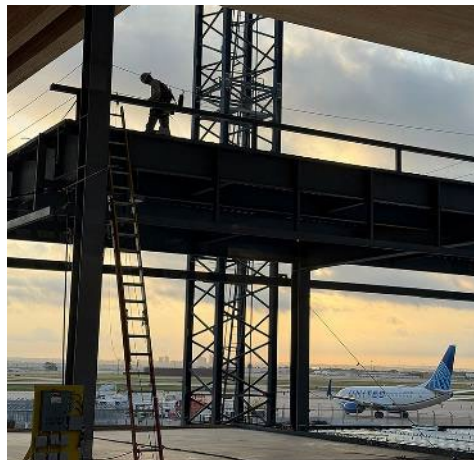


FY 2027

Proposed Operating & Capital Budget

Presented by: City Manager Erik Walsh
August 13, 2026
“A” Session



Overview

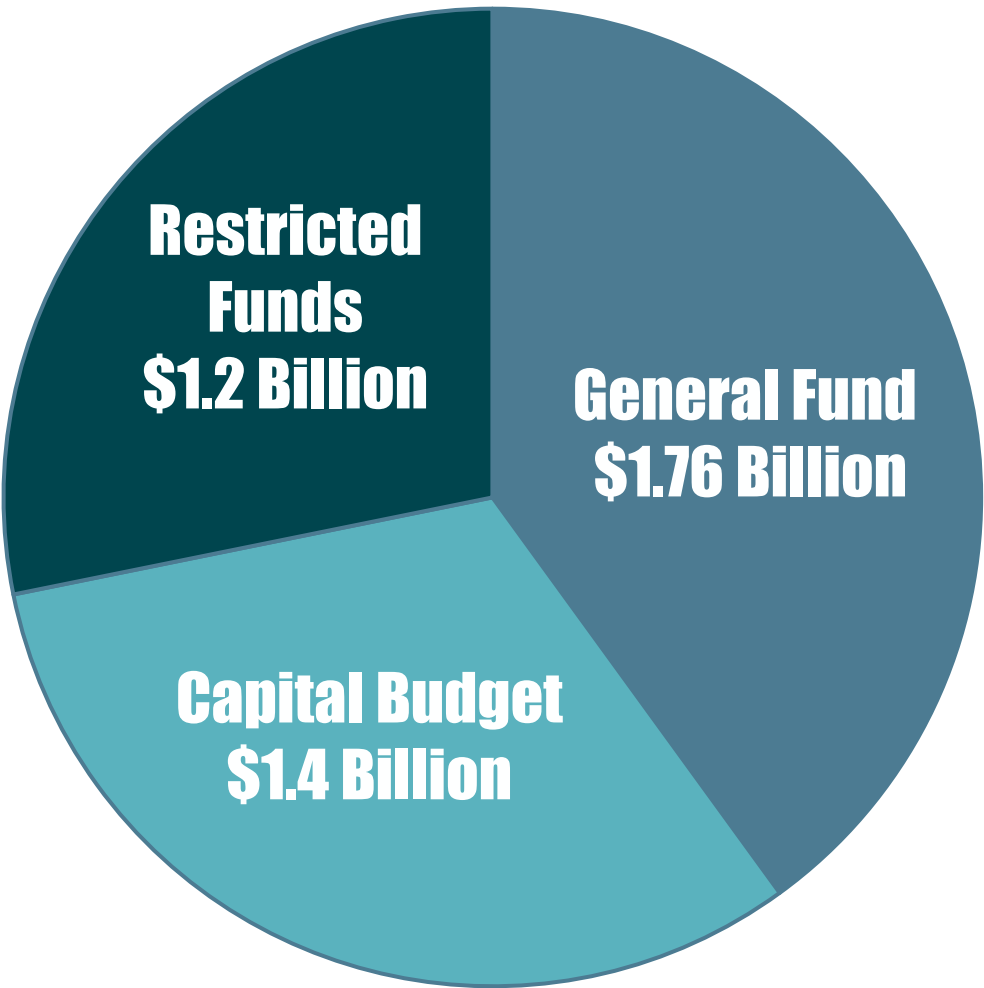
- FY 27 is a challenging financial year and we are well-prepared to manage it
- Like many communities across the country, we face rising costs, declining property values and state limits on local revenue growth
- We entered the budget process with a projected General Fund shortfall of nearly \$158 million through FY28.
- Today's Spending Plan proposal reflects strategies that reduce expenses and increase revenues to maintain financial stability
- The Proposed Budget balances FY27 and FY28 and provides a strong foundation to address FY29

Rating Agencies Highlights

- Continue to maintain top-tier credit ratings from all three major rating agencies
- History of positive budgetary performance and strategic measures to maintain financial stability
- Well embedded policies and practices
- Sophisticated and experienced management team with practices including monthly monitoring, multiyear budgeting with five-year forecasts and adherence to reserve policies
- City can maintain better credit characteristics than U.S. in stress scenario



FY27 Proposed Budget Facts: \$4.4 Billion



	FY26	FY27
Total City Budget	\$4.06 Billion	\$4.4 Billion
General Fund	\$1.69 Billion	\$1.76 Billion

Total City Positions		
Civilians	8,951	8,900
Uniform	4,788	4,846
Total	13,739	13,746

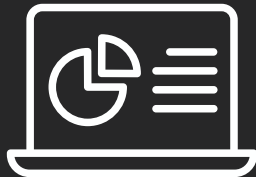
Strategies to balance FY27 & FY28 General Fund



Reduces spending not impacting
Mandated & Priority Services &
moves eligible expenses to
capital budget and other funds



Uses available property tax
capacity



Increases fees to better align
with cost of service

Balancing the General Fund Budget

- At Trial Budget revenues were growing **2.3%** while expenses growing at **6.9%**
- In the Proposed Budget, revenue growth is **5.1%** and expenses are held to **4.1%** growth
- A \$48.9 Million projected balance is estimated at the end of FY28

(\$ In Millions)	FY27	FY28	Total
Projected Deficit		(\$157.7)	(\$157.7)
Reductions	41.3	48.3	89.6
Property Tax Capacity	28.6	61.6	90.2
Fee Increases	14.4	16.0	30.4
Revised Rev. & Exp. Projections (FY26, 27 & 28)	9.0	8.4	17.4
New Spending	(4.8)	(3.4)	(8.2)
Increase In Financial Reserves		(12.8)	(12.8)
Ending Balance			\$48.9

FY27 General Fund Revenues

Revenues projected to increase by 5.1% over FY26 Adopted Budget

Category (\$ in Millions)	FY26 Adopted	FY27 Proposed	Increase/ (Decrease)	% Change
Property Tax	\$472.4	\$464.1	(\$8.3)	(1.8%)
Property Tax Increase (Unused Increment)		28.6	28.6	N/A
Sales Tax	419.2	424.2	4.9	1.2%
CPS Revenue	504.4	547.8	43.4	8.6%
Other	256.4	257.7	1.4	0.6%
New/Adjusted Revenue		14.4	14.4	N/A
Total	\$1,652.4	\$1,736.8	\$84.4	5.1%

Taxable Property Values

- Taxable value declined in FY27 by 2.71%, reflects value loss of \$4.3 billion
- Recommend using property tax capacity (unused increment) from FY25 & FY26 when City chose not to increase to state allowed growth

Taxable Value Growth	FY25	FY26	FY27
Base Values	2.78%	(0.44%)	(4.06%)
New Values	1.57%	1.75%	1.35%
Total	4.35%	1.32%	(2.71%)
Property Tax Rate	\$0.54159	\$0.54159	\$0.56288

- Reflects increase of **\$2.95** per month on average residence homestead
- **47%** of 257,396 homesteads are frozen and will not be impacted
- \$156.4 Million in Forgone Property Tax Revenues from Homesteads, Exemptions, and Freeze Tax

FY27 Recommended Fee Increases



Revenue (\$ in Millions)		FY27	FY28	Total
Fire	EMS, Aid Only, medical supply fee, development permits	\$5.1	\$6.4	\$11.5
Police	Alarms, e-citations, towing, other permitting and fees	4.9	4.9	9.8
Other	Street/sidewalk closure, waste hauler permits, ACS permits & fees, credit card service fee, mobile vendor reimbursements	1.5	1.9	3.4
Library	Non-Resident Library Card Fee	1.0	1.0	2.0
Fiesta	Event recovery	0.7	0.7	1.4
Code	Mobile home, Proactive apartment, metal and used auto parts recyclers, and garage sale permit fees	0.65	0.65	1.3
Parks	Parks pavilion, gym, and community center rental	0.45	0.45	0.9
Total		\$14.4	\$16.0	\$30.4

FY27 & FY28 Reductions: \$89.6M

Reductions (\$ in Millions)	FY27	FY28	Total
Other City Services Program reductions	\$11.2	\$16.3	\$27.5
Transfer Eligible Street Maintenance to the Capital Budget	7.3	3.3	10.6
Efficiencies and reductions with minimal impact	5.5	6.5	12.0
Comprehensive Budget Reviews & Right-Sizing	5.4	7.4	12.8
Transfer Eligible Affordable Housing funds to Tax Increment Financing and Affordable Housing Funds	4.0	4.0	8.0
Eliminate FY27 GF Transfer to REES	2.5	0.3	2.8
Other General Fund Programs to Restricted Funds	2.2	2.2	4.4
Parks Environmental Fee Increase (25 cents per month) moves eligible costs to Parks Environmental Fund	2.0	4.0	6.0
Department Restructuring	1.2	4.3	5.5
Total	\$41.3	\$48.3	\$89.6

- 101 positions eliminated, 54 filled. Vacant positions identified for impacted employees

FY 27 Budget Priorities



Council Priorities

Public Safety
Police, Fire,
Animal Care
Services

Infrastructure
Streets,
Sidewalks

**Seniors,
Housing, and
Homeless**

**Community
Spaces**
Parks, Libraries

Community Survey

**Homeless
Services**

**Affordable
Housing**

**Police
Services**

Streets

Fire & EMS

Employee Compensation & Healthcare Increases

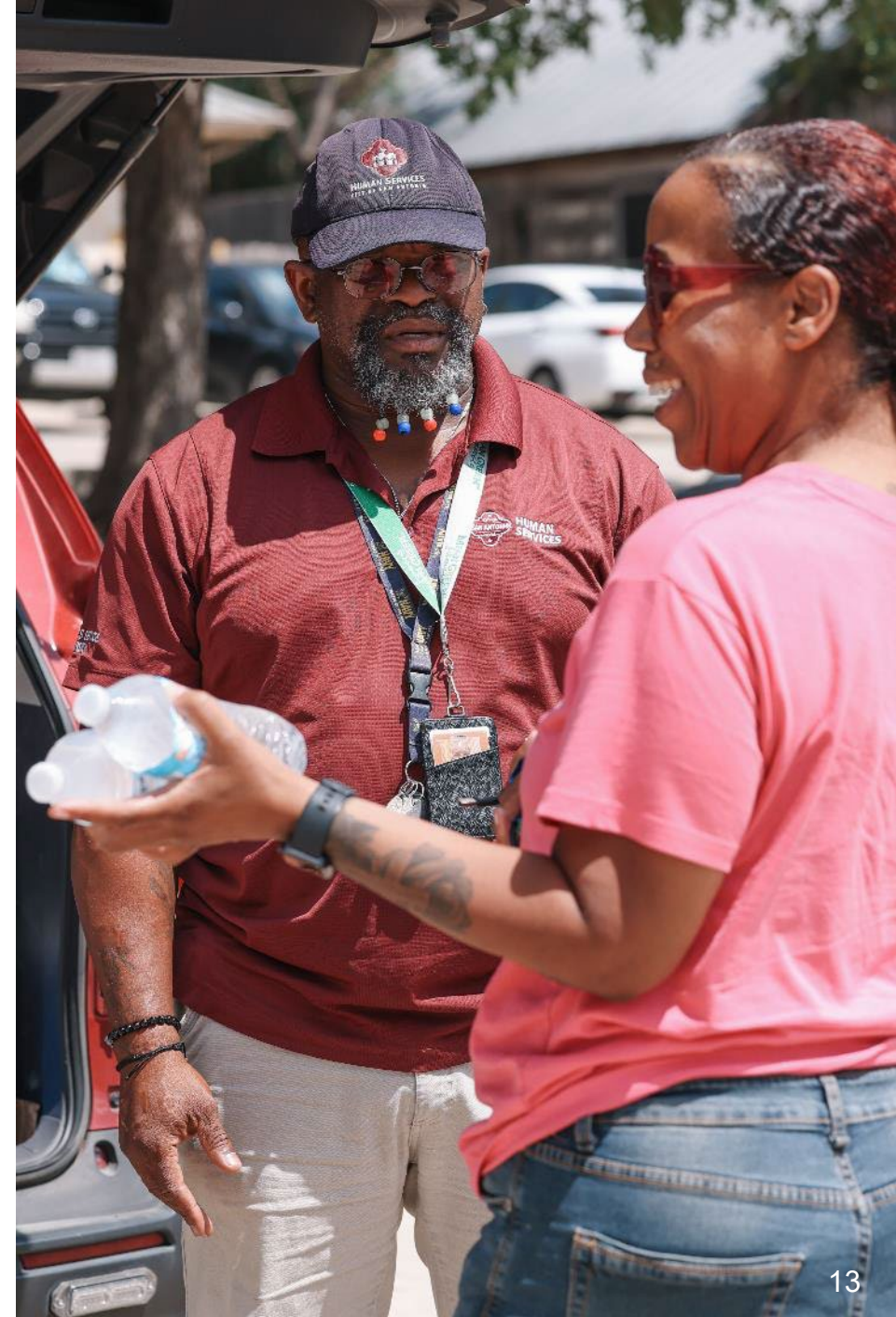
Employee Group	Positions	Amount (\$ In Millions)	Wage Increase Across the Board
Civilian	8,900	\$19.7	3%
Fire	1,889	13.6	5% per CBA
Police	2,957	14.9	4% per CBA
Total	13,746	\$48.2	

- Civilian Employee contributions to healthcare are set to increase between \$6.34 (employee only CDHP) per month to \$178.52 (family on Value plan)
- Uniform Employee contributions to healthcare consistent with their CBA



Homeless Services: \$30.8M

- Budget maintains investment in Homeless Services in FY27 with a slight increase
- Focus of FY27 to support final Shelter and Housing Framework:
 - Collaborate on case management system integration
 - Pilot encampment resolution approach to permanently close frequently occurring encampments
 - Maximize street outreach connections to mental health and substance abuse
- \$9 million of capital funds to increase bed capacity and enhance day services to people experiencing homeless



Housing: \$37.7M

- Continues investment in Strategic Housing Implementation Plan (SHIP), planned to be at 50% of homes completed, underway or planned by end of Fiscal Year 2026
- SHIP refresh underway to update long term housing targets
- Increases investment in housing:
 - \$5.7M to assist 1,820 households with rental or relocation assistance
 - \$500K for vouches program to assist 800 households
 - \$15.7M to assist 497 major or minor repairs
 - \$12.7M for gap financing, includes funding for pilot to incentivize missing middle housing



Street Investment: \$129.8 Million



- Continued investment in F Streets
- 1,979 projects for a total of 534 miles maintained



Sidewalk Investment: \$12.8 Million



- Construction of 12.8 new miles of sidewalks
- Repair 8.7 miles of sidewalk



Animal Care Services: \$38M General Fund

- Continue to protect community through education and enforcement while focusing on positive outcomes for animals
- \$1.9 million and 10 ACS positions for new hospital, increase spay neuter surgeries by 5.2% or 42,959 surgeries
- Budget includes \$346K in reductions which will have minimal impact to the operations at Animal Care Services

Activity	FY25 Actual	FY26 Est	FY27 Budget
Critical Calls received	53,016	50,511	51,330
% Critical calls responded	86.6%	93.4%	98.5%
Live release rate	86.0%	88.0%	88.0%
Spay/neuter surgeries	39,402	40,820	42,959



Police:

\$676.5M General Fund

- 27 new officers to prepare for opening of new Terminal at Airport in FY28, funded through Airport and COPS grant
- 22 park police vacancies moved to SAPD to be filled by SAPD trained officers
- Expands police drone detail by reallocating resources
- Moves 6 patrol detectives to Homicide and Special Victims Unit by adding 3 civilian crime investigators
- Includes \$5.4 Million of reductions in overtime, line-item reviews, and notification system



Fire:

\$451.2M General Fund

- 8 new uniform positions to support training academy and recruitment & application processing activity
- 1 uniform position added to perform annual school fire inspection
- Includes \$3.7 million in reductions:
 - \$2.9M in overtime by implementation, management, and monitoring of leave policies, and adding firefighters to offset overtime related to training and recruitment
 - \$783K from line-item reviews and other adjustments



Solid Waste Management: \$171.6M

- Provides trash, recycling, organic, brush and bulky collection
- \$3.1 Million to support operations at the Starcrest Transfer Station
- Two positions added to keep up with customer growth

- Proposes rate increase to maintain current level of services

	FY 2026	FY 2027	Monthly Increase
Small Cart – 48 Gallons	\$14.76	\$15.51	\$0.75
Medium Cart – 64 Gallons	\$20.26	\$21.01	\$0.75
Large Cart – 96 Gallons	\$30.75	\$31.50	\$0.75

Environmental Fee	\$3.00	\$3.25	\$0.25

Airport: \$185.9M

- Increase in operations is 3.0% which aligns with Airport financial policy
- Anticipated to exceed 10.5 million passengers for the FY27 budget year
- 47 Nonstop destinations from SAT provided by 12 different carriers.
- Terminal Development Project is underway, and it is anticipated to be completed in FY28
- Budget adds 27 Police Officers for new Terminal



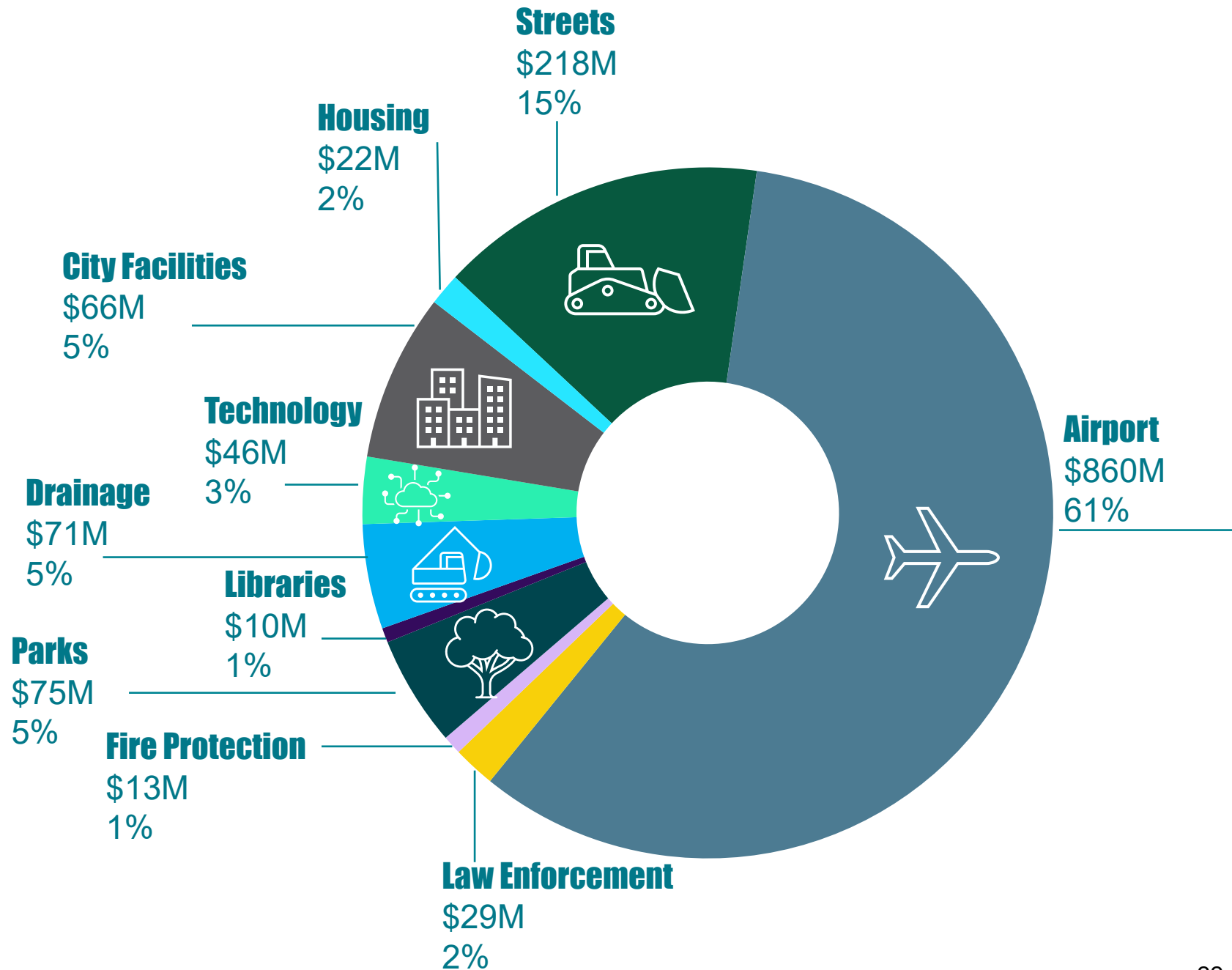
Development Services: \$54.1M

- Accounts for revenues and expenses to support all development related activities
- Revenues closely tied to economic conditions
- FY26 Residential permit activity is projected to be down compared to FY25 and only slight increase in FY27
- Implemented strategic hiring freeze in FY26 to begin to address forecasted deficit
- FY27 includes year one of three-year plan to increase revenues by 35%
 - 15% increase in year one

Activity	FY25 Actual	FY26 Est	FY27 Budget
New Residential	4,309	3,171	3,203
Commercial	2,603	2,691	2,718
% Change Residential		(26%)	1.0%
% Change Commercial		3.4%	1.0%

FY27 Capital Budget \$1.4 Billion

- Limited capacity to add projects due to negative growth in Property Values
- Impacts Bond Capacity: Estimate 2027 Bond Capacity is \$450 Million



Next Steps in Budget Process



FY 2027 Budget Work Sessions

Date	Time	Topic
Tuesday, August 18	1:00pm – 4:00pm	Reductions & Revenues
Wednesday, August 19	2:00pm – 5:00pm	TIRZ & NHSD
Tuesday, August 25	9:00am – 12:00pm	HSSD, DHS, Health, ACS
Wednesday, August 26	2:00pm – 5:00pm	CSF, Arts, Visit SA, Airport, DSD
Tuesday, September 1	9:00am – 12:00pm	Bond Update, Debt Management, Capital Delivery, Public Works
Wednesday, September 2	2:00pm – 5:00pm	Fire, Police, Municipal Court
Tuesday, September 8	2:00pm – 5:00pm	Library, Parks, EDD, SWMD
Wednesday, September 9	2:00pm – 5:00pm	All Other Departments, Employee Compensation
Tuesday, September 15	2:00pm – 5:00pm	Budget Amendments
Wednesday, September 16	2:00pm – 5:00pm	Budget Amendments

FY 2027

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