



First-Quarter Financial Review Fiscal Year 2026

City Council Meeting
December 2, 2025





Recommendation to Council

- ✓ Hear a report from staff on the status of revenues and expenditures in relation to budget for the three months ended September 30, 2025;
- ✓ Receive the Fiscal Year (FY) 2026 Interim Financial Statements for the three months ended September 30, 2025;
- ✓ Adopt, by reading of title only, a Resolution of the Council of the City of Santa Barbara Amending Resolution 25-102, to Approve Proposed First-Quarter (Q1) Adjustments to FY2026 Revenue and Expenditure Appropriations as Detailed in the Attached Schedule of Proposed Q1 Adjustments; and
- ✓ Adopt, by reading of title only, a Resolution of the Council of the City of Santa Barbara Amending the Position Salary Control Resolution 25-117 for Authorized Positions for Fiscal Year 2026. Changes Are Effective November 15, 2025.
- ✓ Provide direction to staff regarding revenue generating and expenditure control options to balance the General Fund budget in FY 2026 and forecast for FY 2027.

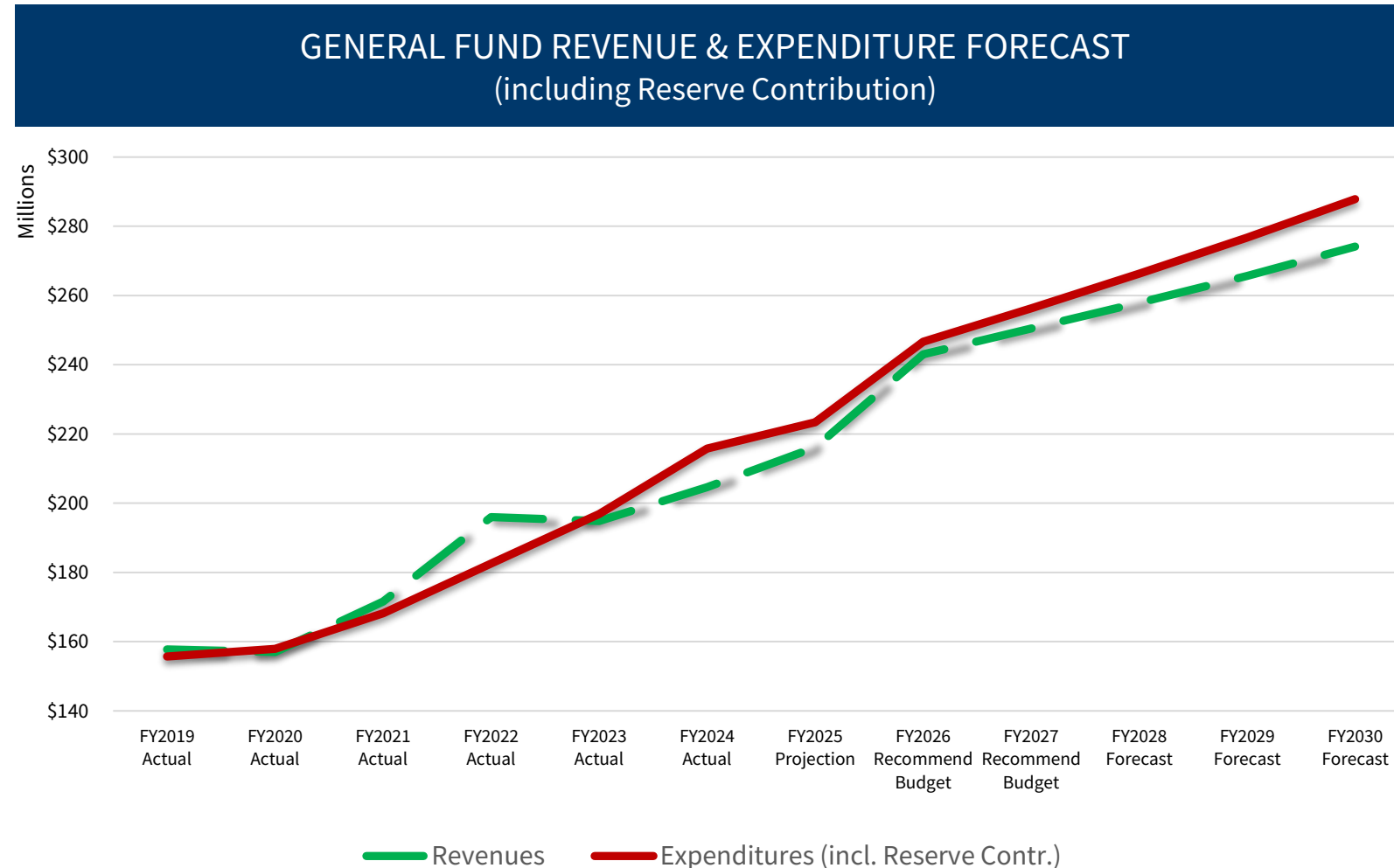


Agenda

1. General Fund Overview
2. Enterprise Funds Overview
3. Proposed Budget Adjustments
4. Position Changes
5. Questions, Public Comment, & Discussion



General Fund Multi-Year Forecast



FY2019 through FY2030
General Fund Revenues
& Expenditures (including
reserve target goals)



General Fund Multi-Year Forecast

\$ Millions	FY2025 Actual Pre-Audit	FY2026 Adopted Budget	FY2027 Adopted Budget	FY2028 Forecast	FY2029 Forecast	FY2030 Forecast
Revenues	\$214.7	\$242.9	\$250.3	\$257.8	\$265.6	\$274.00
Expenditures*	\$231.4	\$244.5	\$256.2	\$266.1	\$276.4	\$287.5
Surplus / (Deficit)	\$(16.7)	\$(1.6)	\$(5.9)	\$(8.2)	\$(10.8)	\$(13.4)

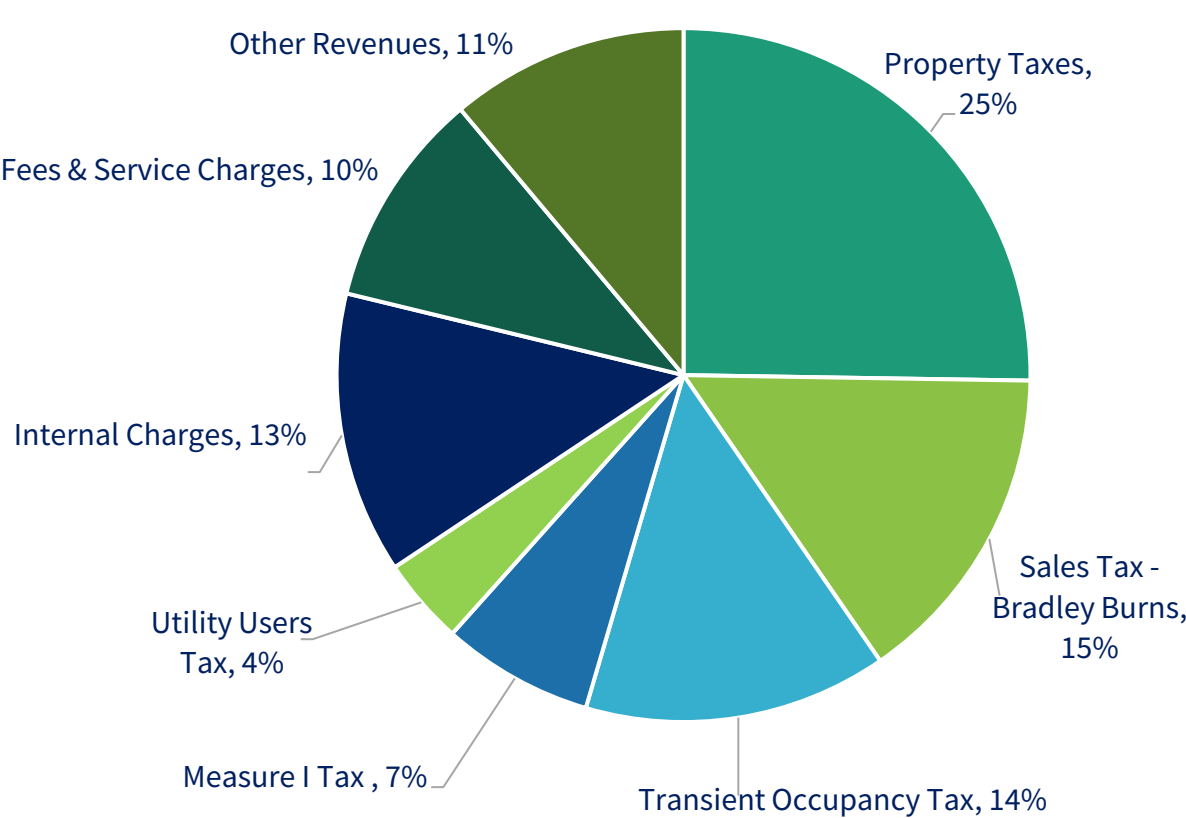
*Expenditures include the reserve contribution in order to meet the City Council Reserve Policy target. Measure C Revenues & Expenditures are also included.

General Fund Revenue & Expenditure

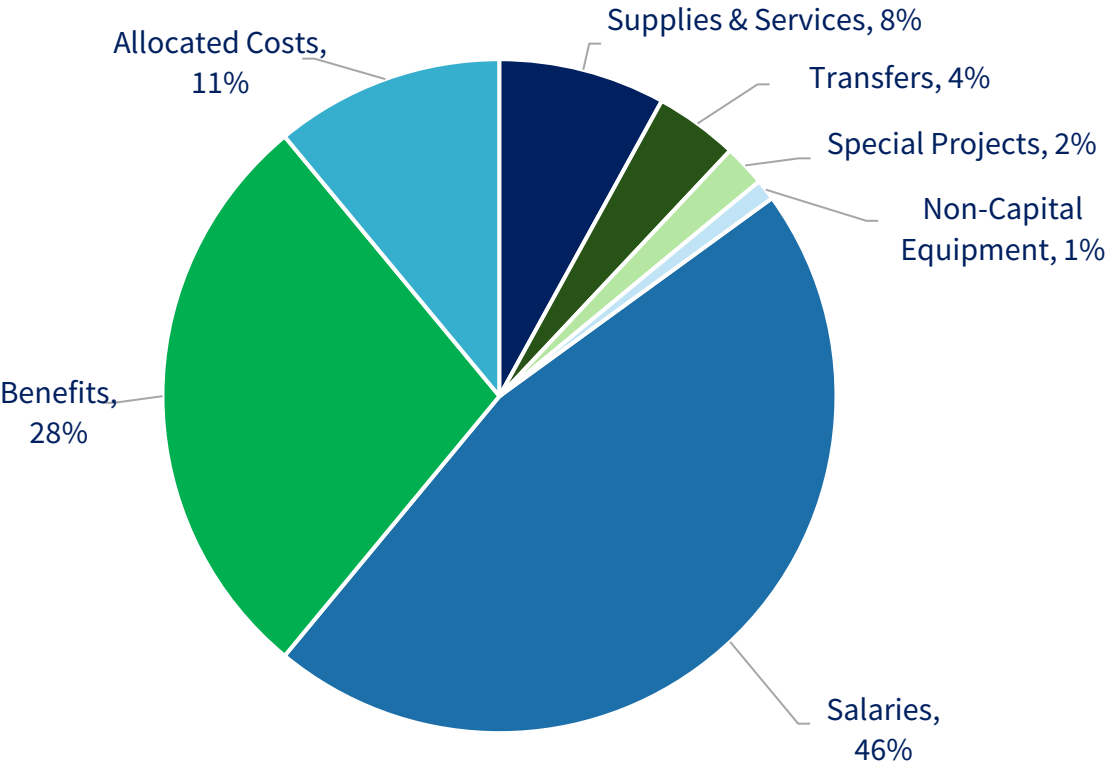
Adopted Budget FY2026 – Percentage Allocation



General Fund Revenue



General Fund Expenditure



General Fund Overview





General Fund Overview

- Revised Budget includes Carryforward appropriation from FY2025 for encumbrance & commitments continuing into FY2026
- Tax revenue softening
- Business license renewal by calendar year

General Fund (\$ Millions)	FY2026 Adopted Budget	FY2026 Revised Budget	FY2026 Q1 Actual	Actual % of Revised Budget	FY2026 Projections	FY2025 Q1 Actual
Revenues	\$208.7	\$209.4	\$37.8*	18.0%	\$208.8	\$42.1
Expenditures	\$210.3	\$214.3	\$51.9	24.2%	\$215.6	\$60.8
Contribution to Reserves	\$0.0	\$0.0	\$0.0	0.0%	0.0%	\$0.0
Surplus / (Deficit)	(\$1.6)	(\$4.9)	(\$14.1)	0.0%	(\$6.8)	(\$18.7)

Measure C	FY2026 Adopted Budget	FY2026 Revised Budget	FY2026 Q1 Actual	Actual % of Revised Budget	FY2026 Projections	FY2025 Q1 Actual
Revenues	\$34.2	\$34.2	\$8.1	23.7%	\$34.2	\$8.0
Expenditures	\$35.1	\$75.0	\$4.1	5.5%	\$75.0	\$8.3
Total Surplus / (Deficit)	(\$0.9)	(\$40.8)	\$4.0	0.0%	(\$40.8)	(\$0.3)

*Additional Measure I revenue for FY2026 – \$1.0M



General Fund Tax Summary (Q1 – Fiscal Year 2026)

Tax Source	Adopted Budget (\$ Millions)	Revised Budget (\$ Millions)	YTD Actual (\$ Millions)	% Used with Adopted Budget	FY2026 Projection	FY2025 Q1 Actual (\$ Millions)
Property Tax	\$53.6	\$53.6	\$0.0	0%	\$53.6	\$0.0
Sales & Use Tax	\$32.0	\$32.0	\$7.3	22.8%	\$32.0	\$7.8
Measure C Sales Tax	\$34.2	\$34.2	\$8.1	23.8%	\$34.2	\$8.0
Measure I Sales Tax	\$15.1	\$15.1	\$1.1	7.1%	\$15.1	\$0.0
Transient Occupancy Tax	\$29.6	\$29.6	\$9.7	32.9%	\$29.6	\$9.6
Utility Users Tax	\$8.2	\$8.2	\$2.4	29.1%	\$8.2	\$2.4
Business Tax Certificates	\$3.0	\$3.0	\$0.1	2.8%	\$3.0	\$0.1
Cannabis Excise Tax	\$1.0	\$1.0	\$0.4	35.2%	\$1.0	\$0.3
Property Transfer Tax	\$1.0	\$1.0	\$0.2	24.5%	\$1.0	\$0.2
TOTAL TAXES	\$177.6	\$177.6	\$29.3		\$177.6	\$28.3



Short-Term Rental

The Short-Term Rental (STR) Enforcement Pilot Program was launched by the City Attorney's Office on August 1, 2023.



The Pilot Program was funded by the City Council on April 25, 2023, with the goal of increasing the enforcement of illegal short-term rentals operating in the City & gain a better understanding of the type, seasonality, location, & number of short-term rentals existing in the City.

Fiscal Year 2025

Period	General Fund	Measure B
12 Months	\$3,400,000	\$650,000

Fiscal Year 2026

Description	Period	General Fund	Measure B
GF STR	3 Months	\$1,000,000	\$169,000
GF STR Settlements	N/A	\$383,000	\$92,000



General Fund Expenditures FY2026

Department	Adopted Budget (\$ Millions)	Revised Budget (\$ Millions)	Q1 Exclude Encumbrance (\$ Millions)	% Used with Revised Budget	Encumbrance	FY2026 Projection
Mayor & Council	\$3.4	\$3.4	\$0.6	18%	\$1.0	\$3.4
City Attorney	\$5.6	\$5.7	\$1.3	22%	\$0.5	\$5.7
City Administrator	\$8.6	\$8.8	\$1.7	19%	\$0.2	\$8.6
Human Resources	\$2.9	\$3.1	\$0.6	19%	\$0.2	\$2.7
Finance	\$8.3	\$9.2	\$1.8	19%	\$0.9	\$9.2
General Government	\$28.8	\$30.2	\$6.0	20%	\$2.8	\$29.6
Police	\$61.2	\$62.0	\$14.2	23%	\$0.7	\$62.1
Fire	\$42.4	\$42.6	\$10.3	24%	\$0.1	\$46.1
Public Safety	\$103.6	\$104.6	\$24.5	23%	\$0.8	\$108.2



General Fund Expenditures FY2026

Department	Adopted Budget (\$ Millions)	Revised Budget (\$ Millions)	Q1 Exclude Encumbrance (\$ Millions)	% Used with Revised Budget	Encumbrance	FY2026 Projection
Parks & Recreation	\$28.0	\$28.1	\$6.8	24%	\$1.6	\$28.1
Library	\$9.9	\$9.9	\$2.0	20%	\$0.2	\$9.9
Community Services	\$37.9	\$38.0	\$8.8	23%	\$1.8	\$38.0
Public Works	\$15.2	\$15.2	\$3.3	22%	\$0.1	\$15.1
Sustainability & Resilience	\$0.3	\$0.5	\$0.1	18%	\$0.2	\$0.5
Community Development	\$16.0	\$17.3	\$3.6	21%	\$0.6	\$16.4
Sub Total Expenditures	\$201.8	\$205.8	\$46.1	22%	\$6.2	\$207.7
Measure C Sales Tax	\$35.1	\$75.0	\$4.1	5%	\$0.0	\$75.0
Non - Departmental	\$8.5	\$8.5	\$5.7	67%	\$0.0	\$7.8
Total Expenditures	\$245.4	\$289.3	\$55.9	20%	\$6.2	\$290.5



Finance Committee Direction FY2026 Budget Recommendations

Highest priorities (recommending to proceed in addition to other items listed in Attachment 5):

- Cannabis excise tax revenue generators
 - Increase cannabis excise tax up to the 20.0% voter approved limit; and
 - Consider additional revenue generating sales opportunities
- Initiate a poll to assess the viability of possible revenue tax measures for the November 2026 ballot, including tax rates increases for Real Property Transfer Tax, Transient Occupancy Tax, Utility Users Tax, and a Parcel Tax; and
- Analyze recreational vehicle camping at the Waterfront parking lots.

Lowest priorities (not recommending to proceed):

- Library closures or reduced hours of operation;
- Allow short-term rentals throughout the City which would generate additional Transient Occupancy Tax revenue; and
- Increase parking fees.



Enterprise Funds Overview



Enterprise Funds Operating Position FY2026

Enterprise Fund	Adopted Budget (\$ Millions)	Revised Budget (\$ Millions)	Q1 FY2026 (\$ Millions)	% Used with Revised Budget	FY2026 Projection	Q1 FY2025 (\$ Millions)
Water						
Revenues	\$86.8	\$86.8	\$22.9	26%	\$85.3	\$19.0
Expenses	\$89.3	\$92.4	\$19.1	21%	\$92.4	\$17.1
Operating Income (Loss)	\$(2.6)	\$(5.6)	\$3.7		\$(7.2)	\$(1.8)
Wastewater						
Revenues	\$34.5	\$34.5	\$8.6	25%	\$34.4	\$7.9
Expenses	\$37.2	\$38.5	\$7.4	19%	\$38.5	\$6.3
Operating Income (Loss)	\$(2.7)	\$(4.0)	\$1.2		\$(4.1)	\$1.5
Solid Waste						
Revenues	\$43.0	\$43.2	\$10.7	25%	\$46.6	\$8.8
Expenses	\$42.4	\$42.9	\$5.9	14%	\$42.4	\$6.6
Operating Income (Loss)	\$0.6	\$0.3	\$4.8		\$4.2	\$2.3



Enterprise Funds Operating Position FY2026

Enterprise Fund	Adopted Budget (\$ Millions)	Revised Budget (\$ Millions)	Q1 FY2026 (\$ Millions)	% Used with Revised Budget	FY2026 Projection	Q1 FY2025 (\$ Millions)
Clean Energy						
Revenues	\$47.8	\$47.8	\$6.3	13%	\$46.0	\$7.3
Expenses	\$50.6	\$52.6	\$13.9	27%	\$46.3	\$9.3
Operating Income (Loss)	\$(2.7)	\$(4.8)	\$(7.7)		\$(0.4)	\$(1.9)
Airport						
Revenues	\$35.6	\$35.6	\$8.1	23%	\$35.6	\$8.3
Expenses	\$41.9	\$43.5	\$9.1	21%	\$43.7	\$7.5
Operating Income (Loss)	\$(6.4)	\$(7.9)	\$(1.0)		\$(8.1)	\$0.8
Waterfront						
Revenues	\$20.8	\$20.8	\$5.7	27%	\$20.8	\$5.6
Expenses	\$22.7	\$22.9	\$5.4	24%	\$22.9	\$5.0
Operating Income (Loss)	\$(1.9)	\$(2.1)	\$0.3		\$(2.1)	\$0.6



Enterprise Funds Operating Position FY2026

Enterprise Fund	Adopted Budget (\$ Millions)	Revised Budget (\$ Millions)	Q1 FY2026 (\$ Millions)	% Used with Revised Budget	FY2026 Projection	Q1 FY2025 (\$ Millions)
Downtown Parking						
Revenues	\$10.2	\$10.2	\$2.5	25%	\$10.3	\$2.8
Expenses	\$10.3	\$10.4	\$2.3	22%	\$10.3	\$2.5
Operating Income (Loss)	\$(0.1)	\$(0.2)	\$0.2		\$0.0	\$0.3
Golf						
Revenues	\$5.3	\$5.3	\$1.5	29%	\$5.3	\$1.4
Expenses	\$5.7	\$5.7	\$1.3	22%	\$5.7	\$0.9
Operating Income (Loss)	\$(0.5)	\$(0.5)	\$0.3		\$(0.5)	\$0.5

Proposed Budget Amendments





General Fund & Special Revenue Funds

- Increase appropriations in Fire Personnel costs to meet MOU obligations
➡ \$3.5M Expenditures
- Decrease estimated revenue for expired agreement with AMR and Santa Barbara County
➡ \$230.1K Revenues
- Increase estimated revenue and appropriation in the Street Grant Capital Fund from State Funds for PS&E and Right-of-Way phase of the Cliff Drive from Arroyo Burro Beach County Park to Castillo Street.
➡ \$1.12M Revenue & Expenditure

Enterprise Funds

- Increase appropriation funded from reappropriations within Airport funded projects
➡ \$724.9K Revenue & Expense

Position & Salary Changes





Position & Salary Changes

- City Attorney's Office
 - Assistant City Attorney V to Chief Assistant City Attorney
- Public Work Department
 - Facilities Maintenance Superintendent to Supervising Engineer
- Salary Adjustments Due to Compaction
 - Assistant Airport Director
 - Santa Barbara Supervisor's Unit
 - Fire Chief
 - Fire Operations Division Chief



Questions, Public Comment, & Discussion

