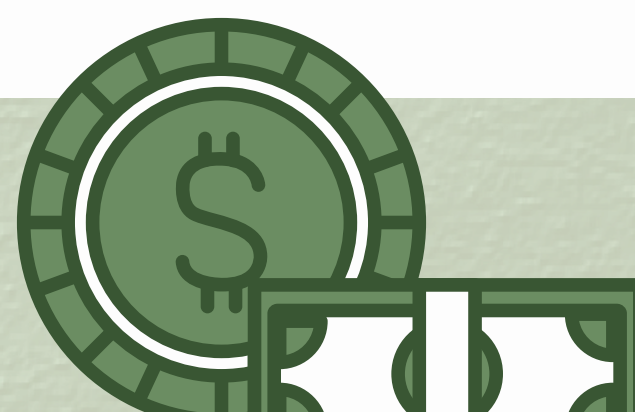




# 2027

# Budget

Understanding trends, forecasts, and policies  
shaping the 2027 city budget proposal



# Key Budget Considerations

## Revenue

The city has seen steady declines in local receipts (revenue) throughout 2026 and is anticipating an overall decrease of 1.5% in 2027.

## Contractual Obligations

Salaries and benefits account for 88% of the city's total operating budget, with salaries exceeding \$191 million and benefits amounting to \$59.3 million.

## Financial Policies

The city has detailed financial policies that establish guidelines for reserve levels, use of surplus funds, and debt issuance.

## Inflation

We are experiencing rising inflation, with projections indicating it will continue through 2027 due to increased oil prices, tariffs, and energy costs.

## Sustainability

The city develops a 10-year budget forecast alongside its annual budgeting process to ensure that adopted budgets are sustainable and structurally balanced. This means that recurring expenditures, such as salaries and operational costs, are supported by recurring revenue streams rather than one-time funds.

## Long Term Goals

The city uses long-range budget models to plan and allocate funding for major capital projects, such as school construction and pension obligations.

# Revenue Outlook

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The city has experienced a consistent decline in local revenues in 2026. In addition to the decrease in motor vehicle excise taxes, the city anticipates a reduction of over \$1 million in investment revenue due to previously invested ARPA and Consentino borrowing proceeds. There has also been a significant drop in permit fees, as the major construction projects currently underway were permitted in previous fiscal years.

State aid has fallen short of expectations, with a much lower than anticipated 2.3% increase in Chapter 70 funding, a 2.5% increase in government aid, and an 11.25% increase in assessments (or charges to the city), which has risen by over \$1 million.

These lower-than-expected revenue projections have placed greater pressure on property taxes, necessitating the use of an additional \$1.1 million from the city's levy reserve. This has reduced the excess reserve to just \$1.48 million. Budget projections suggest that this reserve will be nearly depleted in 2028, assuming continued departmental increases of 2.5%, estimated employee benefits rising by 4.5%, and revenue increasing by 3.2%.

# Financial Reserves

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It is the City's responsibility to ensure that fiscal reserves are adequate and sustainable for future years. This includes meeting or exceeding the city's financial policy benchmarks, complying with Department of Revenue recommendations, adhering to bond rating agency standards, and aligning with best practices set by the Government Finance Officers Association (GFOA). Additionally, the City aims to maintain its AA rating, which helps to lower borrowing costs, leading to a more efficient use of taxpayer dollars.

## Financial Reserve Policies include:

- \*Ensuring undesignated fund balance levels - Reserve Policy #1
- \*Ensuring minimum free cash levels - Reserve Policy #3
- \*Ensuring stabilization reserve levels - Reserve Policy #4

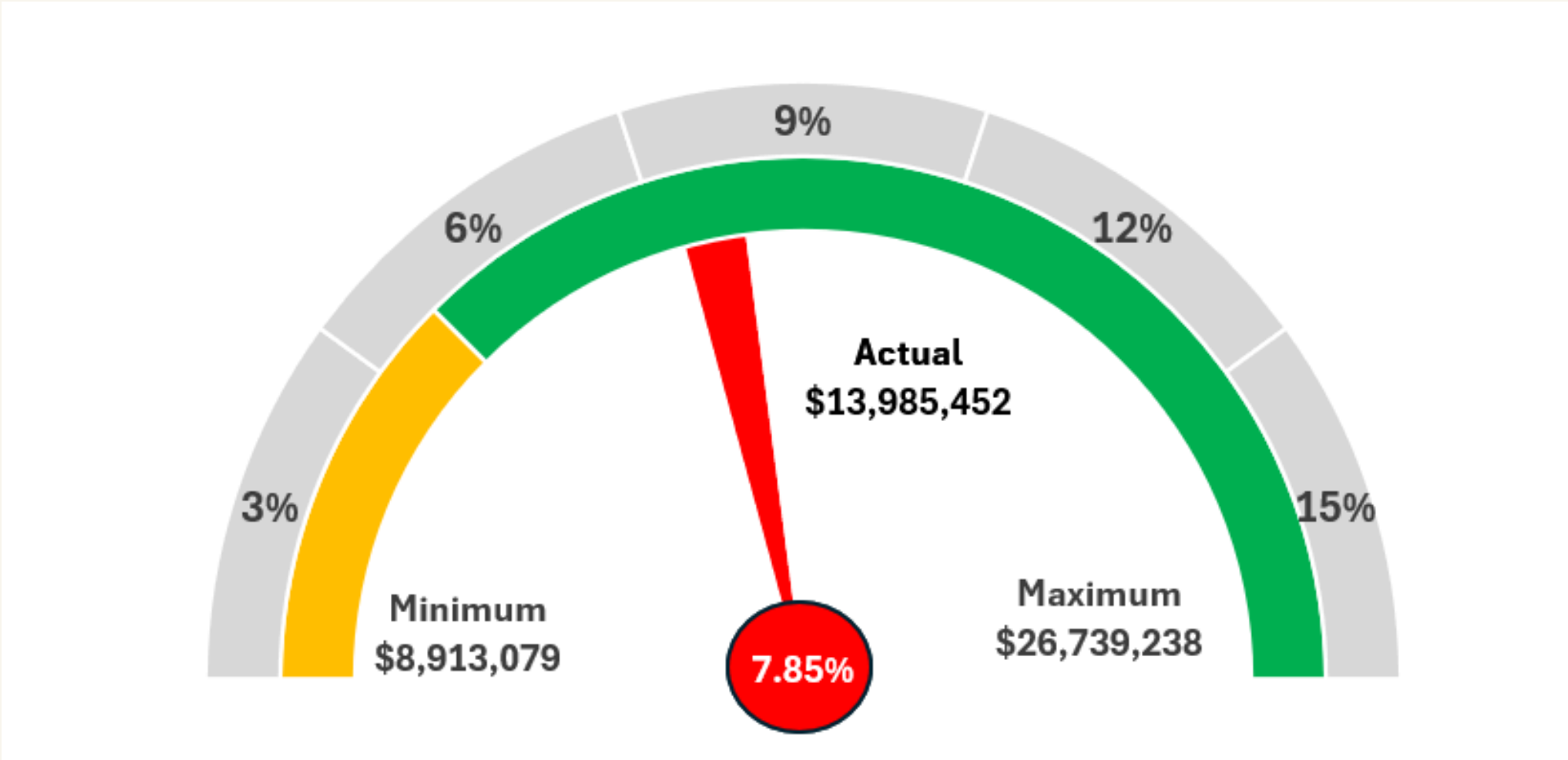


# Reserve Policy #1

Reserve Policy #1 states that the City shall maintain an undesignated fund balance between 5% and 15% of general fund revenues, less debt exclusion and Chapter 70.

The city's undesignated fund balance as of June 30, 2025, was \$13,985,452 or 7.85% of general fund revenue.

This is up from June 2024, which was \$12,569,995 or 7.36%.

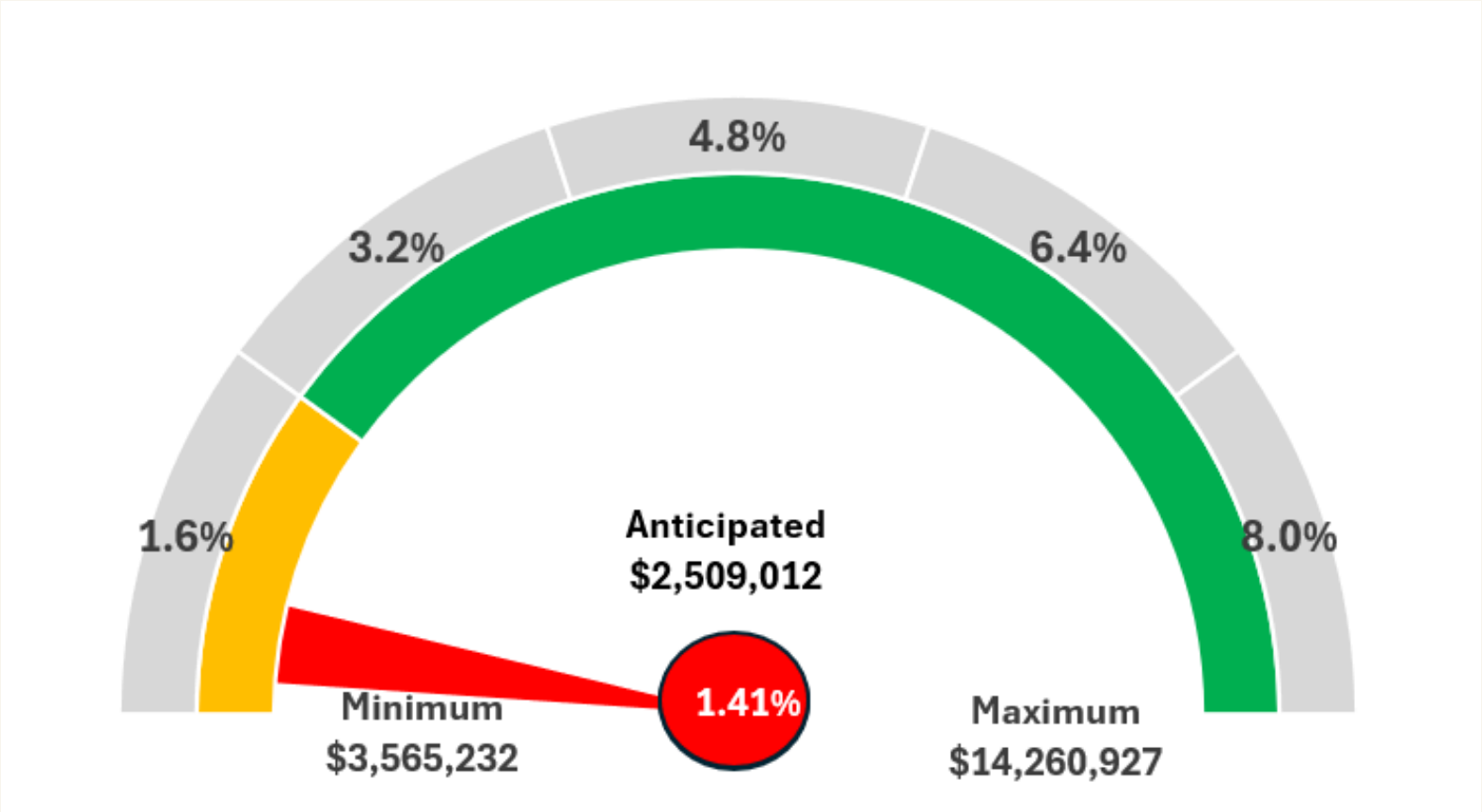


# Reserve Policy #2 and Budget Policy #2

Reserve Policy #2 states that the amount to be held in free cash shall not be less than 2% or more than 8% of general fund revenues, less debt exclusion and Chapter 70. Budget Policy #2 states that no more than 20% of non-recurring revenue shall be allocated for ongoing expenditures.

The city’s free cash balance at the end of fiscal year 2026 is projected to be \$2,509,012, which represents 1.41% of general fund revenue. This figure is a decrease from the free cash balance at the end of fiscal year 2025, which was \$2,578,279 or 1.51%.

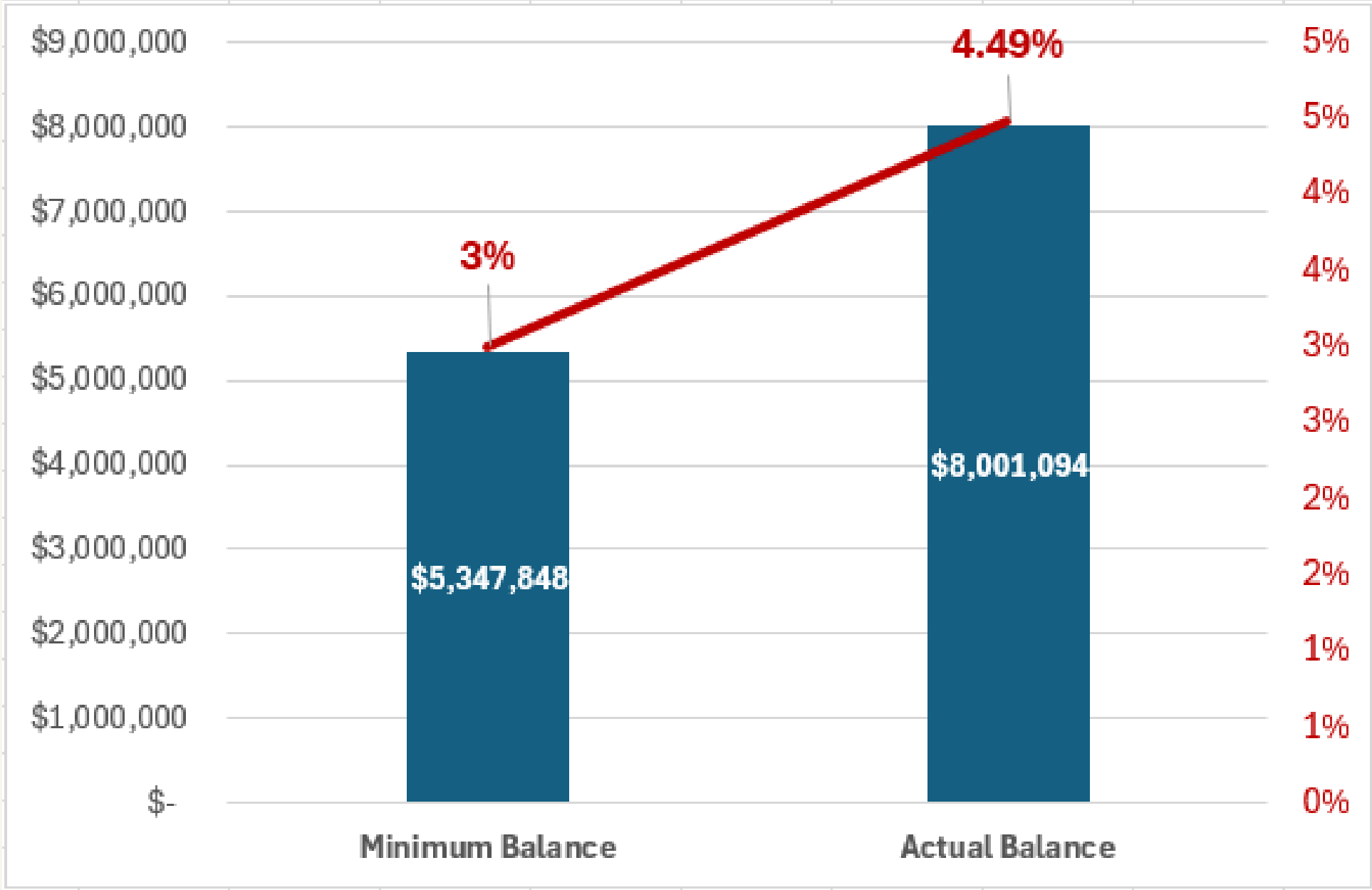
The city plans to allocate \$5.1 million, or 54% of its free cash, to support the operating budget for 2027. This amount significantly exceeds the 20% limit set by Budget Policy #2. The city has been out of compliance with this policy for over a decade and is working to make annual progress toward meeting this requirement. To achieve immediate compliance, the city would need to reduce the operating budget by \$2.9 million.



# Reserve Policy #4

**Reserve Policy #4 states that the city shall maintain a Stabilization Reserve Fund of at least 3% of general fund revenue, less debt exclusion and Chapter 70.**

The city's stabilization fund is \$8,001,094, or 4.49% of general fund revenue, excluding Chapter 70 and debt exclusions. This is up from fiscal 2025, which had a balance of \$7,533,248 or 4.41%.



# Budget Sustainability & Long Range Forecasting

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## The long-term goals that influence the city's budget forecast include:

- Ensure that levy availability can support future level service budgets. This is particularly challenging in years when inflation exceeds the 2.5% cap on annual property tax increases.
- Reduce reliance on free cash to support the operating budget (Budget Policy #2).
- Maintain financial reserves in accordance with internal policies.
- Ensure debt ratios comply with financial policies.
- Meet or exceed net school spending requirements.
- Fund routine capital equipment and building maintenance.
- Plan for large capital projects, such as the Fire Station, JG Whittier, and Whittier Tech.
- Begin funding the Other Post-Employment Benefits (OPEB) liability of \$307 million by 2033 using pension appropriations that will be satisfied in 2032.

# How would a 1% increase to the School Department impact City finances in the long term?

Raising the city's annual contribution to the School Department from 2.5% to 3.5% would cost taxpayers over \$26 million over a 10-year period. This increase would result in a city-wide budget deficit of nearly \$800,000 in 2029, which would grow to \$3.7 million by 2032.

Fiscal impact of a 1% city contribution increase compounded over 10 years.

1% City Contribution	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2027-2036 Total
2.5% Annual Increase	\$ 39,582,025	\$ 40,571,576	\$ 41,585,865	\$ 42,625,512	\$ 43,691,150	\$ 44,783,428	\$ 45,903,014	\$ 47,050,590	\$ 48,226,854	\$ 49,432,526	\$ 50,668,339	\$ 454,538,854
3.5% Annual Increase		\$ 40,967,396	\$ 42,401,255	\$ 43,885,299	\$ 45,421,284	\$ 47,011,029	\$ 48,656,415	\$ 50,359,390	\$ 52,121,969	\$ 53,946,237	\$ 55,834,356	\$ 480,604,631
<b>INCREASED CITY COST</b>		\$ 395,820	\$ 815,390	\$ 1,259,787	\$ 1,730,135	\$ 2,227,601	\$ 2,753,401	\$ 3,308,800	\$ 3,895,114	\$ 4,513,712	\$ 5,166,017	\$ 26,065,777

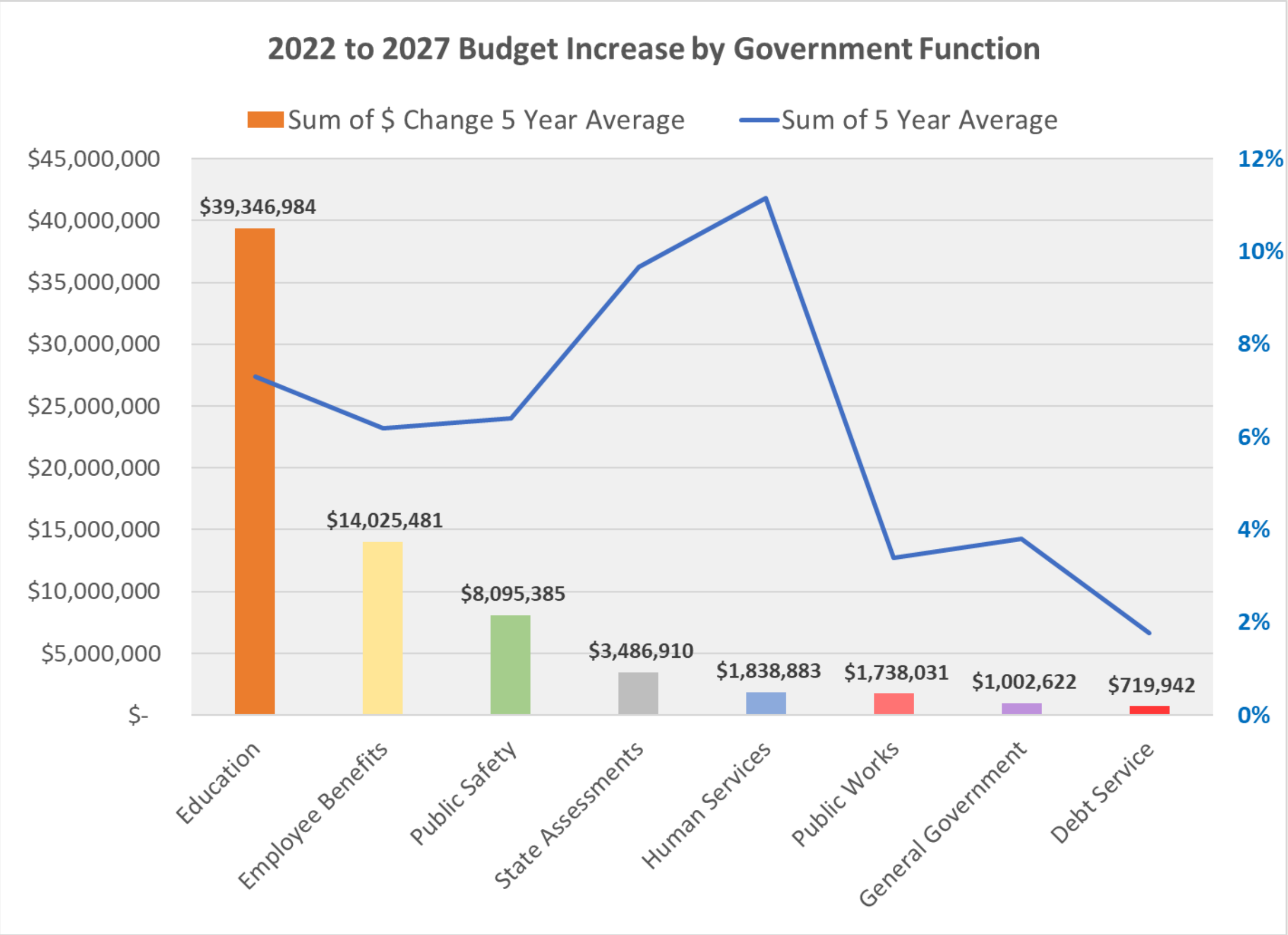
# Why are some City department budgets increasing by more than 2.5% in 2027?

When examining historical trends rather than just the 2027 budget, you can see that city funding for the school department has significantly exceeded that for all other city departments. Since 2023, the school department's average annual funding has increased by 7.3%, while all other city departments have received an average annual increase of only 3.5%.

School Department City Funding <i>NOT INCLUDING CH 70</i>	2023	2024	2025	2026	2027	Average Annual
City Direct Contribution	\$ 33,148,274	\$ 36,548,274	\$ 38,616,610	\$ 39,582,025	\$ 40,571,576	\$ 1,855,825
City Indirect Contribution: <i>Employee Benefits, Snow Removal, Refuse, Administrative, P&amp;C Insurance</i>	\$ 23,981,751	\$ 24,616,111	\$ 25,881,397	\$ 29,047,442	\$ 30,648,800	\$ 1,666,762
Debt Service paid by City	\$ 2,538,254	\$ 3,041,148	\$ 3,005,940	\$ 6,401,319	\$ 5,865,903	\$ 831,912
<b>1. City Contribution to School Department</b>	<b>\$ 59,668,279</b>	<b>\$ 64,205,533</b>	<b>\$ 67,503,947</b>	<b>\$ 75,030,786</b>	<b>\$ 77,086,279</b>	<b>\$ 4,354,500</b>
<b>School Funding Annual Increase</b>		<b>7.6%</b>	<b>5.1%</b>	<b>11.2%</b>	<b>2.7%</b>	<b>7.3%</b>
<b>2. All Other City Budgets</b>	<b>\$ 98,212,093</b>	<b>\$ 101,797,296</b>	<b>\$ 106,718,092</b>	<b>\$ 107,871,203</b>	<b>\$ 112,153,608</b>	<b>\$ 3,485,379</b>
<b>All Other City Departments Annual Increase</b>		<b>3.7%</b>	<b>4.8%</b>	<b>1.1%</b>	<b>4.0%</b>	<b>3.5%</b>
<b>3. Chapter 70</b>	<b>\$ 73,906,310</b>	<b>\$ 82,633,811</b>	<b>\$ 87,968,052</b>	<b>\$ 94,219,635</b>	<b>\$ 96,427,042</b>	<b>7.6%</b>
<b>(1+2+3) Total General Fund Budget</b>	<b>\$ 231,786,682</b>	<b>\$ 248,636,640</b>	<b>\$ 262,190,091</b>	<b>\$ 277,121,624</b>	<b>\$ 285,666,928</b>	<b>5.8%</b>



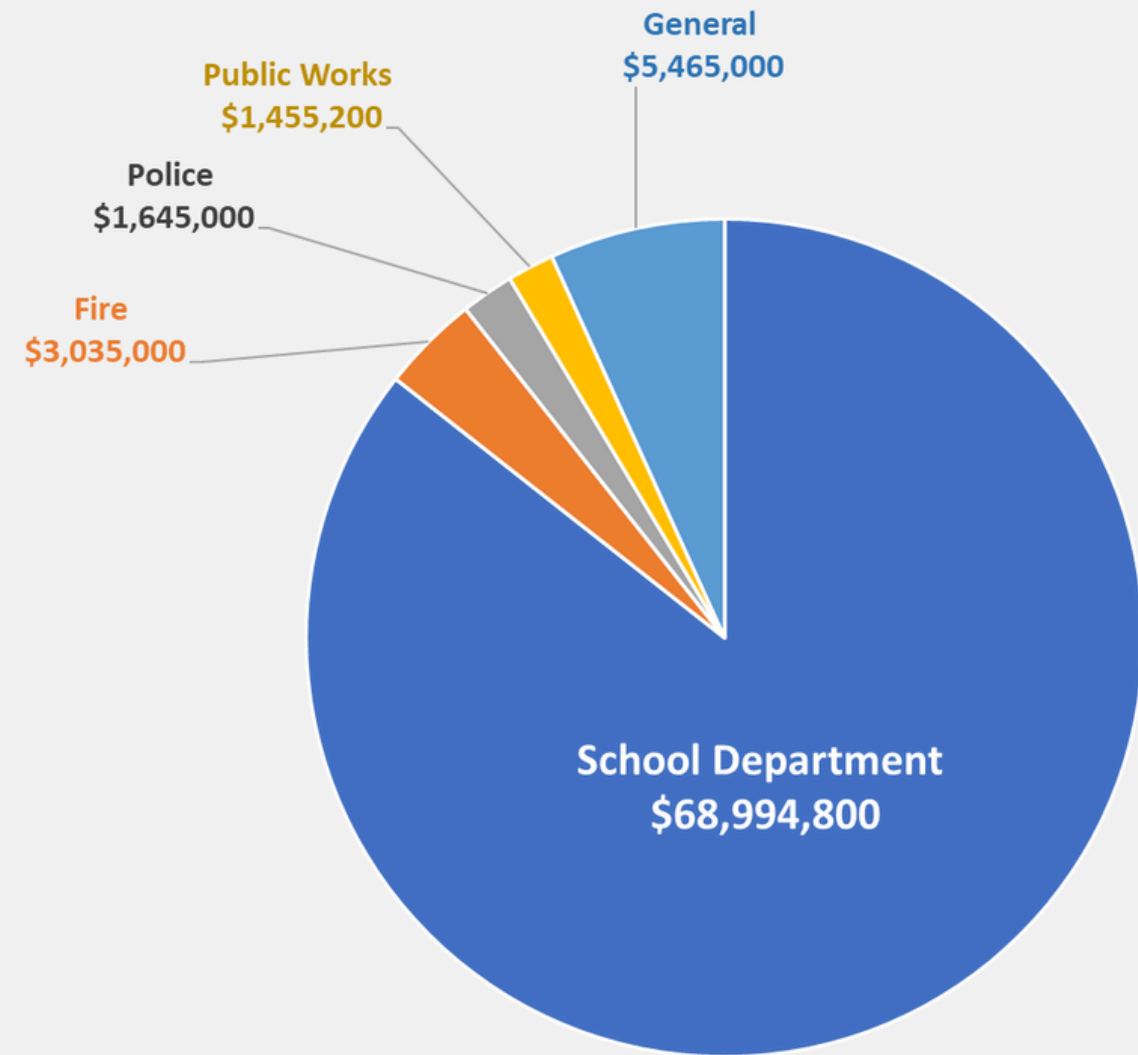
# Historical Increases by Government Function



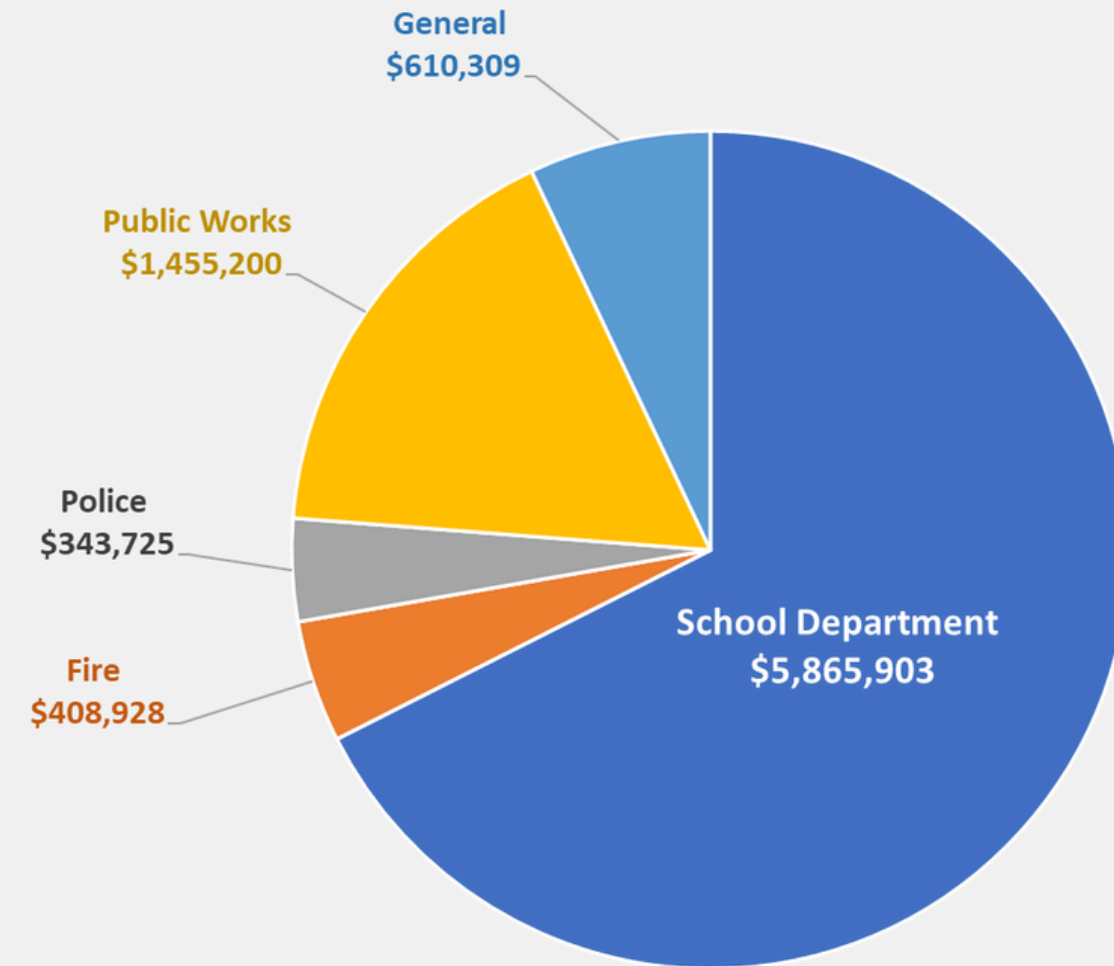
# What projects does the School Department's annual debt payment in the amount of \$5.8M fund?

Project	2027 Debt Payment	Outstanding Balance
Consentino School	\$ 3,434,275	\$ 44,490,000
Green Communities School Remodeling	\$ 93,556	\$ 1,225,000
High School Gym Roof Replacement	\$ 29,025	\$ 290,000
High School Pool Building Repair	\$ 13,863	\$ 120,000
High School Remodel	\$ 99,597	\$ 250,500
High School Remodeling I	\$ 62,350	\$ 745,000
High School Remodeling II	\$ 16,450	\$ 215,000
High School Track	\$ 51,856	\$ 335,000
Hunking Middle School	\$ 584,806	\$ 7,940,000
Hunking Middle School I	\$ 503,860	\$ 7,275,100
Hunking Middle School II	\$ 105,640	\$ 1,569,900
Hunking School Feasibility	\$ 15,550	\$ 185,000
JG Whittier Modular Classrooms	\$ 346,750	\$ 3,610,000
Moody Boilers	\$ 82,125	\$ 855,000
Pool Building	\$ 29,125	\$ 280,000
School Remodeling	\$ 26,038	\$ 160,000
Series A (SQ) -New Money - School 1	\$ 30,344	\$ 150,000
Series A (SQ) -New Money - School 2	\$ 6,669	\$ 45,000
Series A (SQ) -New Money - School 3	\$ 105,344	\$ 565,000
Silver Hill Boilers	\$ 27,375	\$ 285,000
Softball Field Construction	\$ 164,900	\$ 1,015,000
Whittier School	\$ 36,406	\$ 350,000
<b>Grand Total</b>	<b>\$ 5,865,903</b>	<b>\$ 71,955,500</b>

# What is the distribution of the city's debt portfolio?



General Fund Outstanding Debt



2027 Annual Debt Payment

# How has the City made efforts to balance the budget?

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- Fund vacant positions at 50% saving **\$276,887**
- Reduce overtime by **\$677,142**
- Reduce employee benefits by **\$541,925** for anticipated vacancies
- Reduced public safety supplies and maintenance by **\$136,050**
- Reduced Highway capital by **\$191,334**
- Reduce Highway street maintenance by **\$200,000**
- Reduce legal and consulting by **\$120,000**
- Reduce budget reserve by **\$891,334**
- Other line item reductions across 19 departments **\$527,405**

## **TOTAL BUDGET CUTS \$3,562,077**

- Increased use of Levy Reserve by **\$1,135,752**
- Increased the use of Free Cash by **\$150,000**
- Increased Motor Vehicle Excise by **\$508,626**

## **TOTAL REVENUE INCREASE \$1,794,378**

**Questions?**

