



FINANCE DEPARTMENT

FY2027 BUDGET WORK SESSION

City Council Special Meeting – April 9, 2026

Recommendation to Council

That Council hear a presentation from Staff related to the development of the Operating and Capital Budget for Fiscal Year 2027 and provide direction to Staff.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Santa Barbara
California**

For the Fiscal Year Beginning

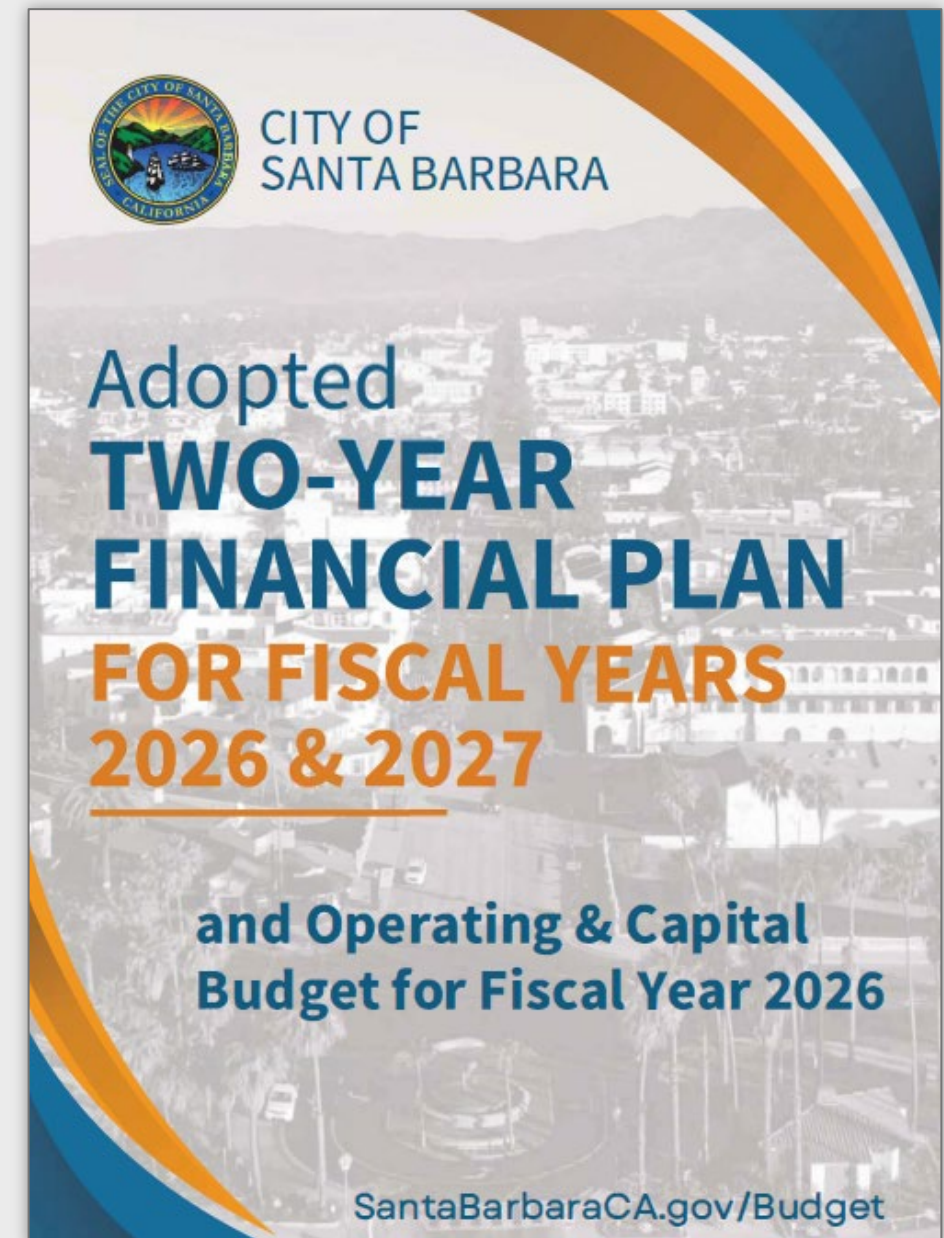
July 01, 2025

Christopher P. Morrill

Executive Director

Agenda

1. FY2027 Mid-Cycle Budget Update
2. Measure C Update
3. Budget Balancing Solutions
4. Questions & Discussion

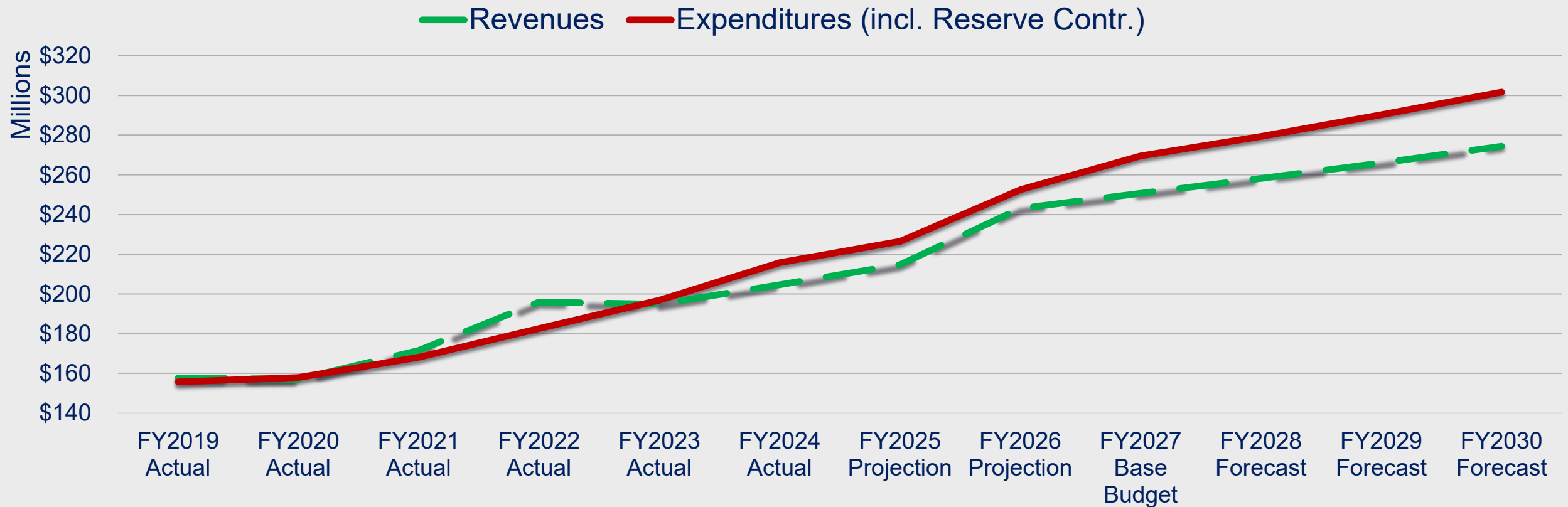




1. FY2027 Mid-Cycle Budget Update








General Fund Multi-Year Forecast

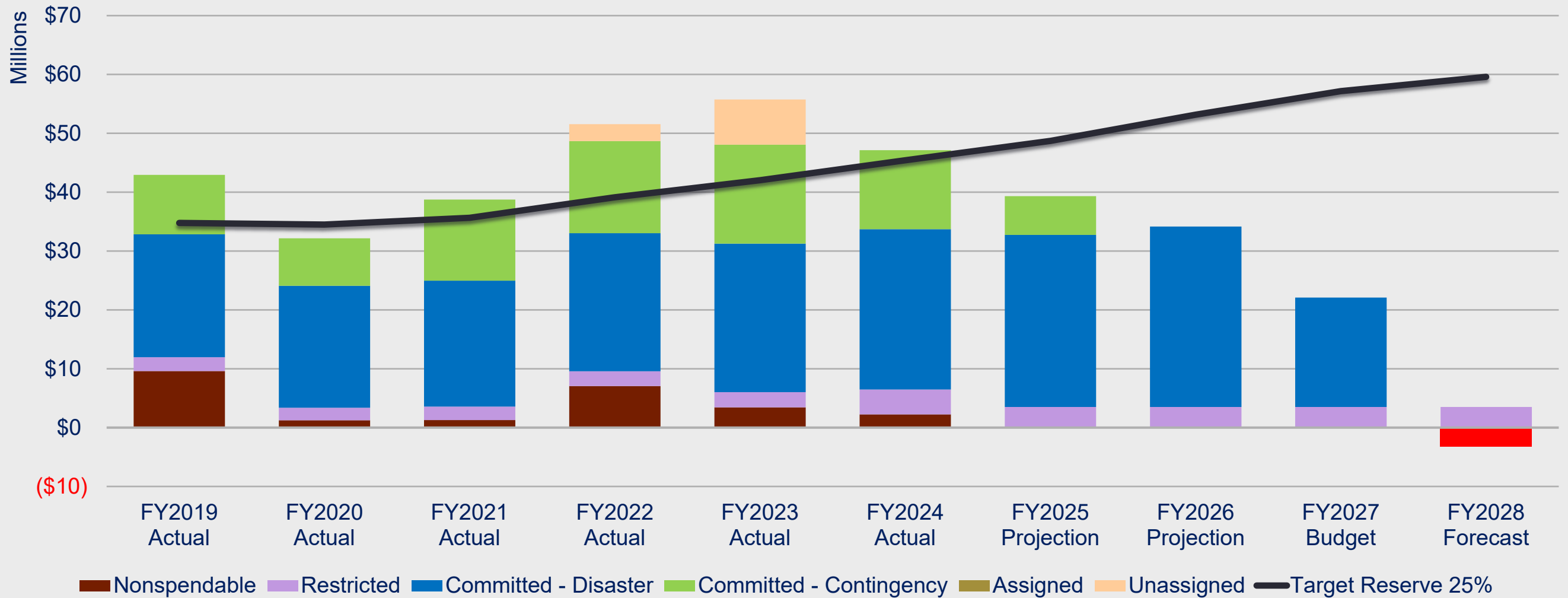


Revenue	\$157.7	\$157.0	\$171.6	\$196.0	\$194.8	\$204.6	\$214.7	\$242.2	\$250.1	\$257.2	\$264.8	\$273.2
Expense	\$155.7	\$157.9	\$168.2	\$182.6	\$196.9	\$215.8	\$226.5	\$250.9	\$264.7	\$275.1	\$285.9	\$297.2
Surplus / (Deficit)	\$2.0	(\$0.9)	\$3.4	\$13.4	(\$2.1)	(\$11.1)	(\$11.8)	(\$8.7)	(\$14.6)	(\$17.9)	(\$21.1)	(\$24.0)

General Fund Projection

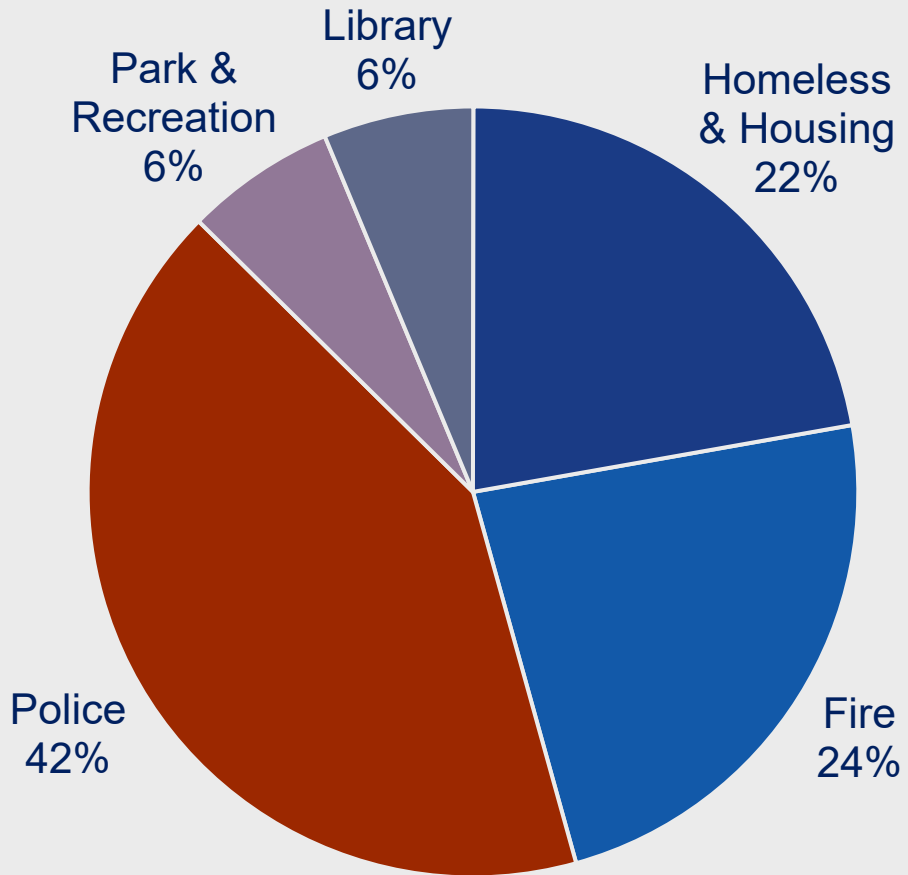
\$ MILLIONS	FY2024 ACTUAL	FY2025 PROJECTION	FY2026 PROJECTION	FY2027 BASE BUDGET	FY2028 FORECAST
Revenues	\$204.6	\$214.7	\$242.2	\$250.1	\$257.2
Expenditures	\$212.3	\$221.6	\$248.1	\$260.7	\$272.7
Surplus / (Deficit)	(\$7.7)	(\$6.8)	(\$5.8)	(\$10.6)	(\$15.5)
Reserve Contribution	\$3.5	\$4.9	\$2.7	\$4.0	\$2.4
Amount Below Annual Reserve Target	(\$11.1)	(\$11.7)	(\$8.6)	(\$14.6)	(\$17.9)
Reserve Policy Target (25%)	\$45.4	\$48.7	\$53.2	\$57.2	\$59.6
Actual/Projected Reserve Level	\$47.1	\$39.3	\$34.2	\$22.1	\$0.3
Difference	\$1.7	(\$9.4)	(\$19.0)	(\$35.1)	(\$59.3)
Actual/Projected Reserve Percent	26.0% 	20.7% 	16.0% 	9.8% 	0.1% 

General Fund Reserves Model



Measure I Sales Tax Allocation

FY2026 Budget



TYPE	PROGRAM	FY2026 BUDGET	FY2027 BUDGET
Existing Program & Service	Existing Police Staff • 31 police officers • 3 police officers (previously frozen)	\$6,298,046	\$6,209,376
	Existing Fire Staff • 19 firefighters	\$3,542,319	\$3,466,185
	Existing Parks & Recreation Staff • 8 positions • Add back after school program support	\$955,120	\$955,120
	Existing Library Staff • 5 librarians • Security services & digital collections previously funded by one-time sources	\$952,785	\$952,785
	Existing homeless services • Fund 5 existing contracts to ensure continuity of service	\$351,730	\$894,034
New Allocation	Housing & Homeless Services (transfer)	\$1,500,000	\$1,500,000
	Local Housing Trust Fund – LHTF (transfer)	\$1,500,000	\$1,500,000
TOTAL		\$15,100,000	\$15,477,500

Housing & Homeless Funding Summary

General Fund Sources (\$ Millions)

FUNDING PLAN	FY2026	FY2027	TOTAL
Measure I to LHTF	\$1.5	\$1.5	\$3.0
Measure I to Flexible Housing Fund	\$1.5	\$1.5	\$3.0
General Fund Reserves to LHTF	\$2.0	\$2.0	\$4.0
TOTAL	\$5.0	\$5.0	\$10.0

Local Housing Trust Fund

- Jacaranda Court (\$1.5M)

Flexible Housing Fund

- \$500K Immigrant-serving organizations (one time)
- \$750K Mercy House
- \$146K Daytime Navigation Center
- \$65K Rent stabilization ordinance (one time)

General Fund Reserves/LHTF

- Jacaranda Court (\$2.0M)

Note: \$1.0 Million of the Flexible Housing Fund is being programmed for Casa Cacique to reduce the need for Measure C funds.



2. Measure C Update

Measure C Funding Allocations & Priorities*

Priorities included in the ballot measure:

To maintain essential services and repair critical infrastructure including:

1. Police, Fire & 911 emergency medical response;
2. Local streets, potholes, bridges, & storm drains;
3. Neighborhood fire stations/
public safety infrastructure;
4. Parks, youth/senior services;
5. Address homelessness;
6. Help retain local businesses; &
7. Support other general services.

Priorities for the first 5 years:

1. Planning, permitting, & bonding for a new police station facility;
2. Repairing local streets throughout the City, including related street infrastructure;
3. Replacing Fire Station No. 7;
4. Community projects to support the City's parks & library;
5. Business district infrastructure projects; &
6. Maintenance of City buildings.

* Resolution 18-011, City Council adopted February 6, 2018

Measure C Funding Allocations & Priorities*

Priorities for the second 5 years:

1. Construction & debt service payments for a new police station facility;
2. Repairing local streets throughout the City, including related street infrastructure, improving toward a Pavement Condition Index (PCI) goal of 75+ in the next 10-12 years;
3. Address drainage infrastructure by completing a full assessment of the City's drainage infrastructure;
4. Community projects to support the City's parks & library;
5. Business district infrastructure projects, with a focus on the State Street Promenade;
6. Maintenance of City buildings; &
7. Address homelessness by prioritizing housing & facilities.

* Resolution 23-161, City Council adopted December 12, 2023



Measure C FY2027 Budget Changes (1 of 4)

SERVICE AREA	PROJECT	FY2027 TWO-YEAR FINANCIAL PLAN	FY2027 DRAFT RECOMMENDED BUDGET	PROPOSED ADJUSTMENTS
Parks & Recreation	Casa Las Palmas	\$100,000	\$0	(\$100,000)
	Andree Clark Bird Refuge Platform	\$0	\$100,000	\$100,000
	Dwight Murphy Loan Interest	\$604,623	\$0	(\$604,623)
	Parks & Recreation Equipment Replacement	\$250,000	\$250,000	\$0
	Parks & Recreation Master Plan	\$250,000	\$75,000	(\$175,000)
	Parks Infrastructure Safety Program	\$50,000	\$50,000	\$0
	Parks Restroom Buildings Minor Renewal	\$150,000	\$150,000	\$0
	Playground Replacement	\$200,000	\$200,000	\$0
	Plaza Vera Cruz Renovation	\$150,000	\$150,000	\$0
	Trails & Walkways	\$50,000	\$150,000	\$100,000
	Urban Forest Management Plan Implementation	\$300,000	\$300,000	\$0
	West Beach Splash Playground	\$300,000	\$200,000	(\$100,000)
	Palm Park Beach House	\$0	\$300,000	\$300,000

Measure C FY2027 Budget Changes (2 of 4)

SERVICE AREA	PROJECT	FY2027 TWO-YEAR FINANCIAL PLAN	FY2027 DRAFT RECOMMENDED BUDGET	PROPOSED ADJUSTMENTS
Public Works - Streets	Cliff Drive	\$2,460,000	\$2,460,000	\$0
	De la Guerra Plaza Revitalization	\$250,000	\$0	(\$250,000)
	Mountain Drive Retaining Wall Structural Analysis	\$0	\$50,000	\$50,000
	Milpas Crosswalk Safety & Sidewalk Widening Program	\$750,000	\$750,000	\$0
	Overlays	\$7,000,000	\$6,000,000	(\$1,000,000)
	Pedestrian Enhancement: On-Street Disabled Parking	\$50,000	\$0	(\$50,000)
	Pedestrian Enhancement: Crosswalk Improvements	\$234,000	\$234,000	\$0
	Sidewalk Repairs	\$100,000	\$100,000	\$0
	Street Lighting Improvements	\$100,000	\$0	(\$100,000)
	Storm Drain Maintenance	\$0	\$500,000	\$500,000
	Traffic Signal Maintenance Program	\$150,000	\$150,000	\$0
Westside & Lower West Active Transportation Plan	\$1,029,000	\$1,029,000	\$0	



Measure C FY2027 Budget Changes (3 of 4)

SERVICE AREA	PROJECT	FY2027 TWO-YEAR FINANCIAL PLAN	FY2027 DRAFT RECOMMENDED BUDGET	PROPOSED ADJUSTMENTS
Public Works - Facilities	Carrillo Gym Renovation	\$100,000	\$100,000	\$0
	HVAC Maintenance & Replacement	\$100,000	\$200,000	\$100,000
	Minor Renewal-Los Banos Building	\$1,500,000	\$0	(\$1,500,000)
	Walkways & Building Pathways	\$0	\$100,000	\$100,000
Information Technology	Radio Infrastructure Upgrade	\$1,000,000	\$0	(\$1,000,000)
Fire	Emergency Response Equipment Replacement	\$370,000	\$370,000	\$0
	Portable Radio Replacement	\$800,000	\$300,000	(\$500,000)
	Regional Dispatch Center	\$800,000	\$800,000	\$0
	Self Contained Breathing Apparatus Replacement	\$750,000	\$750,000	\$0
Library	Eastside Library Garage	\$400,000	\$800,000	\$400,000
	Library Technology Replacement	\$58,502	\$58,502	\$0
Sustainability & Resilience	Electric Vehicle Infrastructure	\$150,000	\$150,000	\$0
Police	Police Equipment Replacement	\$687,000	\$687,000	\$0
	Police Station Building	\$12,757,927	\$12,757,927	\$0



Measure C FY2027 Budget Changes (4 of 4)

SERVICE AREA	PROJECT	FY2027 TWO-YEAR FINANCIAL PLAN	FY2027 DRAFT RECOMMENDED BUDGET	PROPOSED ADJUSTMENTS
City Administration: Office of Housing & Community Vitality	State Street Master Plan	\$500,000	\$600,000	\$100,000
	Business Corridor Improvements	\$0	\$200,000	\$200,000
	Loop Shuttle - Pilot	\$0	\$500,000	\$500,000
	MTD DT Shuttle (Summer)	\$0	\$230,000	\$230,000
	Casa Cacique Shelter	\$0	\$2,000,000	\$2,000,000
City Administration: City TV	Portable Production Unit Upgrade	\$0	\$100,000	\$100,000
TOTAL PROPOSED PROJECTS ADJUSTMENTS		\$34,501,052	\$33,901,429	(\$599,623)



3. Budget Balancing Options

Attachments to the Staff Report

1. Strategic Plan – First Year Work Plan
2. Fiscal Year 2026 Department Proposed Budget Balancing Options by Tier
3. Measure C Detail
4. Housing Expenditures
5. Fiscal Year 2026 Community Events, Grant Awards, & Other Partnerships
6. General Fund Requests Over \$100,000
7. Office of Housing and Community Vitality Program Budget

Balancing the FY2027 General Fund Budget — As presented in the Q2 FY2026 Report

ITEM	FY2027 (\$MILLIONS)	TYPE
FY2027 Base Budget Deficit (includes Reserve Contribution)	(\$14.6)	
Tier 1 Options – Revenue Increases & Expenditure Savings	\$4.0	Ongoing
Revenue Measure Passes in November 2026	\$2.9	Ongoing
Delay Hiring of Vacant Positions	\$1.0	Temporary
Other Savings to be determined	\$5.4	Temporary
FY2027 Budget Deficit REVISED (includes Reserve Contribution)	(\$1.3)	



Tier 1 Potential General Fund Savings

FY2026 Savings Include:

- Transferring positions to Enterprise Funds.
- Minor fee adjustments.
- Library reorganization.
- Increase parking citation revenues.
- Hold positions vacant.
- Clean Community taking on General Fund expenses.

DEPARTMENT	FY2026	FY2027
City Administrator's Office	\$0	\$230,000
Community Development	\$70,000	\$317,335
Finance	\$105,600	\$105,600
Fire	\$40,000	\$142,900
Information Technology	\$0	\$74,038
Library	\$224,186	\$67,509
Parks & Recreation	\$0	\$91,248
Police	\$557,000	\$1,480,000
Public Works	\$37,500	\$471,729
Sustainability & Resilience	\$365,000	\$698,000
TOTAL	\$1,399,286	\$3,678,359

NOTE: Amounts represent approximations of additional revenue & reduced expenditures, pending City Council approval & other implementation requirements. See Attachment 2 for list of all budget balancing measures under consideration & to be implemented in future.

Tier 1 Savings by Department —

To be Included in the City Administrator's FY2027 Draft Recommended Budget

FY2027 Savings Include:

- Cannabis excise tax rate increase.
- Improve purchasing of fire vehicles
- Reduce inventory at the Warehouse.
- IT staff consolidation.
- Increase Parks & Recreation fees to achieve cost recovery.
- Police cost reimbursement for special events & opioid settlement utilization.
- Centralize project management.
- Delay replacement of vehicles.

Real Property Transfer Tax (RPTT) – City Council Direction

City Council Direction

- Pursue a general-purpose Real Property Transfer Tax (RPTT), increasing the rate from \$0.55 to \$9.50 per \$1,000 for properties sold for \$3.0 Million or greater.
- Consider additional tax structures.
- Consider oversight from the existing Citizen's Oversight Committee.
- Begin community outreach, communication, & education; Discuss the potential measure with the local realtor community.
- Consider a resolution prioritizing funding.

Challenges

- Poll results and many undecided likely voters.
- Potential statewide ballot challenging RPTT increases.
- Challenges with United to House LA (ULA).
- Limited community outreach timeframe.
- Potential unintended economic impacts.

New Staff Recommendation – Do not pursue tax measure on November 2026 ballot at this time.

Other Recommended Budget Balancing Options (currently included in the Draft Recommended Budget)

BUDGET BALANCING SOLUTION	AMOUNT (\$ MILLIONS)	TYPE
SIF reserve allocation into General Fund to pay for City Attorney staff	\$0.4	Ongoing
Increase Engineering Services cost recovery multiplier	\$0.3	Ongoing
Fleet Replacement fund allocation into General Fund (one time) / ongoing deferrals of vehicle replacements (lengthen time in service)	\$2.0	Temporary & Ongoing
UUT streets maintenance/paving reallocation into General Fund (requires ordinance) to be temporarily backfilled with Measure C	\$2.0	Temporary
IT allocation adjustment into General Fund	\$0.2	Temporary
Partially defer General Fund Reserves allocation into LHTF	\$1.0	Temporary
Increase attrition savings for additional positions to be held vacant	\$1.5	Temporary
TOTAL	\$7.4	

Balancing the FY2027 General Fund Budget — Updated Recommendations

ITEM	FY2027 (\$MILLIONS)	TYPE
FY2027 Base Budget Deficit (includes Reserve Contribution)	(\$14.6)	
Tier 1 Options – Revenue Increases & Expenditure Savings	\$3.6	Ongoing
Revenue Measure Passes in November 2026	\$0.0	No longer recommended
Delay Hiring of Vacant Positions	\$1.5	Temporary
Other Recommended Options	\$5.9	Temporary
FY2027 Budget Deficit REVISED (includes Reserve Contribution)	(\$3.6)	

General Fund Balancing

\$ MILLIONS	FY2024 ACTUAL	FY2025 PROJECTION	FY2026 PROJECTION	FY2027 BASE BUDGET	FY2027 DRAFT RECOMMENDED BUDGET
Revenues	\$204.6	\$214.7	\$242.2	\$250.1	\$258.2
Expenditures	\$212.3	\$221.6	\$248.1	\$260.7	\$257.8
Surplus / (Deficit)	(\$7.7)	(\$6.8)	(\$5.8)	(\$10.6)	\$0.4
Reserve Contribution	\$3.5	\$4.9	\$2.7	\$4.0	\$4.0
Amount Below Annual Reserve Target	(\$11.1)	(\$11.7)	(\$8.6)	(\$14.6)	(\$3.6)

Other Balancing Options / Outstanding Budget Issues (1 of 2)

- Mayor & Councilmember salary adjustments scheduled for May 2026 (NEED DIRECTION)
- Move Human Services Program contracts out of General Fund into Flexible Housing Fund (\$726K) (PARTIALLY RECOMMENDED; temporarily reassign 50% of these expenses to Housing Fund)
- Consider change of terms of existing homelessness service agreements, e.g., reduce homeless outreach from 7 days to 5 days a week, saving \$185K a year (NOT RECOMMENDED)

Other Balancing Options / Outstanding Budget Issues (2 of 2)

- Defer Economic Development Plan (\$250K) **(NOT RECOMMENDED)**
 - Continue with Airport & Waterfront plans (\$50K each)
 - Delay General Fund portion in Community Vitality (\$150K)
- Cost to implement Rent Stabilization ordinance **(UNKNOWN)**
- TOT revenue loss from short-term rental ordinance **(UNKNOWN)**
- UUT revenue increase from digital streaming services **(UNKNOWN)**
- Defer any other Measure C or Strategic Plan projects **(NEED DIRECTION)**
- Reductions to other projects, community event funding, community grant funding, or other community partnership budgets **(NEED DIRECTION)**

Public Hearing Schedule



DATE	ITEM
April 9	Budget Work Session – Special Meeting
April 21	Budget Introduction to the City Council
May 5	Finance Committee review of the Recommended Budget
May 12	Budget Hearing – General Fund departments
May 19	Budget Hearing – All other fund departments
June 9	Budget deliberations
June 16	Budget adoption



4. Questions & Discussion