Proposed FY26-30 Five-Year Plan Fiscal Highlights

Key Takeaways:

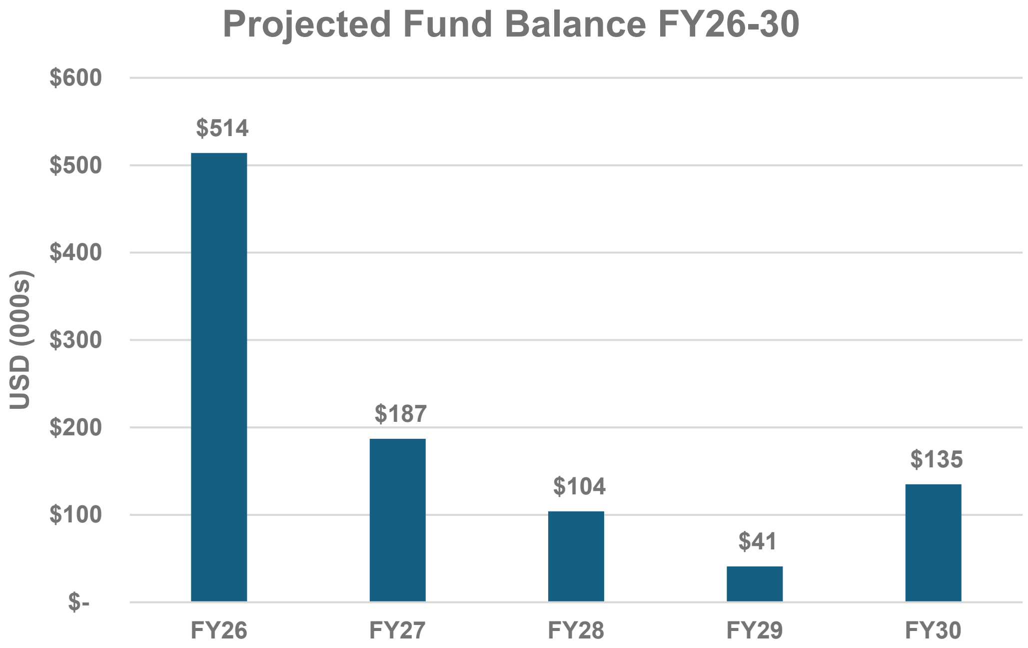
- The General Fund balance is projected to fall from $514M in FY26 to a low of $41M in FY29, falling short of the City's goal of 6-8% of revenues in four of five Plan years.
- Revenues are projected to grow by 9.6%, reaching $6.9B in FY30, while expenditures are expected in increase by 1.9% over the Plan.
- The City anticipates operating deficits for FY26-29, with an operating surplus projected in FY30.
- New contributions to the Budget Stabilization Reserve (BSR) are expected to total $119M, bringing the BSR total to over $280 million, with contributions being made in two of five Plan years.
- The FY26 Capital Budget authorizes new borrowing of $337 million, $9 million more than FY25's notably high GO authorization.

What's the Proposed Five-Year Plan?

On March 13, 2025, Mayor Parker gave her second budget address and released the Administration's proposed Five-Year Financial Plan for Fiscal Years 2026 through 2030 (FY26-30). It details the City's expected revenues, spending, staffing levels, new borrowing, and more over the next five fiscal years. As budget deliberations for FY26 take shape, the proposed Five-Year Plan will change. Following City Council's adoption of an FY26 budget, a final version of the Five-Year Plan will be presented to PICA. The PICA Board of Directors will then have 30 days to vote on whether to approve the Plan or ask the City to make revisions. If the City is unable to deliver an acceptable revised Plan in the allotted time, and the Board votes against approving the Plan, state funds are withheld from the City until revisions are made.

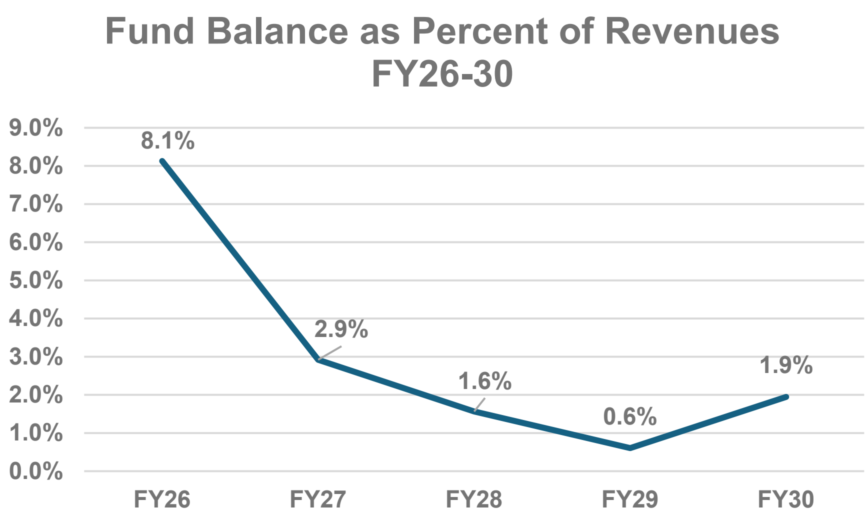
Fund Balance

The General Fund, the primary operating fund of the City, is projected to have positive fund balances in each year of the FY26-30 Five-Year Plan, declining by $379 million over the Plan. Positive fund balances, based on reasonable assumptions, are a statutory requirement for PICA Board approval of the Plan.



Fund Balance as a Percent of Revenues

Beyond merely being positive, a fund balance should be robust enough to cushion the City against unplanned changes in revenue collections or spending. The Government Finance Officers Association (GFOA) recommends that fund balances be 17 percent of revenue or spending, while the City set a lower internal goal of at least 6-8 percent of revenues. The General Fund balance will meet the City's goal in FY26 and will not meet the GFOA recommendation in any year of the Plan. If the Budget Stabilization Reserve (BSR) is considered in addition to the fund balance, the combined totals range from 11.7 percent of revenues in FY26 to 6 percent of revenues in FY30.



Estimated Revenue Growth

Estimated Revenues by Type ($000s)

	FY26	FY27	FY28	FY29	FY30
Tax Revenue	$4,551,729	$4,728,268	$4,892,921	$5,036,756	$5,154,075
Locally Generated Non-Tax Revenue	$394,931	$379,183	$429,758	$389,327	$392,911
Revenue from Other Governments	$436,807	$426,896	$418,784	$419,921	$421,083
PICA City Account	$772,804	$803,566	$834,657	$864,908	$894,448
Revenue from Other Funds	$166,505	$65,548	$70,533	$66,799	$67,382
TOTAL REVENUE	**$6,322,776**	**$6,403,461**	**$6,646,653**	**$6,777,711**	**$6,929,899**

From FY26-30, total City revenue is expected to grow by 9.6 percent over the Plan period. In FY30, City revenue is estimated to reach $6.9 billion. Tax revenue is projected to increase from $4.6 billion in FY26 to $5.2 billion in FY30. Over the Plan period, Locally Generated Non-Tax Revenue is projected to decrease by $2 million, Revenue from Other Governments (including PICA) is projected to increase by $106 million, and Revenue from Other Funds is expected to decrease by $99 million.

Projected Spending Growth

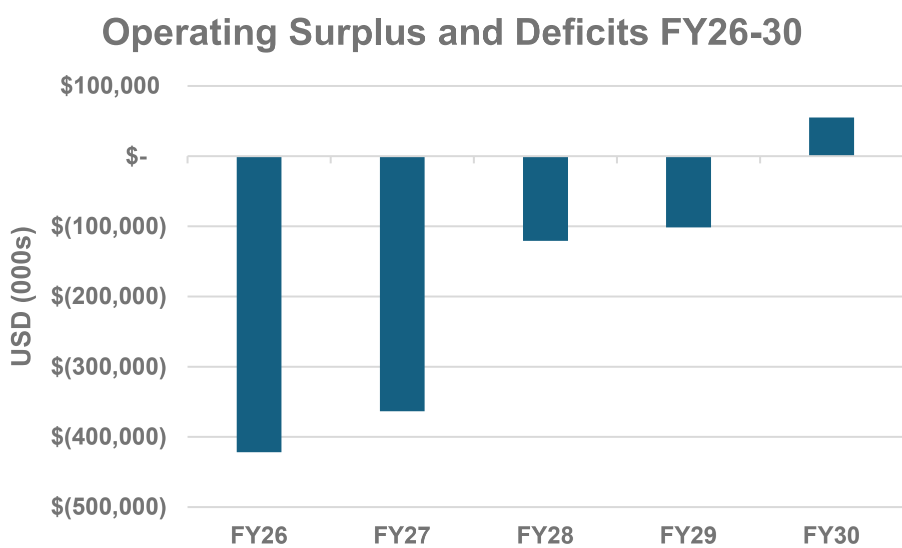
Projected Obligations by Class ($000s)

	FY26	FY27	FY28	FY29	FY30
100: Wages and Benefits	$4,090,290	$4,140,726	$4,196,351	$4,319,736	$4,196,920
200: Purchase of Services	$1,575,613	$1,530,656	$1,546,857	$1,544,171	$1,599,065
300/400: Materials, Supplies, & Equipment	$166,462	$147,453	$140,142	$140,188	$161,197
500: Contributions & Indemnities	$434,470	$417,094	$417,094	$417,094	$417,094
700: Debt Service	$231,495	$278,252	$279,346	$268,329	$282,430
800: Payments to Other Funds	$85,807	$88,311	$82,960	$83,152	$86,757
900: Advances & Miscellaneous	$101,577	$104,577	$104,577	$106,577	$131,412
Budget Stabilization Reserve	$58,860	$59,766	-	-	-
TOTAL SPENDING	**$6,744,574**	**$6,766,835**	**$6,767,327**	**$6,879,247**	**$6,874,875**

From FY26-30, total City expenditures are expected to increase by 1.9 percent, growing from $6.7 billion in FY26 to $6.9 billion in FY30. Class 100, which is comprised of employee wages and benefits, is the largest category. It's projected to increase by $107 million over this period, going from $4.1 billion (60.6% of expenditures) in FY26 to $4.2 billion (61.0% of expenditures in FY30). To prepare for new labor contract agreements and arbitration awards, the City sets aside funds in the Labor Reserve. The proposed Five-Year Plan dedicates $101 million in FY26 and a total of $549 million over the course of the Plan.

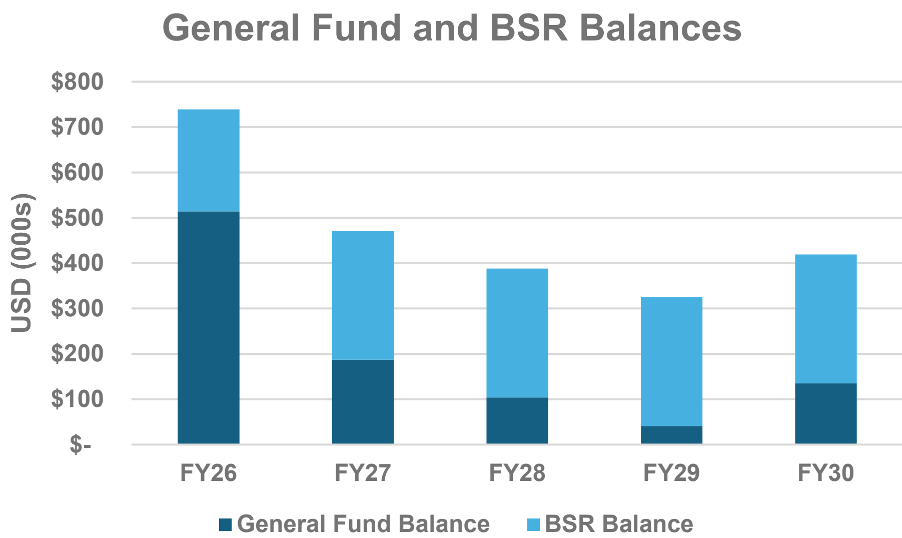
Operating Surpluses/Deficits

The proposed FY26-30 Five-Year Plan projects operating deficits, in which City spending will outpace revenues, in FY26 through FY29. The proposed Plan includes a projected operating surplus of $55 million in FY30. The largest operating deficits of $421 million and $363 million are expected in FY26 and FY27 respectively. Projected expenditures that contribute to these deficits include the City's contributions to its reserves. Having operating deficits while maintaining a balanced budget is possible by drawing down the City's General Fund balance.



Reserves

In addition to the General Fund balance, the City has set aside additional money to be tapped in case of emergency in the Budget Stabilization Reserve. Together these reflect the resources the City expects to have to navigate the unexpected.



Budget Stabilization Reserve

The Budget Stabilization Reserve (BSR) is the City's rainy-day fund for unanticipated fiscal challenges that may arise, like lower-than-expected revenues. The City follows a formula in the City Charter to determine how much is deposited into the BSR each fiscal year. The proposed Five-Year Plan includes new deposits totaling $58 million in FY26 and $59 million in FY27, with an estimated BSR balance of $284 million at the end of FY30, assuming no withdrawals are necessary.

Together with the General Fund balance, the City's reserves will amount to $739 million or 11.7 percent of revenues in FY26. Over the Plan period, this total is expected to drop to a low of $325 million, or 4.8 percent of revenues, in FY29. The projected operating surplus in FY30 is anticipated to raise total reserves to $419 million, equivalent to 6 percent of revenues. This is higher than the combined General Fund balance and BSR balance included in the approved FY25-29 Five-Year Plan, which totaled $280 million (4.3 percent of revenues).

Federal Funding Reserve

The proposed FY26-30 Five-Year Plan shows a Federal Funding Reserve of $95 million allocated in FY25. This set aside is intended to help the City adapt to any changes to fiscal or economic policy at the federal level. If those funds are not needed in FY25, they may be reallocated to the fund balance.

Capital Program

The City projects authorization of $337 million in new General Obligation (GO) borrowing in FY26. This is an increase from the FY25 authorization, which reached a historic high of $328 million. This is only the third time the City has authorized borrowing of more than $250 million of GO debt in a single fiscal year, and the first time two authorizations of this magnitude have occurred in back-to-back years. Total authorized new GO borrowing over the FY26-31 Capital Program is projected to be $1.5 billion, 8.2 percent of the total $17.8 billion invested throughout the six-year program. State, federal, self-sustaining, and previously authorized GO borrowings are some of the other sources. Funds throughout the Program will support projects including upgraded curbs and sidewalks, installation of ADA ramps, support for the Riverview Wellness Village, an upgraded foundational IT system, maintenance at prison facilities, and Fire Academy renovations.

Capital Funding Sources	**Amount FY26-31**
New GO Borrowing (CN)	$1.5B
All Other Capital Funds	$16.3B
TOTAL INVESTMENT	**$17.8B**