

LONG RANGE FINANCIAL FORECAST FISCAL YEARS 2027-2046

January 15, 2026
Finance Committee



METHODOLOGY

	FY 26 Projected
LICENSES PERMITS	2.0%
INTERGOVTAL REVENUES	1.0%
PROPERTY TAXES	4.0%
SALES TAX	3.0%
TRANSIENT OCCUPANCY	2.0%
OTHER TAXES	2.5%
MISC	
SERV	
FINE	
INVE	
PROP	

Establish baseline growth scenario for major revenue and expenditure categories

Baseline growth projections are based on historical CAGR, averages, and adjustments based on known one-time events.



Growth Methods

(FD) = Flat - Fixed Dollar

(CP) = Customized - Variable Percentage Growth

(DS) =

(PF) =
and C

Develop unique growth factors for rev/exp items that vary from baseline

Unique growth projections allow us to model the fiscal impact of any projected deviation from the baseline on \$ or % basis

General Fund Baseline Growth

Baseline Growth
Alternate Growth
Baseline Growth

Create alternate baseline scenarios to model potential fiscal impacts (if needed)

Any combination of alternate baselines and impacts can be packaged and organized into scenarios

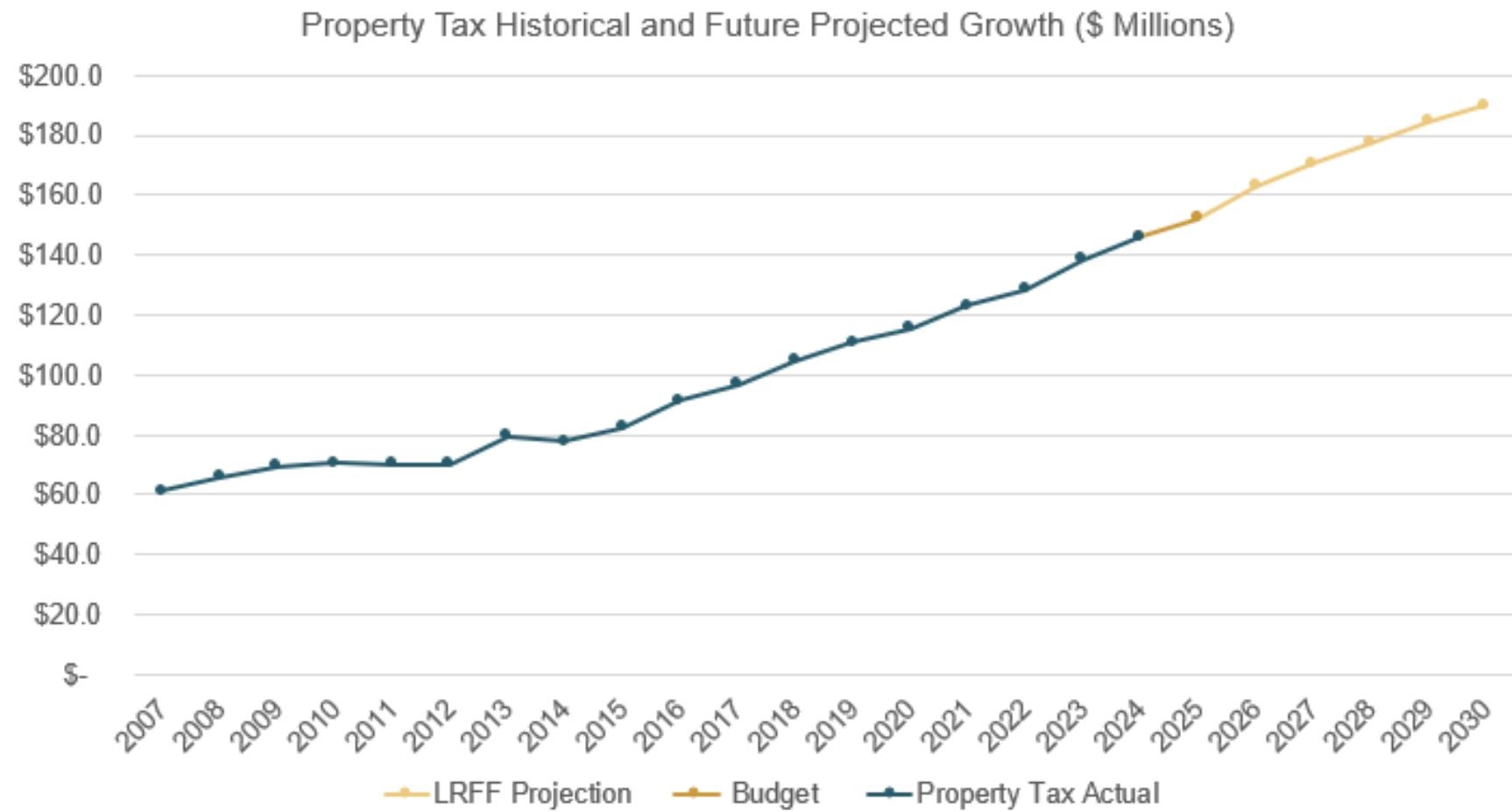
MAJOR ASSUMPTIONS

- The FY 2025-26 budget, excluding one-time items, served as a base budget from which forward growth assumptions were developed.
- Personnel related costs used the amended budget for growth assumptions due to recently approved labor MOUs.
- Annual General Fund transfers-out in support of:
 - FFP & Debt Service – \$15.5m annually, representing not less than 3% of General Fund revenues, as outlined in Council Policy F-28
 - CIP – \$6.5m annually
 - Facilities Maintenance – \$2.5m annually
 - Tidelands Harbor Capital – \$6.1m, indexed at 2.5% annually through FY 2032-33, and reduced to \$4.5m thereafter
 - Parks Maintenance Fund - \$2.3m annually
- No programming of future surpluses in projections – the forecast assumes all revenues and expenditures are fully realized as presented.



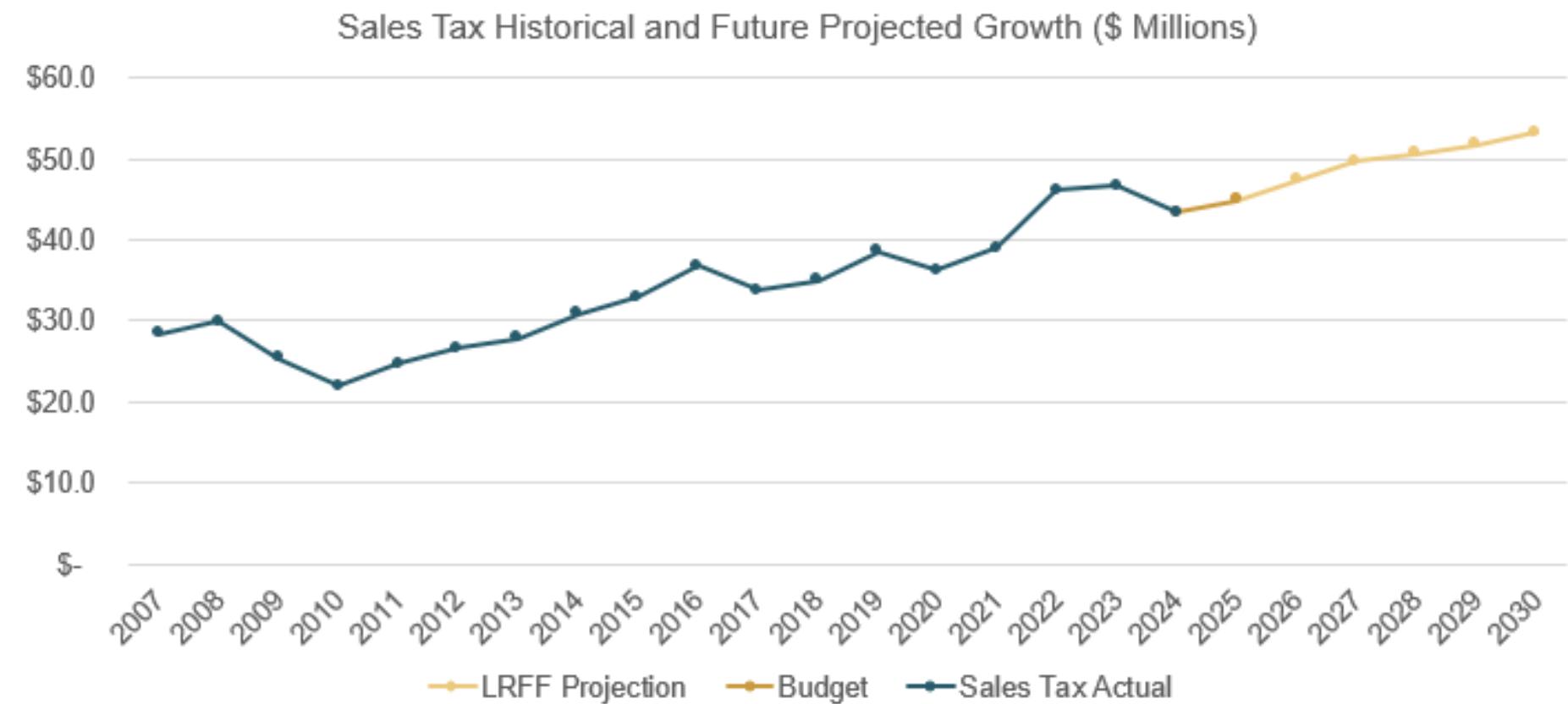
REVENUE ASSUMPTIONS – PROPERTY TAX

- 19-year average annual historical growth: 5.8%
- FY 2026-27 projected growth: 4.5%
- Projected future growth beyond FY 2026-27: 3-4%



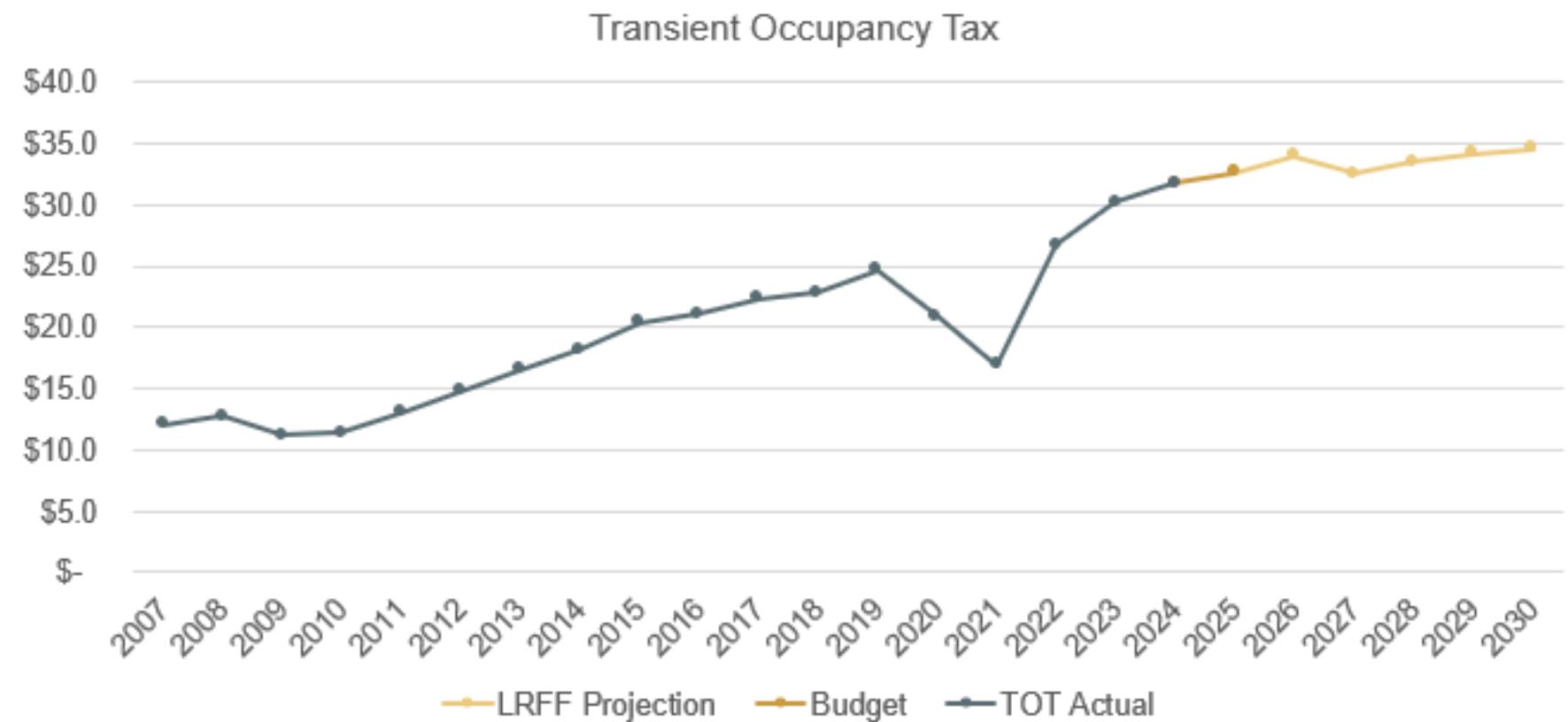
REVENUE ASSUMPTIONS – SALES TAX

- 19-year average annual historical growth: 3.1%
- FY 2026-27 projected growth: 5.2%
- Projected future growth beyond FY 2026-27: 2.6%



REVENUE ASSUMPTIONS – TRANSIENT OCCUPANCY TAX

- 19-year average annual historical growth: 6.7%
- FY 2026-27 projected growth: -4.3%
- Projected future growth beyond FY 2026-27: 2.9%



*This chart shows TOT revenue net of the amounts remitted to VNB

REVENUE ASSUMPTIONS – OTHER REVENUE

Projected to grow modestly at 3% on average over the next 20 years

- Service Fees & Charges are projected to grow at 2% annually.
- Property Income, which includes leases and parking revenue is projected to grow by an average of 3-4% annually.



EXPENDITURE ASSUMPTIONS

- Regular salaries for both miscellaneous and public safety are based on negotiated MOU increases and then grow at 2% annually thereafter
- The forecast assumes no growth in personnel headcount
- Benefits (stipends, life insurance, Medicare fringes, retiree health plan contribution, CalPERS contributions, etc.) are projected to grow at 2% annually, but have alternate growth rates resulting in an overall average of 0% year-over-year
- Funding of the City's unfunded actuarial liability at the \$40 million level citywide (\$37 million GF portion)
- Non-personnel costs (contract services, utilities, supplies and materials, maintenance and repair) are projected to grow on average at 5.2% annually



EXPENDITURE GROWTH ASSUMPTIONS

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Regular Salaries	\$ 104,573,983	\$ 108,443,220	\$ 110,612,085	\$ 112,824,326	\$ 115,080,813
Growth Rate	4.0%	3.7%	2.0%	2.0%	2.0%
Special and Other Pays	\$ 20,908,662	\$ 21,326,835	\$ 21,753,372	\$ 22,188,439	\$ 22,632,208
Growth Rate	2.5%	2.0%	2.0%	2.0%	2.0%
Benefits ¹	\$ 75,171,175	\$ 75,739,894	\$ 76,819,803	\$ 77,939,693	\$ 79,096,328
Growth Rate	1.1%	0.8%	1.4%	1.5%	1.5%
Non-Personnel Costs	\$ 97,563,944	\$ 102,459,521	\$ 108,043,496	\$ 113,639,918	\$ 119,878,047
Growth Rate	6.2%	5.0%	5.4%	5.2%	5.5%
Transfers Out ²	\$ 45,986,928	\$ 46,625,011	\$ 47,028,378	\$ 47,506,205	\$ 49,854,740
Growth Rate	-5.6%	1.4%	0.9%	1.0%	4.9%
Total General Fund Expenditures	\$ 344,204,691	\$ 354,594,481	\$ 364,257,133	\$ 374,098,582	\$ 386,542,136
Growth Rate	2.4%	3.0%	2.7%	2.7%	3.3%



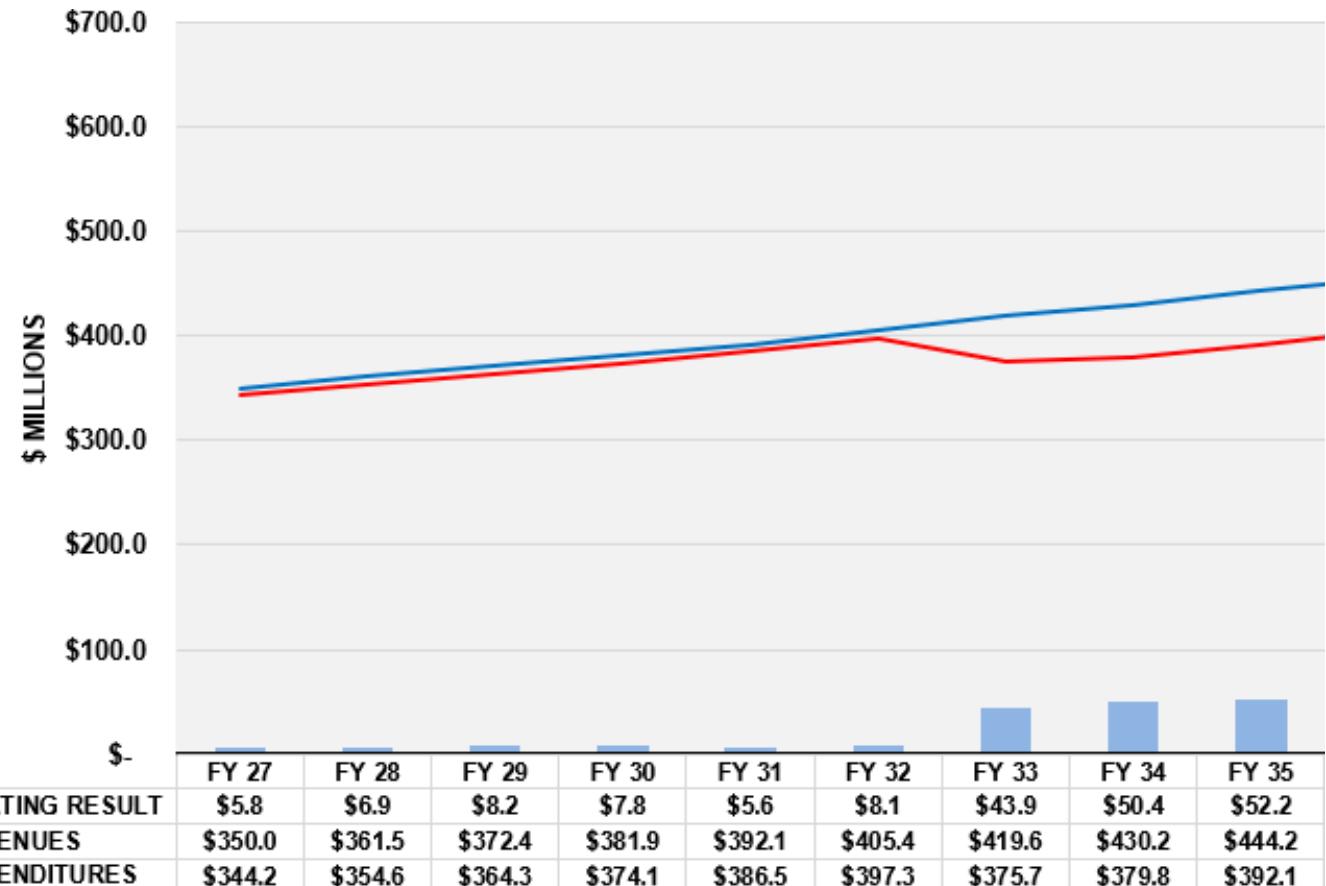
TIDELANDS FUND FORECAST

- The Tidelands Fund transfers approximately \$20 million to the General Fund to cover costs associated with activities in the Tidelands areas supported by General Fund services.
 - Police Department operations, Fire Department operations, emergency medical services, marine safety, Public Works Department maintenance of public spaces etc.
- Revenue in the Tidelands Fund is insufficient to fully cover the costs of Tidelands operations. As a result, the General Fund must subsidize these operations.
- Consequently, the performance of the General Fund and the long-range financial plan must account for projections related to the Tidelands Fund's revenues, expenditures, and the related subsidy from the General Fund.
- Projections from the Tidelands Fund Forecast were used to improve assumptions in the General Fund LRFF as it relates to transfers to and from the General Fund and Tidelands Fund.



GENERAL FUND REVENUES, EXPENDITURES & NET RESULT

- The preparation of the FY 2026-27 budget is underway.
- Projected surplus of \$5.8 million for the upcoming fiscal year is preliminary.
 - Revenue projections continue to be honed
 - Departmental enhancement requests not included



CONCLUSION AND OTHER CONSIDERATIONS

- The General Fund is projected to be in a financially sound position over the next 20-year period.
- Any short-term deficits can be absorbed without long-term reliance on Contingency Reserve – No structural deficit is apparent.
- The City is not without its fiscal challenges. Potential challenges facing the City include:
 - Rising CalPERS costs
 - Future recessions or shifts in consumer spending
 - Growing costs of health care, education, and housing are reducing discretionary spending for taxable goods
 - Near-term facilities maintenance and replacement obligations in accordance with long-term infrastructure financing plans
 - Increasing costs for construction projects and other capital needs



Questions?

