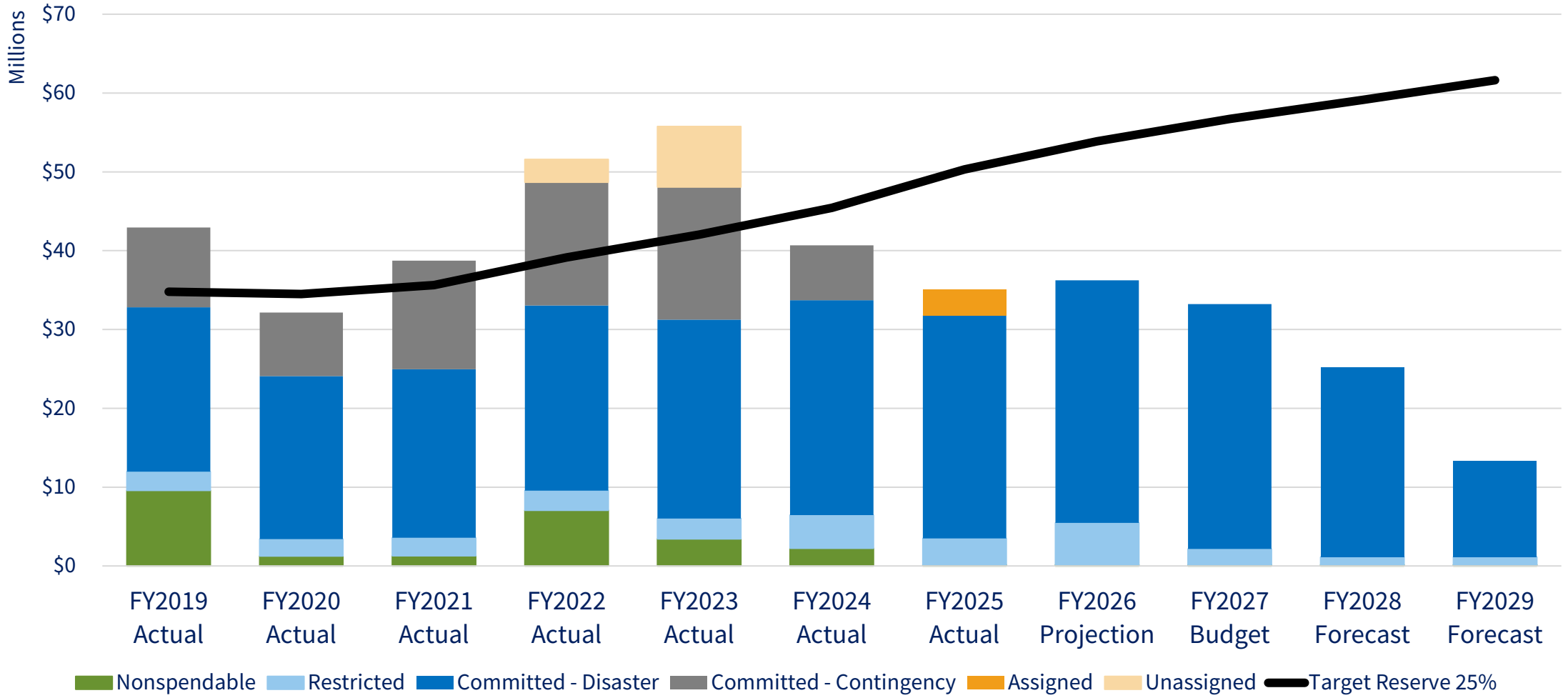
General Fund Projection *

$ MILLIONS	FY2024 Actual	FY2025 Actual	FY2026 Projection	FY2027 Budget	FY2027 Revised Budget
Revenues	$173.6	$185.3	$215.0	$222.3	$222.3
Expenditures	$181.2	$190.4	$216.6	$221.9	$225.8
Surplus / (Deficit)	**($7.7)**	**($5.1)**	**($1.6)**	**$0.3**	**($3.5)**
Reserve Policy Target (25.0%)**	$45.4	$50.3	$53.9	$56.6	$56.6
Actual / Projected Reserve Level	$40.7	$35.1	$36.2	$33.2	$29.4
Difference	**($4.8)**	**($15.2)**	**($17.7)**	**($23.4)**	**($27.2)**
Actual / Projected Reserve Percent	**22.4%**	**18.4%**	**16.7%**	**15.0%**	**14.7%**

* Excludes Measure C sales tax revenues & expenditures

· Actual FY2024 and FY2025 ACFR Results

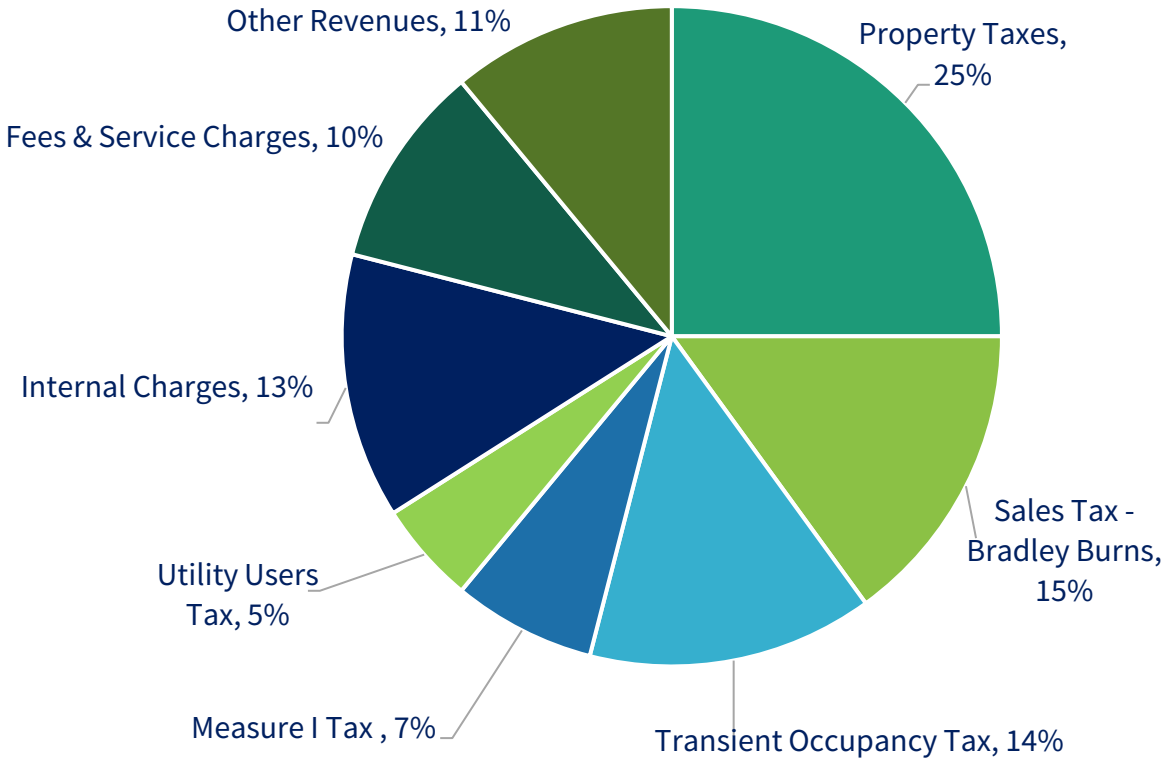
General Fund Reserves Model



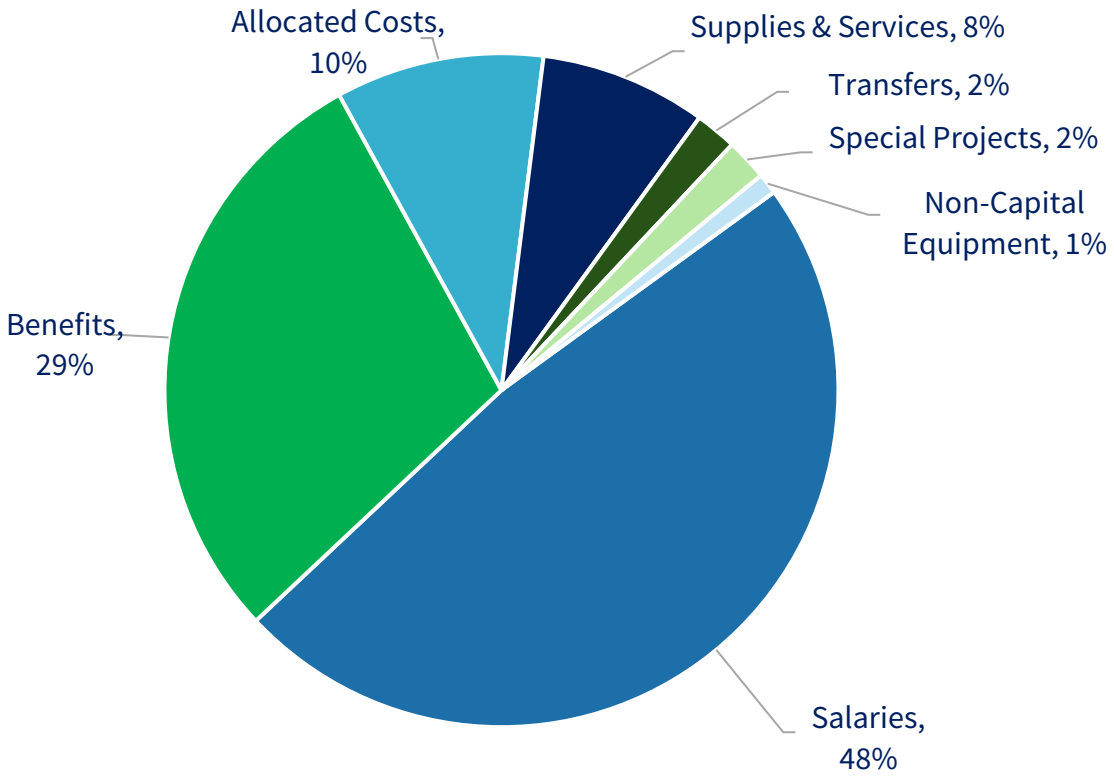
General Fund Revenue & Expenditure

Adopted Budget FY2027 – Percentage Allocation

General Fund Revenue



General Fund Expenditure



General Fund Overview

- Revised Budget includes Carryforward appropriation from FY2026 for encumbrance & commitments continuing into FY2027.
- Tax revenue came in at 10.0% of budget.
- Fire mutual aid revenue.
- Expenditure control measures created savings.

General Fund ($ Millions)	FY2027 Adopted Budget	FY2027 Revised Budget	FY2027 Q1 Actual	Actual % of Revised Budget	FY2027 Projections	FY2026 Q1 Actual
Revenues	$222.3	$222.3	$30.2*	13.6%	$222.2	$36.8
Expenditures	$221.9	$225.8	$43.7	19.4%	$225.8	$51.8
Surplus / (Deficit)	$0.4	($3.5)	($13.5)		($3.6)	($15.0)
Measure C ($ Millions)	**FY2027 Adopted Budget**	**FY2027 Revised Budget**	**FY2027 Q1 Actual**	**Actual % of Revised Budget**	**FY2027 Projections**	**FY2026 Q1 Actual**
Revenues	$34.8	$34.8	$2.6	7.5%	$34.8	$8.1
Expenditures	$33.9	$76.6	$3.8	5.0%	$76.6	$4.1
Surplus / (Deficit)	$0.9	($41.8)	($1.2)		($41.8)	$4.0

***** Additional Measure I revenue for FY2027 – $75.0K

General Fund Tax Summary (Q1 – Fiscal Year 2027)

Tax Source	Adopted Budget ($ Millions)	Revised Budget ($ Millions)	YTD Actual ($ Millions)	% Used with Adopted Budget	FY2027 Projection ($ Millions)	FY2026 Q1 Actual ($ Millions)
Property Tax	$56.5	$56.5	$0.0	**0.0%**	$56.5	$0.0
Sales & Use Tax	$32.5	$32.5	$2.3	**7.1%**	$32.5	$7.3
Measure I Sales Tax	$16.4	$16.4	$1.3	**7.9%**	$16.4	$0.0
Transient Occupancy Tax	$31.0	$31.0	$7.9	**25.5%**	$31.0	$9.7
Utility Users Tax	$10.5	$10.5	$3.2	**30.5%**	$10.5	$2.4
Business (License) Tax	$3.1	$3.1	$0.1	**3.2%**	$3.1	$0.1
Cannabis Excise Tax	$1.2	$1.2	$0.2	**16.7%**	$1.2	$0.4
Real Property Transfer Tax	$1.1	$1.1	$0.1	**9.1%**	$1.1	$0.2
TOTAL TAXES	**$152.3**	**$152.3**	**$15.1**	**100.0%**	**$152.3**	**$20.1**

General Fund Expenditures FY2027 (1 of 2)

Department	Adopted Budget ($ Millions)	Revised Budget ($ Millions)	Q1 Exclude Encumbrance ($ Millions)	% Used with Revised Budget	Encumbrance ($ Millions)	FY2027 Projection ($ Millions)
Mayor & Council	$3.4	$3.4	$0.4	13.2%	$0.2	$3.4
City Attorney	$6.4	$6.7	$1.1	16.2%	$0.5	$6.7
City Administrator	$10.2	$10.5	$1.4	13.1%	$1.3	$10.7
Human Resources	$3.2	$3.4	$0.7	20.3%	$0.1	$3.3
Finance	$8.5	$9.4	$1.7	17.6%	$1.3	$9.4
General Government	**$31.7**	**$33.4**	**$5.3**	**15.7%**	**$3.4**	**$33.5**
Police	$66.3	$66.7	$14.2	21.3%	$0.5	$66.7
Fire	$47.5	$48.4	$9.9	20.5%	$0.1	$48.4
Public Safety	**$113.8**	**$115.1**	**$24.1**	**21.0%**	**$0.6**	**$115.1**

General Fund Expenditures FY2027 (2 of 2)

Department	Adopted Budget ($ Millions)	Revised Budget ($ Millions)	Q1 Exclude Encumbrance ($ Millions)	% Used with Revised Budget	Encumbrance ($ Millions)	FY2027 Projection ($ Millions)
Parks & Recreation	$28.8	$28.9	$6.0	20.8%	$1.6	$28.9
Library	$10.5	$10.5	$2.1	20.0%	$0.3	$10.5
Community Services	**$39.3**	**$39.4**	**$8.1**	**20.6%**	**$1.9**	**$39.4**
Public Works	$17.1	$17.1	$2.8	16.4%	$0.0	$17.0
Sustainability & Resilience	$0.1	$0.3	$0.0	0.0%	$0.0	$0.3
Community Development	$16.7	$17.3	$3.2	18.5%	$0.5	$17.3
Subtotal Expenditures	**$218.7**	**$222.6**	**$43.5**	**20.0%**	**$6.4**	**$222.6**
Measure I Transfer	$3.0	$3.0	$0.0	0.0%	$0.0	$3.0
Non – Departmental	$0.1*	$0.1*	$0.1	100.0%	$0.0	$0.1
Total Expenditures	**$221.8**	**$225.7**	**$43.6**	**19.0%**	**$6.4**	**$225.7**

* Includes $1.5 M reduction – Salary saving



Enterprise Funds Overview

Enterprise Funds Operating Position FY2027
(1 of 3)

Enterprise Fund	Adopted Budget ($ Millions)	Revised Budget ($ Millions)	Q1 FY2027 ($ Millions)	% Used with Revised Budget	FY2027 Projection ($ Millions)	Q1 FY2026 ($ Millions)
Water						
Revenues	$91.1	$91.1	$24.8	27.2%	$90.6	$22.9
Expenses	$93.5	$96.4	$19.1	19.8%	$96.7	$19.1
Operating Income (Loss)	**($2.5)**	**($5.3)**	**$5.7**		**($6.1)**	**$3.8**
Wastewater						
Revenues	$37.6	$37.6	$9.2	24.5%	$37.5	$8.6
Expenses	$39.3	$40.2	$7.2	17.9%	$40.2	$7.4
Operating Income (Loss)	**($1.7)**	**($2.6)**	**$2.0**		**($2.7)**	**$1.2**
Solid Waste						
Revenues	$47.2	$47.4	$11.1	23.4%	$47.4	$10.7
Expenses	$47.2	$48.0	$9.0	18.8%	$47.4	$5.9
Operating Income (Loss)	**$0.0**	**($0.6)**	**$2.1**		**$0.0**	**$4.8**

Enterprise Funds Operating Position FY2027
(2 of 3)

Enterprise Fund	Adopted Budget ($ Millions)	Revised Budget ($ Millions)	Q1 FY2027 ($ Millions)	% Used with Revised Budget	FY2027 Projection ($ Millions)	Q1 FY2026 ($ Millions)
Clean Energy						
Revenues	$38.7	$38.7	$5.8	15.0%	$39.5	$6.3
Expenses	$40.9	$45.2	$4.6	10.2%	$41.0	$13.9
Operating Income (Loss)	**($2.2)**	**($6.5)**	**$1.2**		**($1.5)**	**($7.6)**
Airport						
Revenues	$44.4	$49.1	$8.1	16.5%	$49.1	$8.1
Expenses	$42.0	$48.1	$10.1	21.0%	$48.1	$9.0
Operating Income (Loss)	**$2.4**	**$1.0**	**($2.1)**		**$1.0**	**($0.9)**
Waterfront						
Revenues	$21.6	$21.6	$5.8	26.9%	$21.6	$5.7
Expenses	$23.3	$23.5	$5.1	21.7%	$23.5	$5.4
Operating Income (Loss)	**($1.7)**	**($1.9)**	**$0.7**		**($1.9)**	**$0.3**

Enterprise Funds Operating Position FY2027
(3 of 3)

Enterprise Fund	Adopted Budget ($ Millions)	Revised Budget ($ Millions)	Q1 FY2027 ($ Millions)	% Used with Revised Budget	FY2027 Projection ($ Millions)	Q1 FY2026 ($ Millions)
Downtown Parking						
Revenues	$11.0	$11.0	$2.8	25.5%	$11.0	$2.5
Expenses	$10.9	$10.9	$2.3	21.1%	$10.9	$2.3
Operating Income (Loss)	**($0.1)**	**($0.2)**	**$0.9**		**($0.2)**	**($0.3)**
Golf						
Revenues	$5.5	$5.5	$1.5	27.3%	$5.5	$1.5
Expenses	$6.5	$6.5	$1.3	20.0%	$6.5	$1.3
Operating Income (Loss)	**($1.0)**	**($1.0)**	**($0.2)**		**($1.0)**	**($0.2)**

Proposed Budget Amendments



Proposed Budget Amendments by Funds

General & Special Funds

- Community Development: Increase in estimated revenue & corresponding appropriations for third party environmental review services funded through applicant reimbursements project.
  - ➡ $600.0K Revenue / Expenditure
- Decrease in estimated revenue for P&R Forestry due to lower annual Streets Fund reimbursements to the General Fund that are tied to UUT collections.
  - ➡ $273.5K Revenue
- Increase in appropriations to meet the City's funding obligation for the Downtown Community Benefit Improvement District (CBID) in FY2027.
  - ➡ $186.0K Expenditure

Enterprise Funds

- For the Airport Fund: Increase in appropriations to reallocate from projects with anticipated savings to projects requiring additional fund.
  - ➡ $1.3M Expense
- Decrease in appropriation for Airport Facility Maintenance Building & Non-Building Improvements.
  - ➡ $508.6K Expense
- Decrease in appropriations for Salaries & Benefits for Waterfront & Wastewater Depts. On June 30, Attachment I of Resolution No. 2026-057 included various duplication of Salary & Benefits amounts, resulting in overall budget being overstated.
  - ➡ $1.4M & $1.8M Expense

Position & Salary Changes





Position & Salary Changes by Department

- Library
  - 1.0 FTE Supervisor
  - (1.0) FTE Administrative Analyst I
- Public Works
  - (1.0) FTE – Administrative Assistant – Confidential
- Water Resources
  - 1.0 FTE – Administrative Assistant

Operational Sustainability Initiative (OSI)



Ensuring a Thriving City Organization through the Operational Sustainability Initiative (OSI) 1 of 2

THE GOAL

"To close the deficit and hold a balanced budget, creating sustainable operations and promoting best practice across the organization, prioritizing the most impactful initiatives from across both operational and Strategic Plan activity."

Financial target: beat the projected General Fund deficit in every year, then restore reserves to the 25.0% policy target — a $70.9 Million challenge over FY2027–FY2031.

OSI sits under Strategic Plan Priority 4, "Ensure a Thriving City Organization", objective "Achieve financial stability".

Ensuring a Thriving City Organization through the Operational Sustainability Initiative (OSI) 2 of 2

THE RISK OF NOT ACTING

Failure to achieve financial sustainability and build reserves would significantly limit the City's ability to respond to disasters, increase the risk of staff layoffs, and reduce service levels to the community.

Without OSI, the reserve shortfall against the 25.0% policy target grows from $23.5 Million to about $71.0 Million by FY2031.

OSI sits under Strategic Plan Priority 4, "Ensure a Thriving City Organization", objective "Achieve financial stability".

Recommended Focus: 20 Initiatives by Strategic Plan Priority (1 of 2)

Ensure a Thriving City Organization — Achieve Financial Stability			
187	Tax measures — RPTT & TOT increase, November 2028 ballot	Finance	**$7,300,000**
1	Waterfront slip fees to market rate	Waterfront	**$1,500,000**
200	Code enforcement cost recovery	City Administration	**$1,200,000**
43	TBID assessment rate increase	City Administration	**$950,000**
6	Engineering services full cost recovery	Public Works	**$800,000**
146	Minimize Streets Fund overhead costs	Public Works	**$657,000**
13	Event support services cost recovery	Police	**$500,000**
76	Cap on vacation cash-out benefits	Human Resources	**$500,000**
128	Rationalize in-house & contractor services	Public Works	**>$500,000**
183	Review currently vacant General Fund positions	City Administration	**>$500,000**
184	Strategic review of service levels	City Administration	**>$500,000**
190	Property insurance review	Finance	**$500,000**
185	Centralization review program	Finance	**$300,000**
201	Community promotions grant program	City Administration	**$273,410**
11	Slip transfer fees	Waterfront	**$250,000**
45	City-owned asset review & sale	City Administrator's Office	**To be estimated**

Prioritized by the OSI Executive Board, September–November 2026. Eight further initiatives were reviewed and not taken forward.

Recommended Focus: 20 Initiatives by Strategic Plan Priority (2 of 2)

Stimulate Economic & Community Vitality			
21	Airport commercial development	Airport	**$1,000,000**
158	RV campsites at Chase Palm Park	Waterfront	**$250,000**
91	West Beach activation	Parks & Recreation	**$250,000**

Enhance Community Resiliency & Safety			
189	Bond measure/Debt issuance for capital renewal	Finance	**$1,500,000**

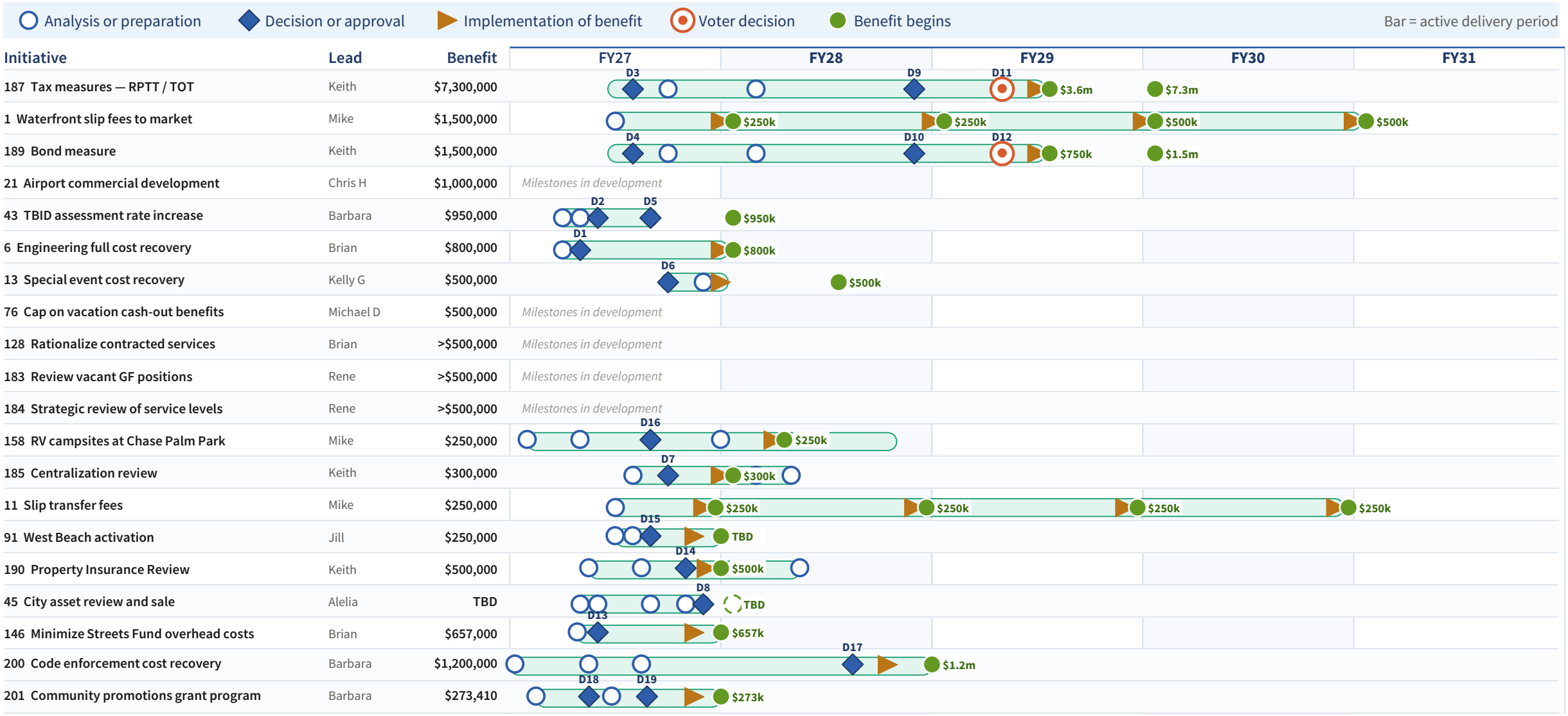
Annual benefit at full run-rate: $19.2 Million

- 16 of the 20 sit directly under “Achieve financial stability”. The other four (4) deliver a financial benefit while advancing a second Strategic Plan priority.
- 12 initiatives have a completed one-pager; five (5) are in development; three (3) need a benefit estimate or milestones.

Prioritized by the OSI Executive Board, September–November 2026. Eight further initiatives were reviewed and not taken forward.

ROAD MAP — Operational Sustainability Initiative

Delivery roadmap · all initiatives being taken forward · November 2026



Decisions required

D1 Agree the engineering rate-setting strategy
Nov 2026 · ref 6 · Committee

D2 Increase the assessment rate
Dec 2026 · ref 43 · TBID Committee, lodging businesses

D3 Direct which tax measures to advance
Feb 2027 · ref 187 · Finance Committee

D4 Direct whether to advance a bond measure
Feb 2027 · ref 189 · Finance Committee

D5 Approve the TBID rate increase
Mar 2027 · ref 43 · City Council

D6 Approve full cost recovery for special events
Apr 2027 · ref 13 · City Council

D7 Agree which functions to centralize
Apr 2027 · ref 185 · Department directors

D8 Agree a pilot portfolio of 3-5 assets
Jun 2027 · ref 45 · City Administrator's Office

D9 Resolve to place tax measures on the ballot
Jun 2028 · ref 187 · City Council

D10 Resolve to place the bond on the ballot
Jun 2028 · ref 189 · City Council

D11 Vote on the tax measures
Nov 2028 · ref 187 · Voters

D12 Vote on the bond measure
Nov 2028 · ref 189 · Voters

D13 Decide Streets Fund overhead transfer option
Nov 2026 · ref 146 · Public Works

D14 Approve insurance coverage changes
Q4 FY2027 · ref 190 · Department Directors

D15 Approve the West Beach activation plan
Mar 2027 · ref 91 · City Council

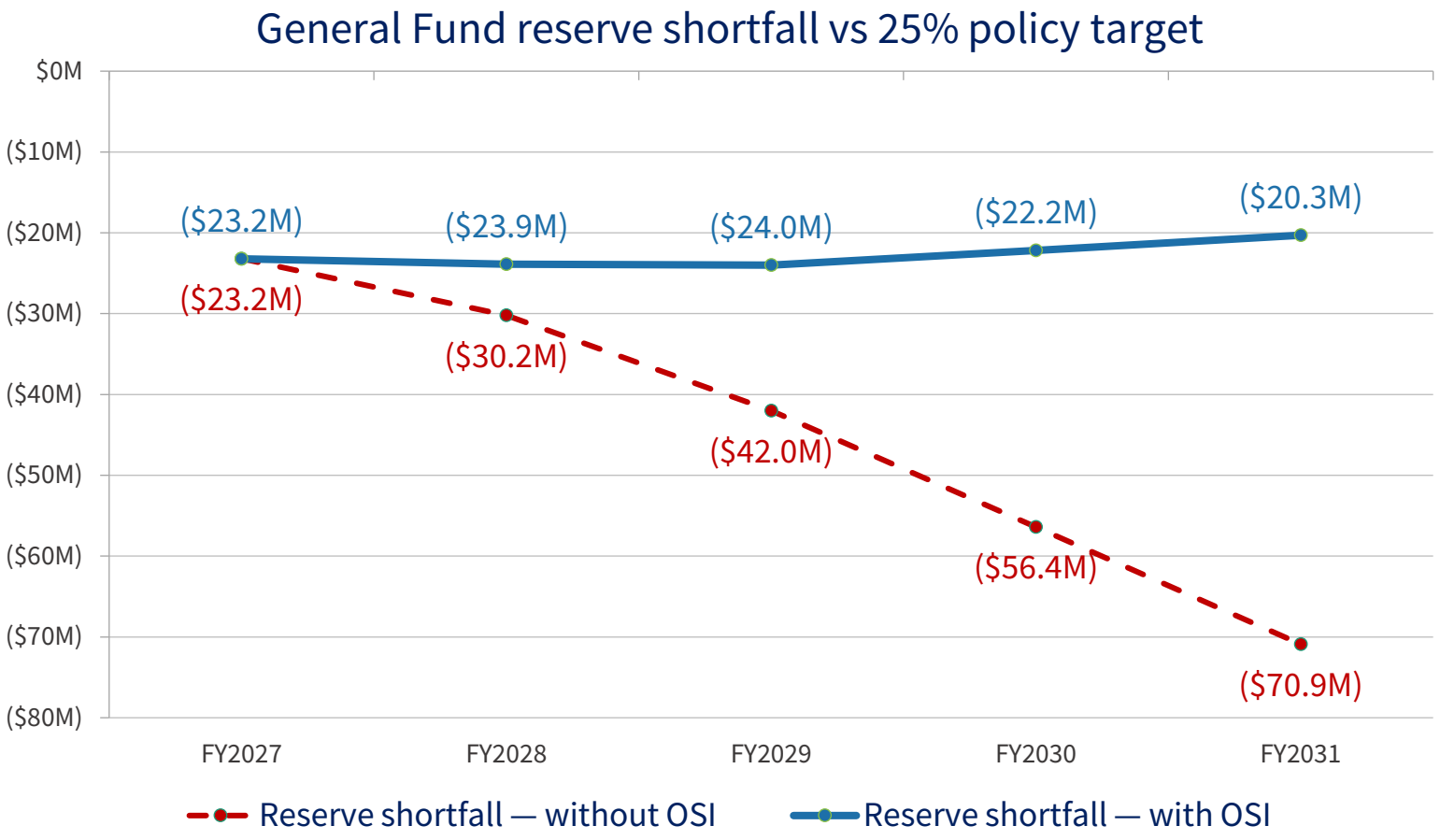
D16 Approve seasonal RV sites at Chase Palm Park
Mar 2027 · ref 158 · City Council

D17 Set citation timelines for non-compliance
Q3 FY2028 · ref 200 · City Administrator

D18 Vet community promotions grant reduction
Nov 2026 · ref 201 · Finance Committee

D19 Phased or full reduction into FY2028 budget
Q3 FY2027 · ref 201 · Finance Committee

Ensuring a Thriving City Organization through OSI — Impact on Reserves



Without OSI the shortfall grows every year, reaching ($70.9M) by FY2031.

With the 20 initiatives on the plan, the shortfall is held at about ($24.0M) & begins to close from FY2030.

The plan covers 71.0% of the five-year goal & clears the annual deficit from FY2030. Further initiatives are needed to restore reserves to the 25.0% target.

Source: OSI Visual Management Tool, November 2026. Deficit forecast from the FY2026 Q4 General Fund multi-year forecast; FY2031 assumed equal to FY2030. Reserve shortfall of $23.5M at June 30, 2027, per General Fund Projection.

Key Decisions Ahead — 2026 to 2028

WHEN	REF	DECISION	INITIATIVE	DECIDED BY
Nov 2026	D1	Agree the engineering rate-setting strategy	Engineering full cost recovery (6)	Committee
Nov 2026	D13	Decide the Streets Fund overhead transfer option	Minimize Streets Fund overhead costs (146)	Public Works / OSI Board
Nov 2026	D18	Vet the community promotions grant reduction	Community promotions grant program (201)	Finance Committee
Dec 2026	D2	Increase the assessment rate	TBID assessment rate increase (43)	TBID Committee & lodging businesses
Feb 2027	D3	Direct which tax measures to advance	Tax measures — RPTT / TOT (187)	Finance Committee
Feb 2027	D4	Direct whether to advance a bond measure	Bond measure (189)	Finance Committee
Jan–Mar 2027	D19	Phased or full grant reduction into the FY2028 budget	Community promotions grant program (201)	Finance Committee
Mar 2027	D5	Approve the TBID rate increase	TBID assessment rate increase (43)	City Council
Mar 2027	D15	Approve the West Beach activation plan	West Beach activation (91)	City Council
Mar 2027	D16	Approve seasonal RV sites at Chase Palm Park	RV campsites at Chase Palm Park (158)	City Council
Apr 2027	D6	Approve full cost recovery for special events	Special event cost recovery (13)	City Council
Apr 2027	D7	Agree which functions to centralize	Centralization review (185)	Department Directors
Apr–Jun 2027	D14	Approve property insurance coverage changes for FY2028	Property insurance review (190)	Department Directors
Jun 2027	D8	Agree a pilot portfolio of 3–5 assets	City asset review & sale (45)	City Administrator's Office
Jan–Mar 2028	D17	Set citation timelines for non-compliance	Code enforcement cost recovery (200)	City Administrator
Jun 2028	D9	Resolve to place tax measures on the ballot	Tax measures — RPTT / TOT (187)	City Council
Jun 2028	D10	Resolve to place the bond on the ballot	Bond measure (189)	City Council
Nov 2028	D11	Vote on the tax measures	Tax measures — RPTT / TOT (187)	**Voters**
Nov 2028	D12	Decisions on the bond measure/debt issuance	Bond measure (189)	**Voters or City Council**

Decision references (D1–D19) match the Delivery Road Map. The two (2) voter decisions in November 2028 carry $8.8M of the annual run-rate.

Next Steps and Actions (1 of 3)

- Tax measures and bond measure — preliminary direction needed in February 2027. Staff will return to the Finance Committee with analysis of the RPTT, the TOT increase, & the capital bond or debt issuance, for a decision on which to advance.
- These are the largest items in the plan, $8.8 Million a year from FY2030, & carry a corresponding share of its risk; the path to the November 2028 ballot runs through community polling in 2027 & ballot placement by June 2028.
- Staff are also reviewing TOT against the TBID assessment increase to confirm the stronger path.

Next Steps and Actions (2 of 3)

- The measures will need the Committee's & Council's active support in the new year.
- Integrate OSI with the citywide Strategic Plan. Fold OSI reporting into Strategic Plan Year 1 reporting under "Ensure a Thriving City Organization", with an orientation for Council & staff.
- Reserve policy. With the forthcoming change to the reserve policy limiting the City's ability to draw on reserves, a credible path to a balanced budget is more critical, not less. Not following through on the initiatives above leaves the reserve shortfall at about $71.0 Million by FY2031.

Next Steps and Actions (3 of 3)

- Q2 financial report & Budget Work Session — February 23, 2027. OSI progress reported alongside the mid-year position.
- Proposed budget — April 20, 2027. The City Administrator's recommended budget to include the financial implications of the OSI initiatives.
- Delivery continues. Monthly updates from initiative leads are underway; the OSI Executive Board reviews progress on December 14, 2026.

Public Comment, Questions, & Discussion

