

City Council Work Session - Budget Update

January 6, 2026

Agenda

1. Review Actions Taken to Balance FY 2025-26 Budget
2. Proposed Format and Content for February Work Session
3. Budget Policy Overview
4. Review Potential Ideas
 - Revenue Enhancements
 - Expenditure Reductions
 - Other Fiscal Sustainability Measures
5. Provide Feedback

Budget Status Update from 11/18 Council Direction

Item	Estimated Amount	Status
Transfer/loan of funds from Measure C (\$3.85 Million is loan)	9,750,000	Complete
One-time transfers in/transfers out	1,900,000	Timeline mid-January
Anticipated one-time revenue & recovery from taxes and deposits	1,500,000	Business Tax audit started Property Transfer Tax from Southland Mall not yet received Developer Deposits under accounting review
Increase to the Transient Occupancy Tax	250,000	Dec 16 Council meeting – will report ongoing revenue
Reductions in services and supplies	2,797,495	Ongoing savings – will report in Feb
Use of OPEB Trust	3,000,000	Will request as two payments for 6 months or reimbursements
Personnel-related savings	8,330,487	Throughout Fiscal Year 2025-26
TOTAL Activities	\$27,534,395	

* Personnel related items including additional vacancies and overtime reductions, end assignments for temporary employees, MOU changes, changes to reduce overtime, City Council and unrepresented employee salary changes, and voluntary separation incentive program, layoffs, and other separations were merged into a single line.

In the interest of ensuring the City maintains a balanced budget for FY 2025-26, staff is also working to identify \$2 million -\$4 million in additional measures to provide the City with a one to two percent operating contingency for unforeseen needs or issues over the next six months.

Proposed Format for February Work Session

- **Financial Status Report and Projections:** Update on actions taken to close FY 2025/26 budget deficit, review of budget-to-actuals, and long-term forecast
- **Revenue Enhancements:** Explore possible revenue measures:
 - Business license tax review and ballot measure
 - Suggestions from 1/6/2026 Council Meeting and staff survey
- **Expenditure Reductions:** Consider structural, program and service changes
- **Accountability:** Review of draft Budget Policy and recommendations on long-term plans for certain funds impacting General Fund
- **Policy Direction:** Council discusses and provides direction for FY26/27 and beyond

Budget Policy

PURPOSE:

- To help the City attain and maintain financial sustainability & accountability
- To identify and maintain best practices in budgeting, reserves, and grants
- To set up a clear policy and accountability measures to ensure compliance
- To instill a culture of fiscal prudence citywide

Budget Ideas

Sources: Council Referral, Staff Survey, Community, and Internal

Revenue Enhancements		
Modernize Business License Tax	UUT on Streaming Services	Billboards on City Property
Sale or Lease of City-Owned Property	Enhanced Infrastructure Financing District/Mello Roos	First Responder Fees
Parking Enforcement/Charges	Economic Development	Update Cost of Service Study and Master Fee Schedule
Expense and Other		
Restructure and Reduce Programs and Services	Alternate Work Schedules	Overtime and Vacancy Management
Concessions (City Council, Executive, Labor)	Pause Contributions to Internal Service Funds	Defer Capital Projects
Pause Community Events	Reduce Grants to Community Organizations	Strengthen Finance Oversight

Looking for Feedback / New Ideas



Questions / Discussion