

City of Sacramento  
**Budget and Audit Committee Report**  
915 I Street Sacramento, CA 95814  
www.cityofsacramento.org

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**File ID:** 2026-00409

2/3/2026

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**Fiscal Year (FY) 2025/26 Budget Update and Proposed Adjustments**

File ID: 2026-00409

**Location:** Citywide

**Recommendation:** 1) Review the proposed budgetary adjustments and commitment; 2) review the proposed authority adjustment; 3) discuss updates to the development of a two-year budget process; and 4) pass a **Motion** forwarding to the City Council for approval.

**Contact:** Peter Coletto, Director, (916) 808-5416, pcoletto@cityofsacramento.org; Mirthala Santizo, Budget Manager, (916) 808-5078, msantizo@cityofsacramento.org; Department of Finance

**Presenter:** Peter Coletto, Director, (916) 808-5416, pcoletto@cityofsacramento.org; Mirthala Santizo, Budget Manager, (916) 808-5078, msantizo@cityofsacramento.org; Department of Finance

**Attachments:**

- 1-Description/Analysis
- 2-Resolution
- 3-Citywide Revenue Adjustment Details
- 4-Prior Year Savings Policy

**Description/Analysis**

**Issue Detail:** As the City prepares for the upcoming budget cycle, the mid-year forecast shows the City continues to be in a structural deficit with a budget gap of \$66.2 million projected for FY2026/27 that continues to grow in the future years of the forecast. This is not due to an economic downturn but is a fundamental imbalance between City expense growth and revenues. While the current fiscal year remains balanced, the proposed budget commitment of remaining resources will support financing potential additional current year costs associated with labor negotiations as well as closing the FY2026/27 projected budget gap.

Fiscal Year 2025/26 Update

Based on citywide revenue performance throughout the first five months of FY2025/26, staff are recommending several revenue adjustments resulting in a net increase of \$2.9 million, as reflected below:

Revenue Type <small>(dollars in 000s)</small>	FY2025/26	FY2025/26		%
	Approved	Amended	\$ Change	Change
Utility User Tax	67,802	70,420	2,618	3.9%
Real Property Transfer Tax	9,691	10,008	317	3.3%
Property Tax Current Secured	163,920	165,441	1,521	0.9%
Cannabis Business Operations Tax	23,322	21,001	(2,321)	-10.0%
Property Tax In-Lieu of Vehicle License Fee	68,508	69,086	578	0.8%
Transient Occupancy Tax from Community Center Fund	6,932	7,093	160	2.3%
<b>Recommended Revenue Revisions</b>	<b>\$ 340,174</b>	<b>\$ 343,048</b>	<b>2,874</b>	<b>0.8%</b>

The General Fund will also have \$0.9 million in reduced expenses associated with lower Cannabis Business Operations Tax revenues as the Measure L contribution to the Children’s Fund will be lower. Overall, this results in \$3.8 million in additional projected General Fund balance for the current fiscal year. Detailed information on the citywide revenue General Fund adjustments is included in Attachment 3. The five-year forecast has been updated to reflect the citywide General Fund revenue and expenditure adjustments specified above.

While these projections are positive, the City is also currently in active negotiations with most of its bargaining units. Since the City has made formal proposals, staff are including the cost of City proposals to labor unions in the forecast. The cost of those proposals is approximately \$3.6 million in the current fiscal year.

In addition to the proposed General Fund changes, staff are recommending an increase of \$801,867 to the Community Center Fund revenue budget from \$53.2 million to \$54.0 million. This increase is based on revenue performance throughout the first five months of FY2025/26.

General Fund Updated Forecast

The updated FY2025/26 forecast below includes projected changes to revenues and expenditures. While FY2025/26 is balanced, the City continues to face a structural budget deficit with expense growth outpacing revenues growth over the term of the forecast. The budget gap for FY2026/27 is projected to be \$66.2 million and grows to \$81.8 million in FY2027/28.

The forecast includes costs associated with formal proposals the City has made to labor unions. The forecast excludes potential State funding from the seventh round of the Homeless Housing, Assistance and Prevention (HHAP) program. Staff are waiting for more information from the State regarding the timing and potential additional requirements to receive funding.

It is important to note that the updated forecast also does not project a recession; if a recession were to occur the projected deficits would become much larger. The updated forecast also does not include potential losses of federal funds, changes in legislation, or directives of Federal agencies.

Losses of federal funds would also worsen the City’s projected deficits.

A detailed forecast is included in the Financial Considerations section below.

<b>5-Year Forecast</b> General and Measure U Funds (\$ in 000s)	FY2025/26 Midyear	FY2026/27 Projection	FY2027/28 Projection	FY2028/29 Projection	FY2029/30 Projection
<b>BEGINNING AVAILABLE FUND BALANCE</b>	12	680	-	-	-
Projected Resources	859,766	871,992	890,826	908,418	925,840
Use of Budget Reserves	26,807	0	0	0	0
Projected Expenses	(892,372)	(908,628)	(942,480)	(977,369)	(997,227)
Gross Funding Gap	(5,799)	(36,636)	(51,655)	(68,951)	(71,387)
Projected Salary Savings	6,467	6,596	6,728	6,863	7,000
Net Funding Gap	668	(30,040)	(44,926)	(62,088)	(64,387)
Homelessness Services Resources	48,201	11,507	11,555	11,604	11,653
Homelessness Services Expenses	(48,201)	(48,304)	(48,408)	(48,892)	(49,381)
Funding Gap - Homelessness Services	-	(36,797)	(36,853)	(37,288)	(37,728)
Total City Funding Gap	668	(66,836)	(81,779)	(99,376)	(102,114)
<b>ENDING AVAILABLE FUND BALANCE WITH HOMELESS SERVICES</b>	<b>680</b>	<b>(66,156)</b>	<b>(81,779)</b>	<b>(99,376)</b>	<b>(102,114)</b>

Prior Year Savings

As presented in the FY2024/25 Annual Comprehensive Financial Report (ACFR), year-end net results (revenues less expenditures) resulted in one-time General Fund budgetary resources of \$14.8 million, with \$2.8 million from revenues and City operations and \$12.0 million due to the repayment of unrealized investment losses on the treasury pool from prior years.

From the \$14.8 million result, \$7.1 million was used to fund the costs associated with an arbitration decision related to the Sacramento Police Officers Association (SPOA) labor agreement that expired on January 24, 2025. The City and SPOA engaged in negotiations but reached impasse on July 10, 2025. Pursuant to City Charter § 503 Impasse Resolution Procedures, the dispute was submitted to an Arbitration Board. The decision of the Arbitration Board is final and binding for both the City and SPOA. On September 9, 2025, Council passed a resolution (Resolution No. 2025-0248) to reflect those binding changes in the Citywide Salary Schedule. As stated in the staff report (File No. 2025-01382), the funding for FY2025/26 would be paid with the year-end balance. Due to this action, the final year-end result is \$7.7 million.

Given the updated FY2025/26 General Fund five-year forecast projects a \$66.2 million deficit in FY2026/27, staff recommends committing the \$7.7 million for potential current year labor negotiation costs with any remainder towards FY2026/27 budget development; in compliance with the guidelines set in the Council-approved Prior Year Savings Policy (Attachment 4).

Two-Year Budget Development:

During the FY2025/26 budget process, there was a request to discuss the development of a two-year

budget process. Staff discussed options with the Budget and Audit Committee on September 16, 2025, which is detailed below.

Due to the level of planning and resources required and current technology infrastructure, conducting a two-year budget for the upcoming budget cycle would be extremely difficult to achieve. However, there are several alternative options to consider if Council would like to balance the fiscal year after the Proposed Budget fiscal year:

- *Option 1 - Balance the entire second-year budget:* This could be achieved by approving additional reductions to be implemented in the second-year budget with unused reduction strategies from the Proposed Budget **OR** approve ongoing reductions in the Proposed budget to fully balance the second year.
- *Option 2 - Determine a deficit percentage threshold for the second-year budget:* Instead of attempting to balance the entire second-year budget, there would be a percentage threshold that the deficit must be under. For example, if the percentage threshold is 2% and the General Fund budget is \$900 million, then the second-year budget cannot be in deficit by more than \$18 million.
- *Option 3 - Do not implement second-year budget reductions at this time.*

The Committee passed a motion to move forward with Option 2 and asked staff to conduct research on the technology needed to conduct a formal two-year budget process. In addition, the Committee asked staff to bring deficit percentage threshold options. Staff discussed all options with Council on October 7, 2025., with a focus on Option 2. Council asked staff to provide updated deficit percentage threshold options when the FY2025/26 Forecast was updated.

Based on the updated FY2025/26 Forecast, the projected FY2027/28 deficit is \$81.8 million. Below is a chart with deficit percentage threshold options and amounts based on the FY2027/28 expenditure amount of \$931.2 million. The chart also shows the ongoing reduction amount that is required to meet the deficit threshold.

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%	Deficit Threshold (in millions)	Ongoing FY2026/27
		Reduction Needed to meet Yr. 2 threshold
1%	\$9.3	\$66.2 - FY2026/27 \$6.3 - FY2027/28
2%	\$18.6	\$63.2 - FY2026/27 No Addt. - FY2027/28
3%	\$27.9	\$53.8 - FY2026/27 No Addt. - FY2027/28
4%	\$37.2	\$44.5 - FY2026/27 No Addt. - FY2027/28
5%	\$46.6	\$35.2 - FY2026/27 No Addt. - FY2027/28

Staff will come back to the Committee with information on the cost and timeline of a financial system upgrade.

Recommended Adjustments to Current Year Authority

**Authority for Community Development Department (CDD) Program**

The CDD manages the Animal Care Services Capital Campaign Fund (Fund 3705). CDD receives donations throughout the fiscal year that could exceed the \$250,000 authority. To ensure that CDD can budget based on donations received in Animal Care Services Capital Campaign Fund (Fund 3705), authority is needed to adjust the revenue and expenditure budgets. Similar authority language will be added to the FY2026/27 Budget Resolution.

**Cost-Neutral Amendments to FY2025/26 Approved Budget**

In the FY2025/26 Approved Budget, \$300,000 was appropriated to the wrong project (Community Center/Fee Waiver Project [I19146000]) due to a project name/number mix-up. The \$300,000 should have been appropriated to the Mayor/Council Economic Development (I19143000).

Additionally, a \$166,101 cost reimbursement in the Youth, Parks and Community Enrichment department was erroneously charged to the General Fund (1001) instead of the Measure U Fund (2401).

Both cost-neutral changes do not affect the updated forecast and are corrected in the attached Resolution (Attachment 2).

**Policy Considerations:** This report is consistent with Council’s direction to keep the Council informed on the fiscal condition of the City.

**Economic Impacts:** None.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** This report concerns administrative activities and government fiscal activities that do not constitute a “project” as defined by the CEQA Guidelines sections 15378 and California Public Resources Code section 21080 and are not subject to the provisions of CEQA (CEQA Guidelines section 15060(c)(3)). CEQA review for any project, which utilizes funds allocated in this report, has been or will be performed in conjunction with planning, design, and approval of each specific project as appropriate.

**Sustainability:** Not applicable.

**Rationale for Recommendation:** The actions recommended in this report provide authority for adjustments necessary to complete the fiscal year and provide resources necessary to help close the budget gaps in future fiscal years.

**Financial Considerations:** The proposed budgetary commitment will help balance the FY2026/27 Proposed Budget.

Following is the five-year forecast in expanded detail:

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<b>5-Year Forecast</b> General Fund (\$ in 000s)	<b>FY2025/26</b>	<b>FY2026/27</b>	<b>FY2027/28</b>	<b>FY2028/29</b>	<b>FY2029/30</b>
	<b>Midyear</b>	<b>Projection</b>	<b>Projection</b>	<b>Projection</b>	<b>Projection</b>
<b>BEGINNING AVAILABLE FUND BALANCE</b>	<b>12</b>	<b>680</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues</b>					
Revenues	838,742	851,643	869,393	885,136	900,669
Other Sources	18,150	15,488	15,181	15,407	15,637
<b>Total Revenues/Resources</b>	<b>856,892</b>	<b>867,131</b>	<b>884,574</b>	<b>900,542</b>	<b>916,306</b>
<b>Expenditures</b>					
Department Operating, Debt, and MYOPs	860,799	868,509	895,930	929,396	949,036
Capital Projects	15,835	15,740	15,211	15,191	15,191
Federal Funding Loss Contingency	3,738	-	-	-	-
EUR Contribution	-	4,396	4,530	4,696	4,792
<b>Total Expenditures/Uses</b>	<b>880,372</b>	<b>888,645</b>	<b>915,671</b>	<b>949,283</b>	<b>969,018</b>
<b>Surplus/(Deficit)</b>	<b>(23,479)</b>	<b>(21,514)</b>	<b>(31,097)</b>	<b>(48,741)</b>	<b>(52,712)</b>
<b>Other Sources/(Uses)</b>					
Reserve for Future Budget Development (FY2023/24)	26,807	-	-	-	-
FY2025/26 Vacancy Factor	6,467	6,596	6,728	6,863	7,000
<b>Total Other Sources/(Uses)</b>	<b>33,274</b>	<b>6,596</b>	<b>6,728</b>	<b>6,863</b>	<b>7,000</b>
<b>FY2025/26 Midyear Update</b>					
Citywide Revenue Adjustments	2,874	4,862	6,251	7,875	9,534
Measure L Adjustment	928	928	928	928	928
City Proposals	(3,600)	(11,583)	(18,409)	(19,685)	(19,808)
<b>Total FY2025/26 Midyear Update</b>	<b>202</b>	<b>(5,793)</b>	<b>(11,229)</b>	<b>(10,881)</b>	<b>(9,346)</b>
<b>Voter-Approved Spending</b>					
Measure L	(9,329)	(9,329)	(9,329)	(9,329)	(9,329)
<b>Total Voter-Approved Spending</b>	<b>(9,329)</b>	<b>(9,329)</b>	<b>(9,329)</b>	<b>(9,329)</b>	<b>(9,329)</b>
<b>Surplus/(Deficit) with Other Sources</b>	<b>668</b>	<b>(30,040)</b>	<b>(44,926)</b>	<b>(62,088)</b>	<b>(64,387)</b>
<b>Homeless Services</b>					
General Fund Support	35,304	11,507	11,555	11,604	11,653
Homeless Housing, Assistance, and Prevention Program (HHAP-6)	12,896	-	-	-	-
Homeless Services Programming	(48,201)	(48,304)	(48,408)	(48,892)	(49,381)
<b>Total Homeless Services</b>	<b>-</b>	<b>(36,797)</b>	<b>(36,853)</b>	<b>(37,288)</b>	<b>(37,728)</b>
<b>Surplus/(Deficit) with Homeless Services</b>	<b>668</b>	<b>(66,836)</b>	<b>(81,779)</b>	<b>(99,376)</b>	<b>(102,114)</b>
<b>ENDING AVAILABLE FUND BALANCE WITH HOMELESS SERVICES</b>	<b>680</b>	<b>(66,156)</b>	<b>(81,779)</b>	<b>(99,376)</b>	<b>(102,114)</b>

The forecast shown above does **not** include \$7.7 million in FY2024/25 year-end resources. Staff recommends committing the \$7.7 million for any additional current year costs the City may incur during labor negotiations with any remainder committed to FY2026/27 budget development consistent with the Prior Year Savings Policy.

Ongoing reduction strategies adopted by Council during the FY2026/27 budget process will reduce the projected budget deficits in the future fiscal years of the forecasts.

**Local Business Enterprise (LBE):** No goods or services are being purchased under this report.

**RESOLUTION NO. 2026-XXXX**

Adopted by the Sacramento City Council

February XX, 2026

**Fiscal Year (FY) 2025/26 Recommended Budgetary Commitment and Authority Adjustment**

**BACKGROUND**

- A. Revenue adjustments are recommended based on revenue performance through the first half of FY2025/26. These revenue adjustments include various General Fund citywide revenues and Community Center Fund revenues.
- B. Expenditure adjustments are recommended for the Measure L Youth Funding Program (I80000100) based on updated revenue projections for the Cannabis Business Operations Tax.
- C. Expenditure adjustments are recommended to reallocate funding from the Community Center Fee Waiver Project (I19146000) to the Mayor/Council Economic Development Priorities Project (I19143300).
- D. Expenditure adjustments are recommended to reallocate funding for plumbing services within the Youth, Parks, and Community Enrichment Department from the General Fund (Fund 1001) to the Measure U Fund (Fund 2401).
- E. Expenditure adjustments are recommended to support Council direction on labor negotiations in the Citywide and Community Support Department.
- F. The updated FY2025/26 General Fund five-year forecast projects an operating deficit in FY2026/27. Although FY2025/26 is currently balanced, there may be potential costs related to labor negotiations. A commitment from FY2024/25 year-end resources is recommended to help balance the FY2025/26 budget and/or FY2026/27 budget.
- G. The Community Development Department manages the Animal Care Services Capital Campaign Fund (Fund 3705). Budgetary authority is recommended to allow the City Manager or the City Manager's designee to adjust the revenue and expenditure budgets in Fund 3705 based on actual revenues received.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City Manager or the City Manager's designee is authorized to increase the General Fund (Fund 1001) revenue budget in the Fiscal Year

(FY) 2025/26 Citywide and Community Support Operating Budget by \$2,873,760.

- Section 2. The City Manager or the City Manager's designee is authorized to increase the Community Center Fund (Fund 6010) revenue budget in the Fiscal Year (FY) 2025/26 Convention and Cultural Services Department by \$801,867.
- Section 3. The City Manager or the City Manager's designee is authorized to reduce the expenditure budget in the Measure L Youth Funding Program (I80000100) by \$928,245 (Measure L Fund, Fund 1004) and to decrease the appropriate transfers between the General Fund (Fund 1001) and the Measure L Fund (Fund 1004) to align the program with 40% of projected cannabis business operations tax revenues for FY2025/26.
- Section 4. The City Manager or the City Manager's designee is authorized to transfer \$300,000 (Measure U Fund, Fund 2401) from the expenditure budget of the Community Center Fee Waiver Project (I19146000) to the expenditure budget of the Mayor/Council Economic Development Priorities Project (I19143300).
- Section 5. The City Manager or the City Manager's designee is authorized to reduce the Youth, Parks, and Community Enrichment Department's FY2025/26 Approved Operating Budget by \$166,101 (General Fund, Fund 1001) and to increase the Youth, Parks, and Community Enrichment Department's FY2025/26 Approved Operating Budget by \$166,101 (Measure U Fund, Fund 2401) to reallocate funding for plumbing services.
- Section 6. The City Manager or the City Manager's designee is authorized to increase the Citywide and Community Support Department's FY2025/26 Approved Operating Budget by \$3,610,460 in General Fund and Measure U Fund resources.
- Section 7. The City Manager or the City Manager's designee is authorized to increase the General Fund (Fund 1001) and Measure U Fund (Fund 2401) available fund balances by \$191,545.
- Section 8. The City Manager or the City Manager's designee is authorized to increase the Community Center Fund (Fund 6010) available fund balance by \$801,867.
- Section 9. The commitment of \$7,727,625 of General Fund and Measure U Fund resources for balancing FY2025/26 and/or FY2026/27 is authorized.
- Section 10. The City Manager or the City Manager's designee is authorized to adjust the revenue and expenditure budgets in the Animal Care Services Capital Campaign Fund (Fund 3705) based on actual revenues received.

Adopted by the City of Sacramento City Council on February XX, 2026, by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Attest:

## Citywide Revenue Adjustments

The FY2025/26 revenue changes recommended in this report are summarized in the following table:

Revenue Type (dollars in 000s)	FY2025/26 Approved	FY2025/26 Amended	\$ Change	% Change
Property Tax Current Secured	163,920	165,441	1,521	0.9%
Utility User Tax	67,802	70,420	2,618	3.9%
Property Tax In-Lieu of Vehicle License Fee	68,508	69,086	578	0.8%
Real Property Transfer Tax	9,691	10,008	317	3.3%
Cannabis Business Operations Tax	23,322	21,001	(2,321)	-10.0%
Transient Occupancy Tax	6,932	7,093	160	2.3%
<b>Recommended Revenue Revisions</b>	<b>340,174</b>	<b>343,048</b>	<b>2,874</b>	<b>0.8%</b>

The five-year forecast has been updated to reflect the following revisions. The following provides additional detail regarding the revenue revisions in the G/MU Funds.

- A. Property Tax Current Secured Roll, \$1.5 million:** The recommended increase is based on the County Assessor's fiscal year-end report estimating countywide property tax growth for the secured roll which includes land, structures, fixtures, and personal property. The FY2025/26 amended budget will be increased by \$1.5 million, or 0.9% above the FY2025/26 approved budget.
- B. Utility User Tax (UUT), \$2.6 million:** UUT is a usage tax on telecommunication, cable, gas, and electric services. Based on collections through the first five months of FY2025/26, UUT revenue has been flat compared to the same period in FY2024/25. The energy components of the UUT accounted for approximately 77% of all UUT revenue in FY2024/25. SMUD electricity collections were flat from July through November compared to last year. The impact of a recent 3% rate increase effective January 1, 2026 may help increase revenues in this category by year-end. PG&E has increased almost 10% from July through November compared to last year. The FY2025/26 amended budget will be increased by \$2.6 million, or 3.9% above the FY2025/26 approved budget.
- C. Property Tax In-Lieu of Vehicle License Fees (VLF), \$0.6 million:** The State's 2004 property tax for VLF swap permanently reduced the VLF rate from 2% to 0.65%, shifted the VLF revenue to the state General Fund to make up for reduced property taxes to schools, and shifted property taxes from the school share to property tax in-lieu of VLF to cities/counties. The projected increase is based on recent information provided by the County of Sacramento Audit-Controller Division indicating the City will receive an additional \$0.6 million, or 0.8%, over the FY2025/26 approved budget.
- D. Real Property Transfer Taxes, \$0.3 million:** Real property transfer tax is a charge imposed by the City upon the passing of title from one owner to another.

The City charges \$2.75 for every \$1,000 of the property's sale price. During the first five months of FY2025/26, residential real estate transactions were essentially flat, but the average value of tax received from each transaction increased 8% compared to the same period in the prior year. Commercial real estate transactions were up 13% and the average value of tax received from each transaction increased 19% compared to the same period in the prior year. This revenue source is considered one-time in nature and fluctuates from year to year. Staff will continue to monitor the transactions to determine if this is a one-time anomaly.

- E. Cannabis Business Operations Tax (CBOT) Revenues, \$0.9 million:** Cannabis tax revenue is generated from cultivation, manufacturing, testing, delivery, microbusiness, dispensary, and distribution. CBOT revenue decreased by \$0.8 million or 8.1% during the first six months of FY2025/26 compared to the same period in FY2024/25. Based on the year-to-date collections, staff are anticipating a decrease of \$2.3 million, or approximately 10.0%, in CBOT revenues.
- F. Transient Occupancy Tax, \$0.2 million:** A transient occupancy tax (TOT) is charged for all people who exercise occupancy at a hotel for a period of 30 days or less. During the first five months of FY2025/26, TOT receipts were trending higher compared to the same period in the prior year. The FY2025/26 amended budget will be increased by \$0.2 million, or 3.0% above the actual TOT received in FY2024/25.



## **Prior Year Savings Guideline Policy**

**Scope: CITYWIDE**

### **Administrative Entity**

Department of Finance

(916) 808-5845

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### **Table of Contents**

Purpose

Background

Policy

3.1 Criteria for Prior Year Savings Guideline Policy

3.2 Funding Priorities

### **Related Regulatory References**

Council Motion 2025-0045

**Effective Date:** February 11, 2025

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## Prior Year Savings Guideline Policy

### 3. PURPOSE

The purpose of this policy is to create a new funding mechanism to address the City's long-term liabilities and long-term fiscal challenges.

### 4. BACKGROUND

The City is facing significant financial challenges. The City's budget is facing a structural deficit with the pace of expense growth exceeding revenue growth in the Fiscal Year (FY) 2024/25 Approved five-year forecast. In addition, the City has significant unfunded liabilities including \$1.4 billion in unfunded pension liabilities, \$1.4 billion in unfunded capital and deferred maintenance needs over the next five years, and \$0.2 billion in unfunded Other Post Employment Benefits (OPEB) liabilities for retirees. To support budget balancing and provide dedicated funding to address the City's long-term liabilities,

### 3. POLICY

#### 3.1 Criteria for Prior Year Savings:

Prior year savings include net positive year-end budgetary results from the General Fund, Measure U Fund and/or any future general-purpose fund.

#### 3.2 Funding Priorities:

- 1st Priority – Budget balancing if there is a projected deficit in the coming budget year. Council may consider strategic one-time investments.
  - 2nd Priority – Restore Economic Uncertainty Reserve to the minimum balance established by Council policy (currently 10% of General/Measure U revenues) if there is no projected budget deficit in the coming budget year.
  - 3rd Priority – If the first two priorities are met, any remaining prior year savings will be allocated as follows:
    - One-third – To a new special fund for capital projects and deferred maintenance.
    - One-third – To a new special fund for unfunded pension liabilities and/or OPEB liabilities.
    - One-third – Discretionary.
-