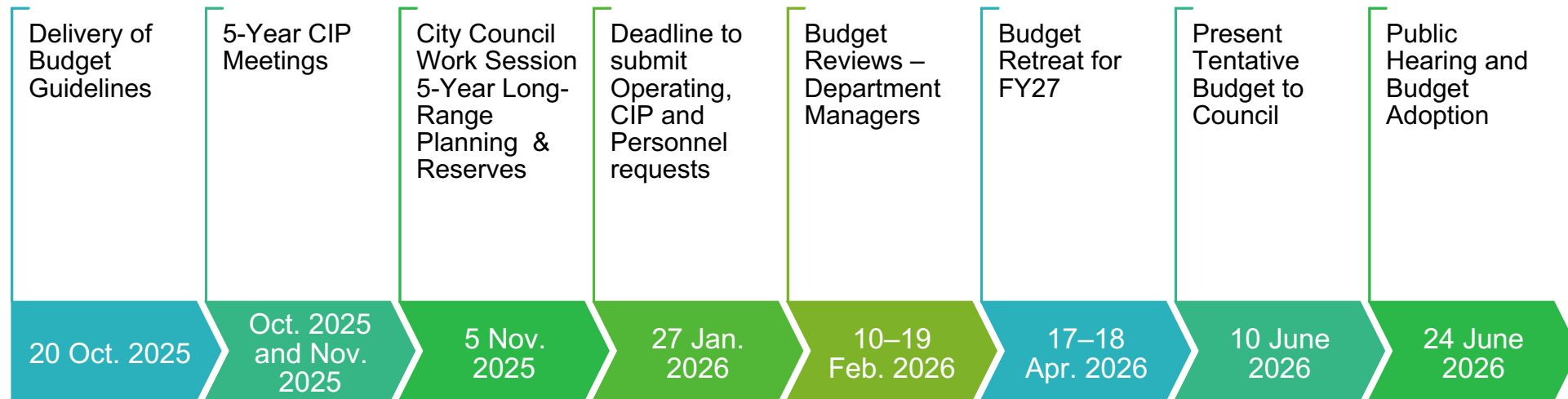


Budget Retreat April 17th & 18th, 2026

Finance Overview

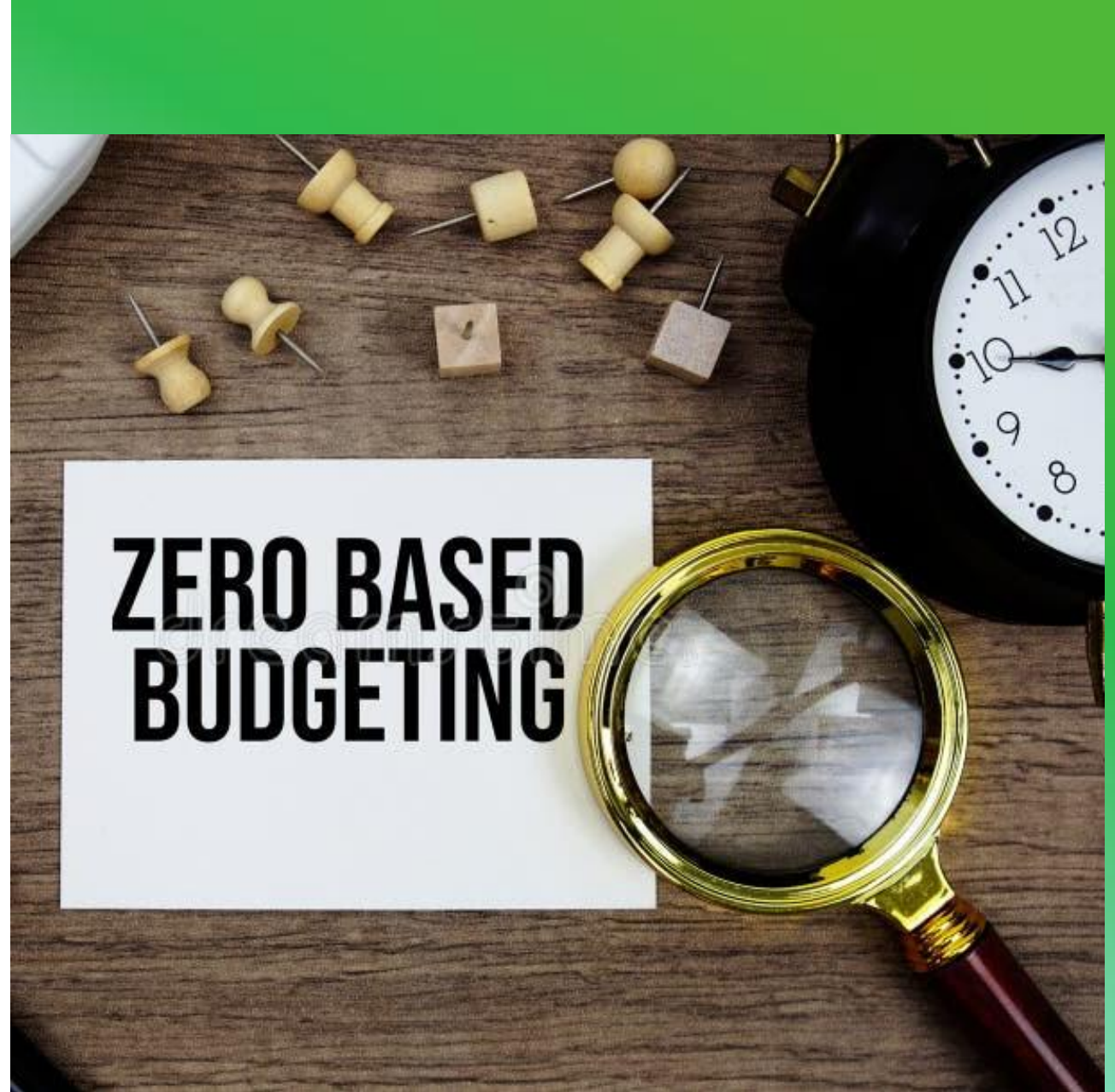


Budget Timeline



Budget Approach (Zero-Based Budgeting)

- + Starting from a zero base
- + Enhance review of departmental budgets
- + Every expense must be evaluated and justified at a detailed level
- + Focus on alignment with City priorities
- + Increased accountability and transparency





FY 2027 BUDGET PRIORITIES

- + Maintain current service levels for residents
- + Recruit and retain employees to fill vacancies
- + Expand road infrastructure to support City growth
- + Expand water and wastewater infrastructure
- + Invest in parks and public safety
- + Foster economic development, create jobs, and enhance quality of life

BUDGET RETREAT - KEY DISCUSSION TOPICS

Present highlights of the proposed FY2027 budget

Provide an overview of budgeted and actual revenues and expenditures

Review the economic and revenue outlook

Present the City Sales Tax analysis

Discuss the General Fund five-year financial plan

Department heads will provide an overview of their departments and FY2027 capital projects

Obtain Council input and reset priorities, if needed

Plan for future financial stability

ECONOMIC AND REVENUE OUTLOOK

Strategic border location supports trade and retail activity

Sales tax remains the City's largest General Fund revenue source

Residential growth continues, with new subdivisions under construction

Major medical and commercial projects are expanding the local tax base

Port of Entry improvements are expected to enhance cross-border commerce

Key risks include sales tax volatility, inflation, border policy changes and potential future reductions in State-shared revenues (URS) due to tax policy changes

State Revenue Risk: Potential Impact to URS

- + State discussions on federal tax conformity may reduce URS distributions
- + JLBC estimated statewide impacts:
 - Near Full Conformity: ~\$438M → ~\$511K estimated impact to the City
 - Partial Conformity: ~\$211M → ~\$246K estimated impact to the City

Timing

- FY2027 URS based on FY2025 collections → **No significant impact expected**
- **Impacts begin in FY2028** and phase in overtime

Considerations

- Estimates are **preliminary (pro forma)**
- Full impact may extend through **FY2030**
- Subject to legislative decisions and revenue performance

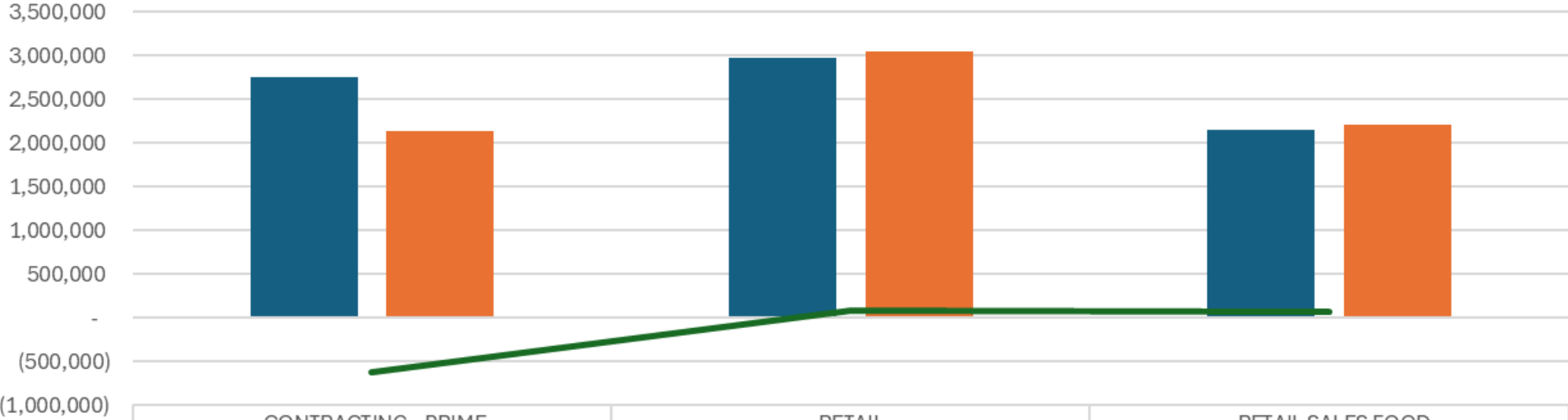
City Sales Tax Comparison – July to January (FY2025 vs. FY2026)

1,900,000
 1,800,000
 1,700,000
 1,600,000
 1,500,000
 1,400,000
 1,300,000
 1,200,000

	Jul	Aug	Sep	Oct	Nov	Dec	Jan
FY 2025	1,399,805	1,469,453	1,413,443	1,605,703	1,509,326	1,829,431	1,541,230
FY 2026	1,525,002	1,498,299	1,447,987	1,364,762	1,514,881	1,696,176	1,308,413
Variance	125,198	28,846	34,544	(240,941)	5,555	(133,255)	(232,817)

— FY 2025 — FY 2026 — Variance

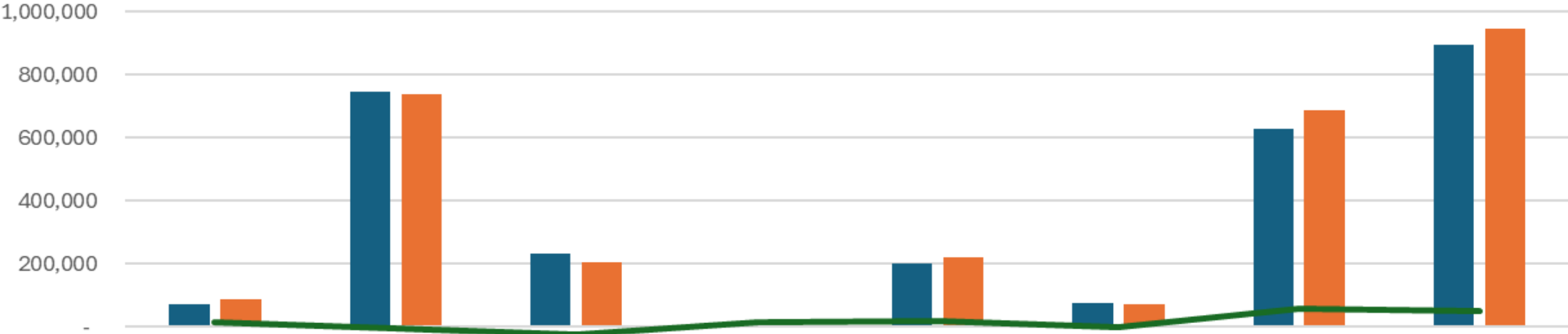
City Sales Tax by Category – FY2025 vs. FY2026 (July–January)



	CONTRACTING - PRIME	RETAIL	RETAIL SALES FOOD
FY 2025	2,754,932	2,970,147	2,150,555
FY 2026	2,129,084	3,052,996	2,211,461
Variance FY2026 - 2025	(625,849)	82,849	60,906

■ FY 2025
 ■ FY 2026
 — Variance FY2026 - 2025

City Sales Tax by Category – FY2025 vs. FY2026 (July–January)



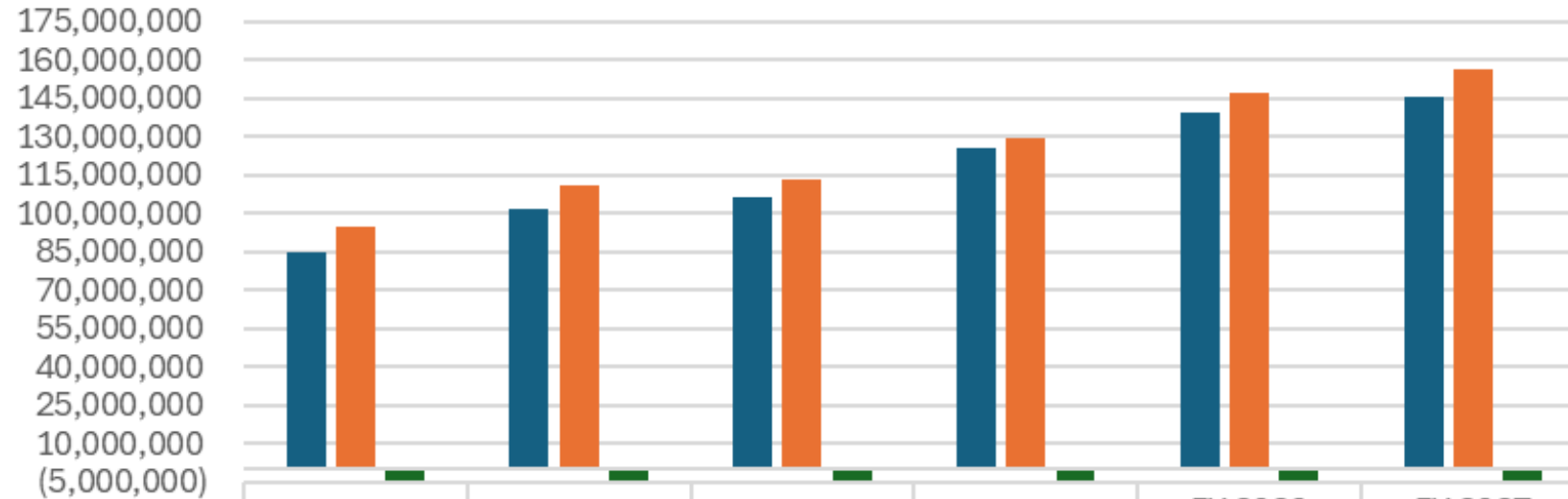
	COMMUNICATIONS	RESTAURANTS AND BARS	USE TAX	LICENSE FEES	COMMERCIAL RENTAL	LEASING AND LICENSING FOR USE OF TPP	REMOTE RETAIL SALES	Other
FY 2025	70,641	744,870	231,137	1,050	201,738	73,694	626,609	895,954
FY 2026	85,390	738,504	203,678	15,856	219,613	70,281	684,845	943,813
Variance FY2026 - 2025	14,749	(6,366)	(27,459)	14,805	17,875	(3,413)	58,236	47,858

■ FY 2025 ■ FY 2026 — Variance FY2026 - 2025

FINANCIAL HISTORICAL DATA



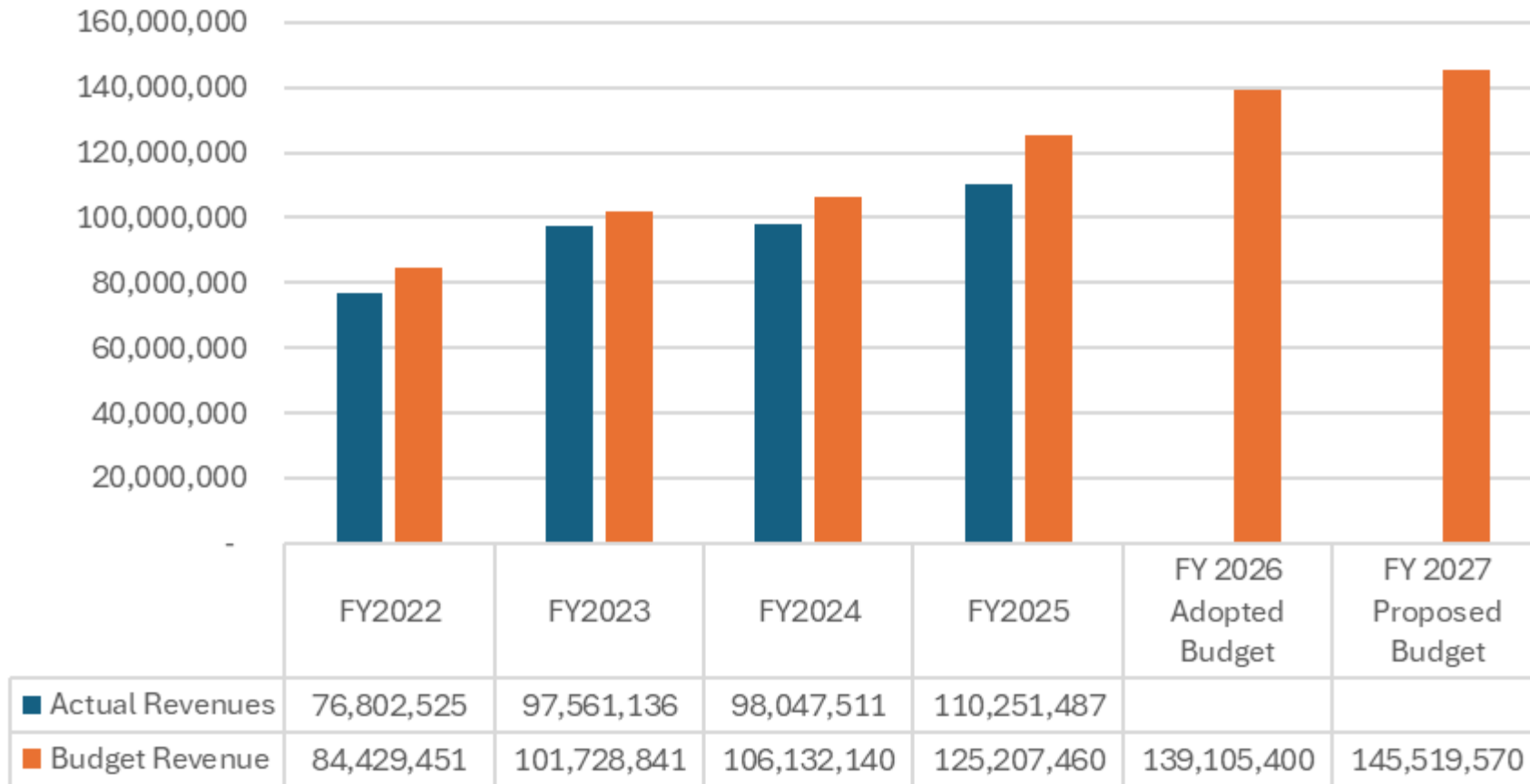
Citywide Five-year Budget Trend (FY2022-FY2027)



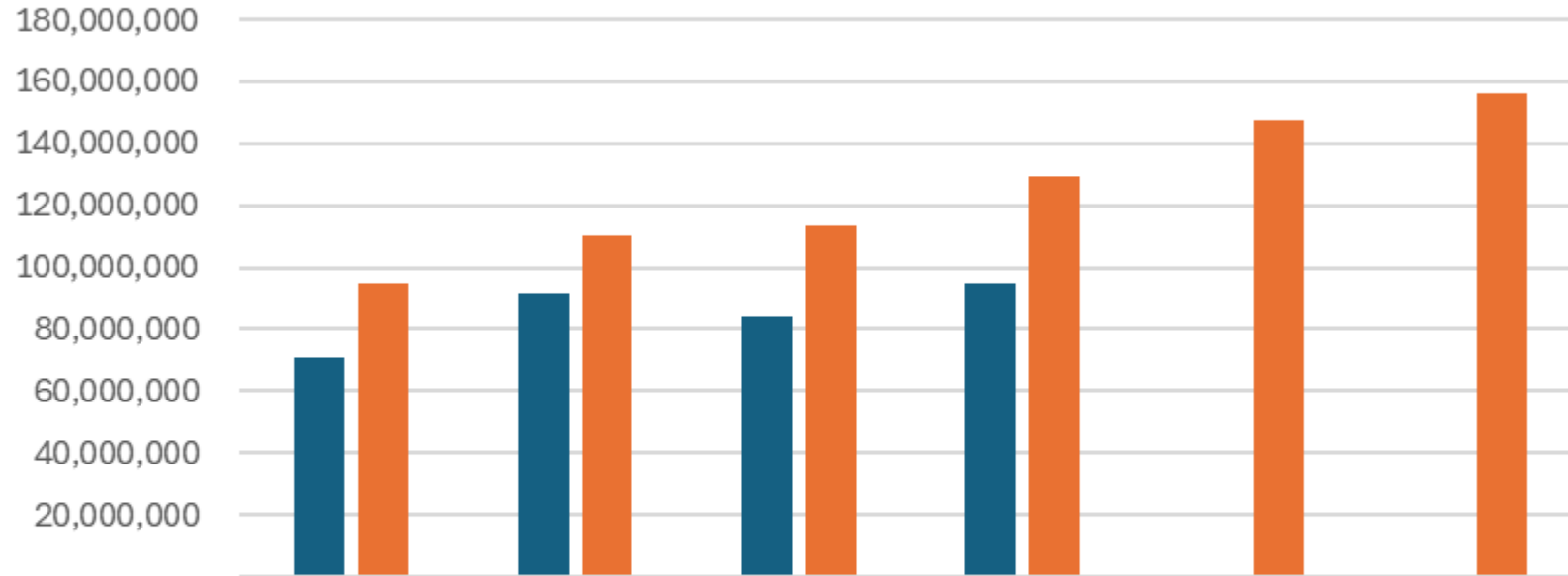
	FY2022	FY2023	FY2024	FY2025	FY 2026 Adopted Budget	FY 2027 Proposed Budget
■ Budget Revenue	84,429,451	101,728,841	106,132,140	125,207,460	139,105,400	145,519,570
■ Budget Expenses	94,858,387	110,610,192	113,228,736	129,490,760	147,313,310	156,177,478
■ Budget Balance	(10,428,936)	(8,881,351)	(7,096,596)	(4,283,300)	(8,207,910)	(10,657,908)

■ Budget Revenue ■ Budget Expenses ■ Budget Balance

Citywide Revenue: Actual vs. Budget

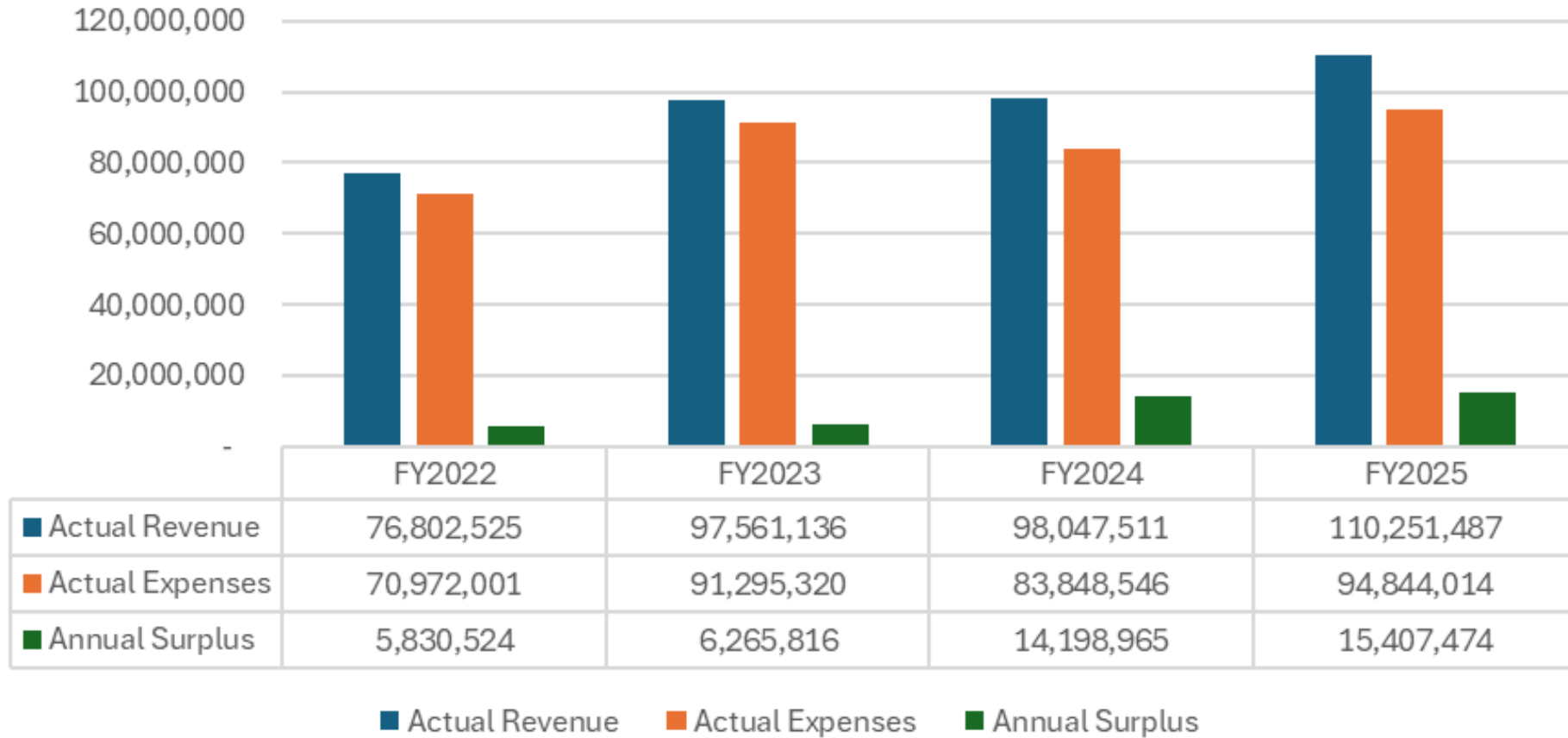


Citywide Historical Expenditures: Actual vs. Budget



	FY2022	FY2023	FY2024	FY2025	FY 2026 Adopted Budget	FY 2027 Proposed Budget
■ Actual Expenses	70,972,001	91,295,320	83,848,546	94,844,014		
■ Budget Expenses	94,858,387	110,610,192	113,228,736	129,490,760	147,313,310	156,177,478

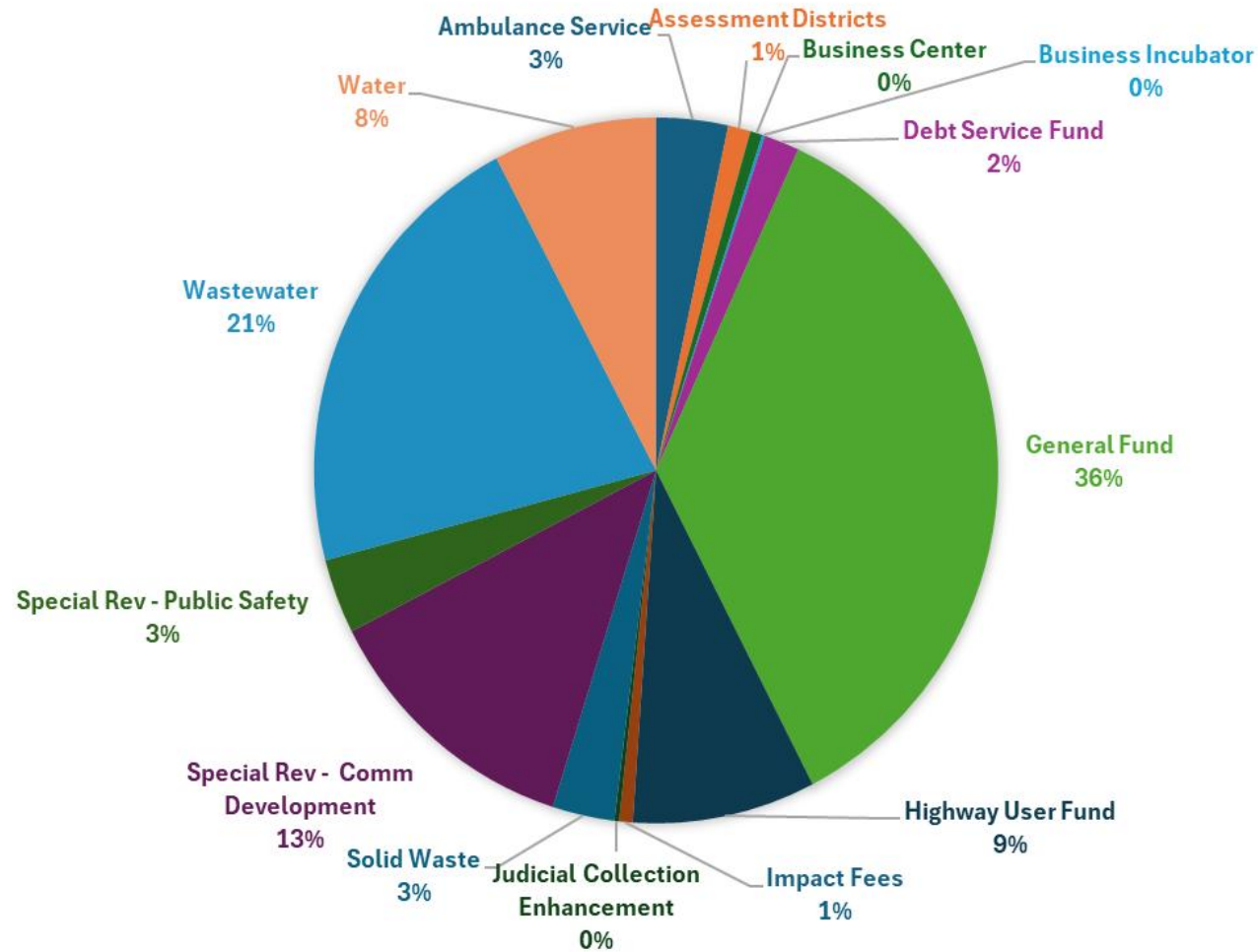
Citywide Four-year Actual Financial Performance (FY2022- FY2025)



FY2027 PROPOSED BUDGET BY FUND

FUND	Revenues	Expenses	Budget Balance
Ambulance Service	3,575,000	4,491,393	(916,393)
Assessment Districts	1,121,070	1,121,070	-
Business Center	610,000	1,192,830	(582,830)
Business Incubator	131,000	157,540	(26,540)
Debt Service Fund	1,759,000	1,759,000	-
Employee Benefit Trust	5,114,300	5,114,300	-
General Fund	37,526,080	46,415,005	(8,888,925)
Highway User Fund	9,126,920	8,386,250	740,670
Impact Fees	670,000	271,000	399,000
Judicial Collection Enhancement	230,360	230,360	-
SL Community Facilities District	2,500		2,500
SLDF-Detention Facility Corp	35,000,000	35,000,000	-
Solid Waste	3,098,830	2,485,350	613,480
Special Rev - Comm Development	13,264,540	13,264,540	-
Special Rev - Public Safety	3,617,770	3,617,770	-
Wastewater	22,523,680	22,304,250	219,430
Water	8,148,520	10,366,820	(2,218,300)
Grand Total	\$ 145,519,570	\$ 156,177,478	\$ (10,657,908)

CITYWIDE REVENUES PROPOSED FY2027

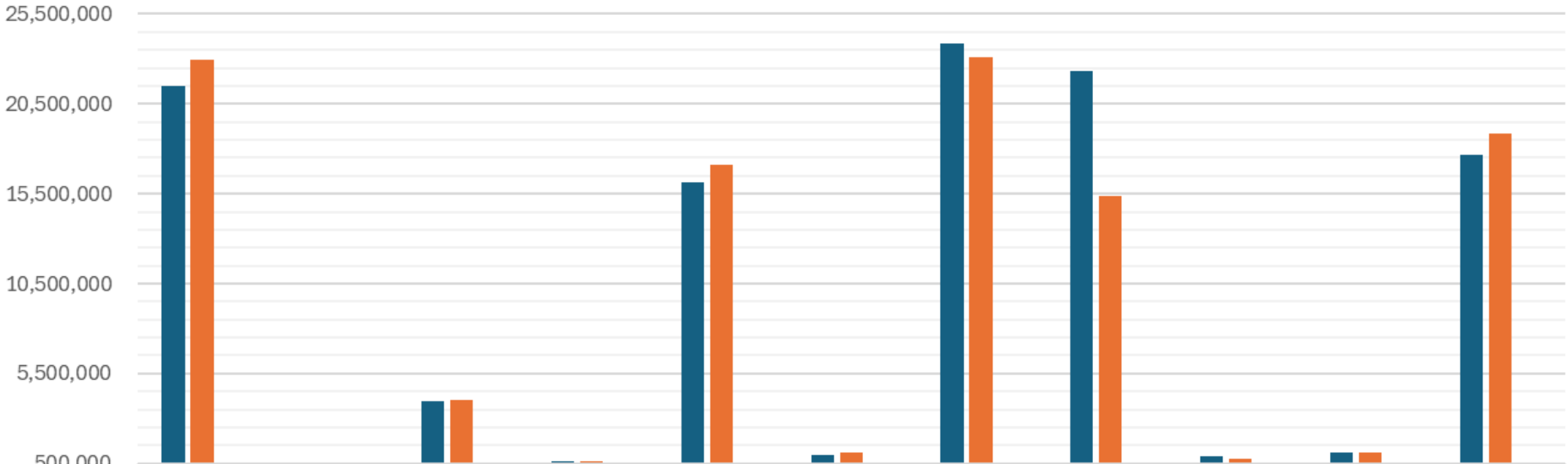


- Funds not included in this chart:
- Detention Center: \$35M
 - Employee Benefit Trust: \$5.1M

Citywide Revenues by Category Comparison FY2026 Adopted vs. FY2027 Proposed

Funds not included:

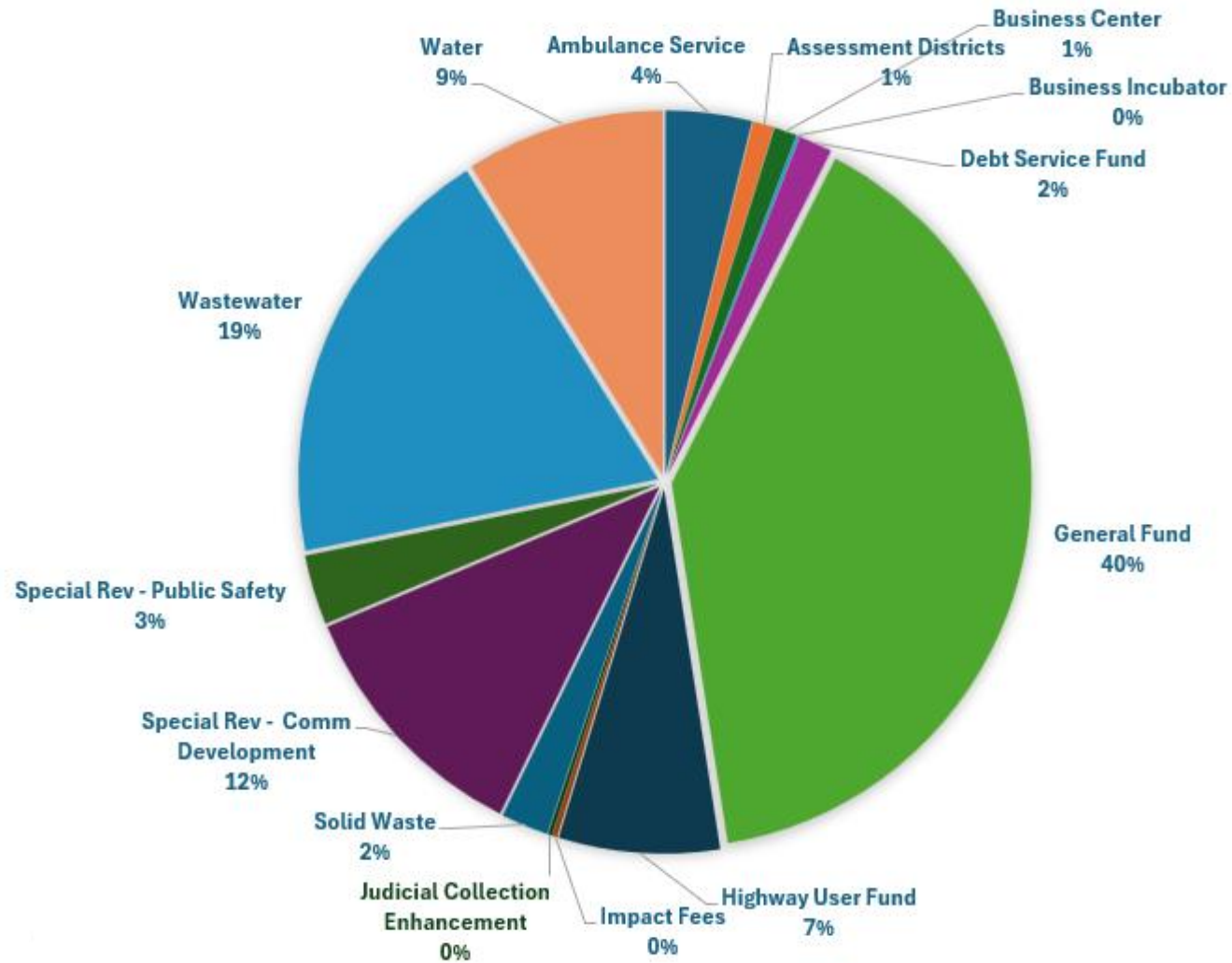
- Detention Center
- Trust Fund



	Charges For Services	Fines & Forfeits	HURF - Special Revenues	Interest Revenue	Intergovernmental	Licenses & Permits	Other Financing Sources	Other Revenue	Rent	Special Assessments	Taxes
■ 2026 Adopted Budget	21,502,80	362,000	3,993,520	598,200	16,136,49	981,760	23,834,81	22,302,43	874,800	1,121,070	17,643,48
■ 2027 Proposed Budget	22,942,11	389,000	4,044,190	654,000	17,117,41	1,122,300	23,059,93	15,401,39	729,500	1,121,070	18,824,37
■ Variance Budget FY26 vs Budget FY27	7%	7%	1%	9%	6%	14%	-3%	-31%	-17%	0%	7%

■ 2026 Adopted Budget ■ 2027 Proposed Budget ■ Variance Budget FY26 vs Budget FY27

CITY WIDE EXPENSES PROPOSED FY2027

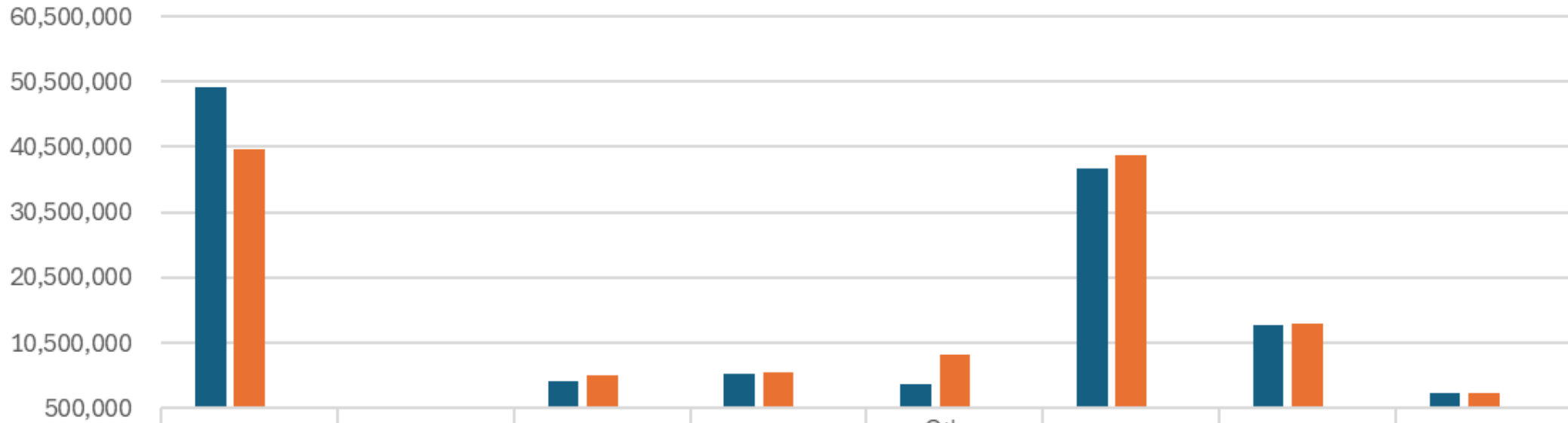


- Funds not included in this chart:
- Detention Center: \$35M
 - Employee Benefit Trust: \$5.1M

Citywide Expenditures by Category Comparison FY2026 Adopted vs. FY2027 Proposed

Funds not included:

- Detention Center
- Trust Fund



■ 2026 Adopted Budget	49,620,430	275,900	4,655,300	5,686,880	4,134,810	37,153,390	13,292,490	2,740,070
■ 2027 Proposed Budget	40,119,250	300,000	5,459,500	6,073,190	8,659,930	39,350,080	13,391,543	2,709,685
■ Variance Budget FY26 vs Budget FY27	-19%	9%	17%	7%	109%	6%	1%	-1%

■ 2026 Adopted Budget ■ 2027 Proposed Budget ■ Variance Budget FY26 vs Budget FY27

Categories	Sum of 2027 Proposed Continuation Budget
Expenses	156,177,478
Capital Items	40,119,250
Contingencies	300,000
Long Term Debt Service	14,819,500
Maintenance	6,073,190
Other Financing Sources - Uses	8,659,930
Salaries & Related Expenses	39,350,080
Special Services	44,145,843
Supplies	2,709,685
Grand Total	\$ 156,177,478

Exclusions	
HURF Revenues	4,044,190
Water Grant	1,277,920
Community Dev Grants	10,501,340
Loan Proceeds West WWTP Expense	14,400,000
Public Safety Grants	3,525,110
Internal Service Fund	5,114,300
Debt Service 804-840	1,755,000
Detention Center	35,000,000
Business Center LTD 802-820	1,060,500
Water, WW & SW, Ambulance LTD	2,644,000
Total Exclusions	79,322,360

Total Expenses	156,177,478
Total Exclusions	79,322,360

Total Expenses subject to Expenditure Limitation Amount	\$ 76,855,118
--	----------------------

Amount Subject to Expenditure Limitatio **68,711,500**

Over Budget Amount **(8,143,618)**

Home Rule Option

Employee Compensation Adjustments and Salary Implementation

Phase 1 - Salary Structure Implementation FY2025 - January 2025	
Employees adjusted to 97.5% of market	\$850,000
Phase 2 - Market Adjustment to 100% (FY2026) July 2025	\$510,000
Longevity Pay Policy - April 2025	\$130,000
COLA Adjustments - November 2025	\$416,000
Longevity Pay Policy - December 2025	\$94,000
TOTAL	<hr/> \$2,000,000

Salaries Options Proposed FY2027

Option 1		Option 2		
Base Rate Increase % Based on Seniority		Without Public Safety Base Rate Increase % Based on Seniority		Public Safety (PD & Fire) Market Adjustments (MSAs)
Years of Service	% of Increase	Years of Service	% of Increase	
0 - <1	0%	0 - <1	0%	
1 - <5	2%	1 - <5	2%	
5 - <10	3%	5 - <10	3%	
10 - <15	4%	10 - <15	4%	
15 - <20	5%	15 - <20	5%	
20+	6%	20+	6%	
	\$569,920.02		\$393,958.26	\$674,889.01
	\$666,806.42		\$460,931.16	\$789,620.14
Total:	\$666,806.42	Total:	\$1,250,551.31	



City of San Luis
Salary Schedule FY2027

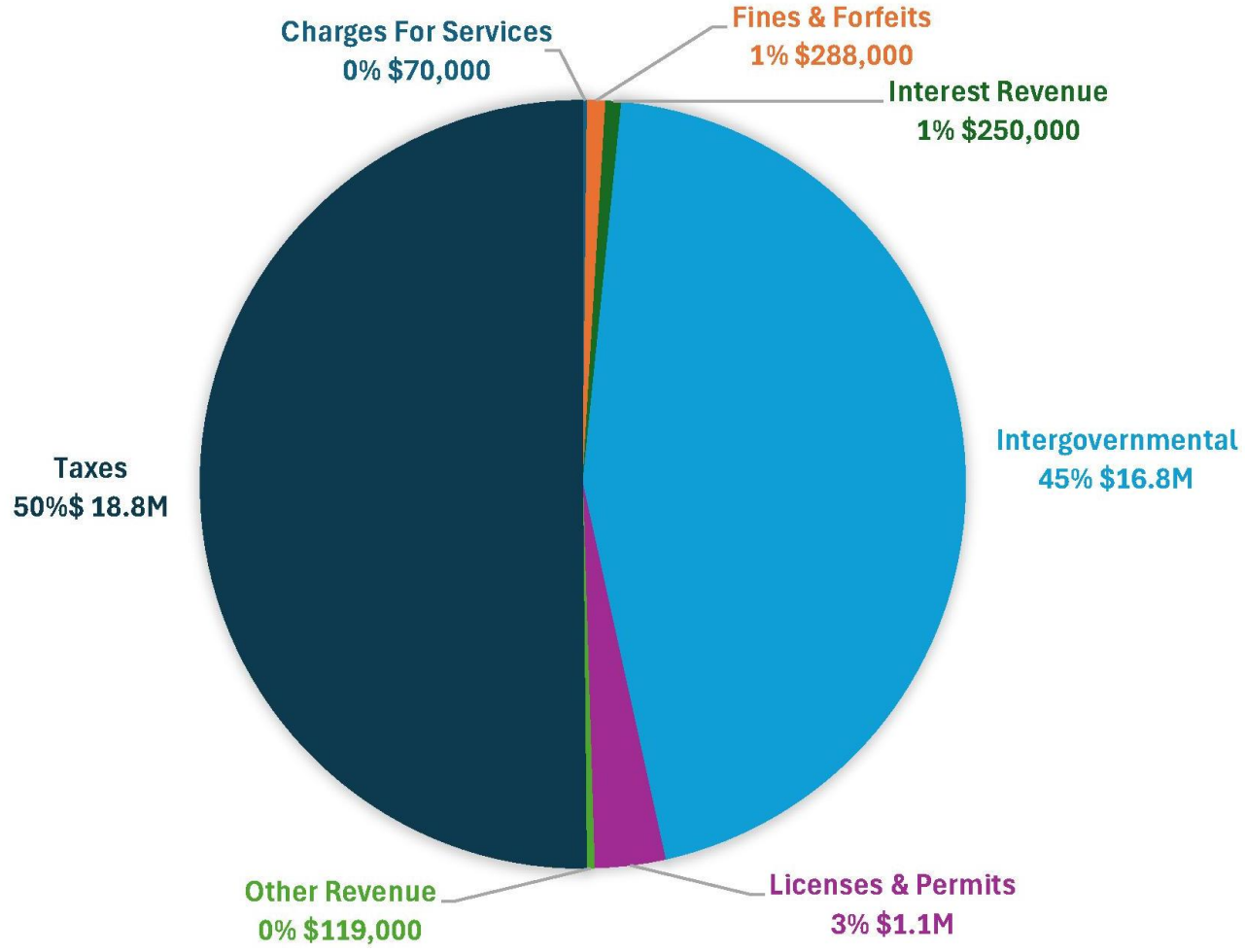
NEW POSITIONS REQUEST FY2027						
DEPARTMENT	JOB POSITION	Pay Grade	HOURLY RATE	CURRENT SALARY	Department Request	Proposed
City Administration	Social Media Specialist	26	26.60	55,328	76,632	-
City Attorney	Assistant City Attorney	54	53.11	110,469	159,312	159,312
City Clerk	Deputy City Clerk	34	32.41	67,413	107,080	-
City Prosecutor	Assistant City Prosecutor	12	53.11	110,469	159,312	-
Development Services	Code Enforcement Officer	19	22.38	46,550	66,682	-
	Assistant Planner	30	29.37	61,090	99,406	-
	GIS Technician	15	21.04	43,763	62,597	62,597
Building Safety	Building Inspector II	24	25.32	52,666	74,196	-
Youth Center	Recreation Assistant PT	4	16.03	16,671	18,275	-
Court	Chief Court Clerk	22	24.10	50,128	70,311	-
Fire	Fire Training Officer	37	26.34	82,392	130,433	-
	Fire fighter	23	18.64	58,306	83,908	-
	Fire fighter	23	18.64	58,306	83,908	-
	Fire fighter	23	18.64	58,306	83,908	-
IT	Business Applications Specialist	30	29.37	61,090	84,547	-
	Network Administrator	35	33.23	69,118	110,193	110,193
Police	Administrative Coordinator	14	20.52	42,682	62,458	-
Facilities	Custodian	4	16.03	33,342	51,077	-
	Building Maintenance	8	17.70	36,816	55,410	55,410
TOTAL GENERAL FUND				1,114,904	1,639,641	387,511
GRAND TOTAL				1,114,904	1,639,641	387,511

SALARY ADJUSTMENTS/RECLASSIFICATIONS FY2027						
DEPARTMENT	Employee	Hourly Rate	Pay Grade	CURRENT SALARY	Department Request	Proposed
Finance/ Billing & Collection	Reclassification From Admin Coordinator to Business License Coordinator	20.52 - 24.10	22	7,446	9,185	9,185
Finance	Reclassification from Purchasing Coordinator to Procurement and Contract Administrator or Manager of Officer	32.50 - 35.78	38	6,822	8,423	-
Development Services	Reclassification of GIS Analyst to GIS Administrator	29.37 - 33.23	35	8,029	9,945	-
Development Services	Reclassification of Code Enforcement to Senior Code Enforcement Officer	24.22 - 25.32	24	2,288	2,891	-
Building Safety	Reclassification Building Inspector II to Plans Examiner/Building Inspector II	25.40 - 26.6	26	4,576	5,683	-
Parks Ground	Stand-By (\$2.00/hour and On-Call Pay)			15,000	17,008	-
Court	Court Administrator Pay Grade Increase	34.06 - 37.59	40	7,342	8,945	-
Court	Chief Court Clerk Pay Grade Increase	21.84 - 24.10	22	4,701	5,763	-
Police	Transit Enforcement Officer Pay Grade Increase (5)	19.53 - 21.53	16	20,800	25,262	-
Police	Animal Control Officer Pay Grade Increase (2)	21.56 - 22.94	20	5,741	7,017	-
Police	Accreditation & Compliance Coordinator Pay Increase	1.00		2,080	2,598	-
Facilities	Reclassification from Facilities Supervisor to Facilities Manager	30.90 - 32.41	34	3,141	3,892	-
	Total General Fund			87,966	106,612	9,185
GRAND TOTAL	CITY WIDE			87,966	106,612	9,185

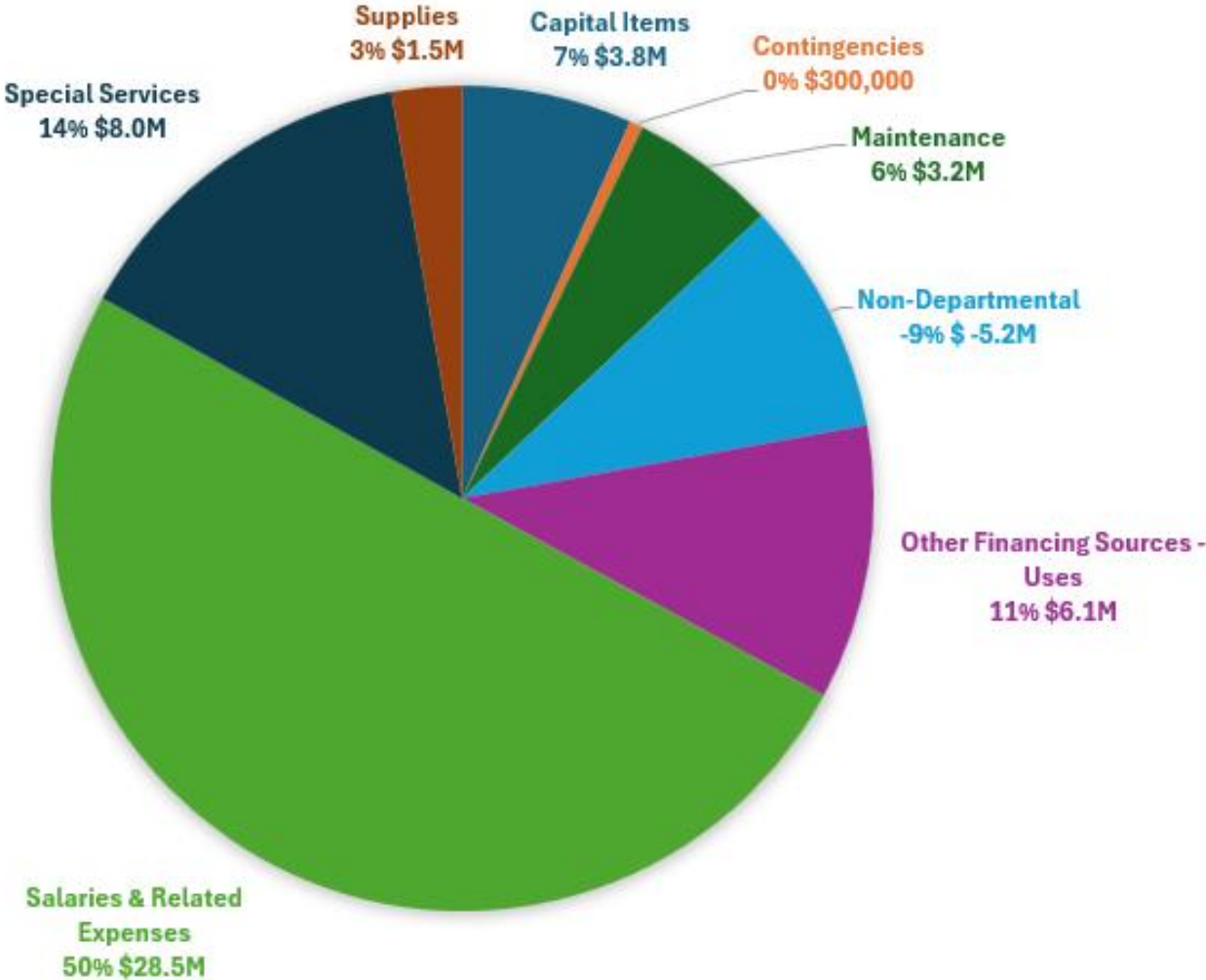


Budget FY 2027 General Fund Overview

GENERAL FUND REVENUES

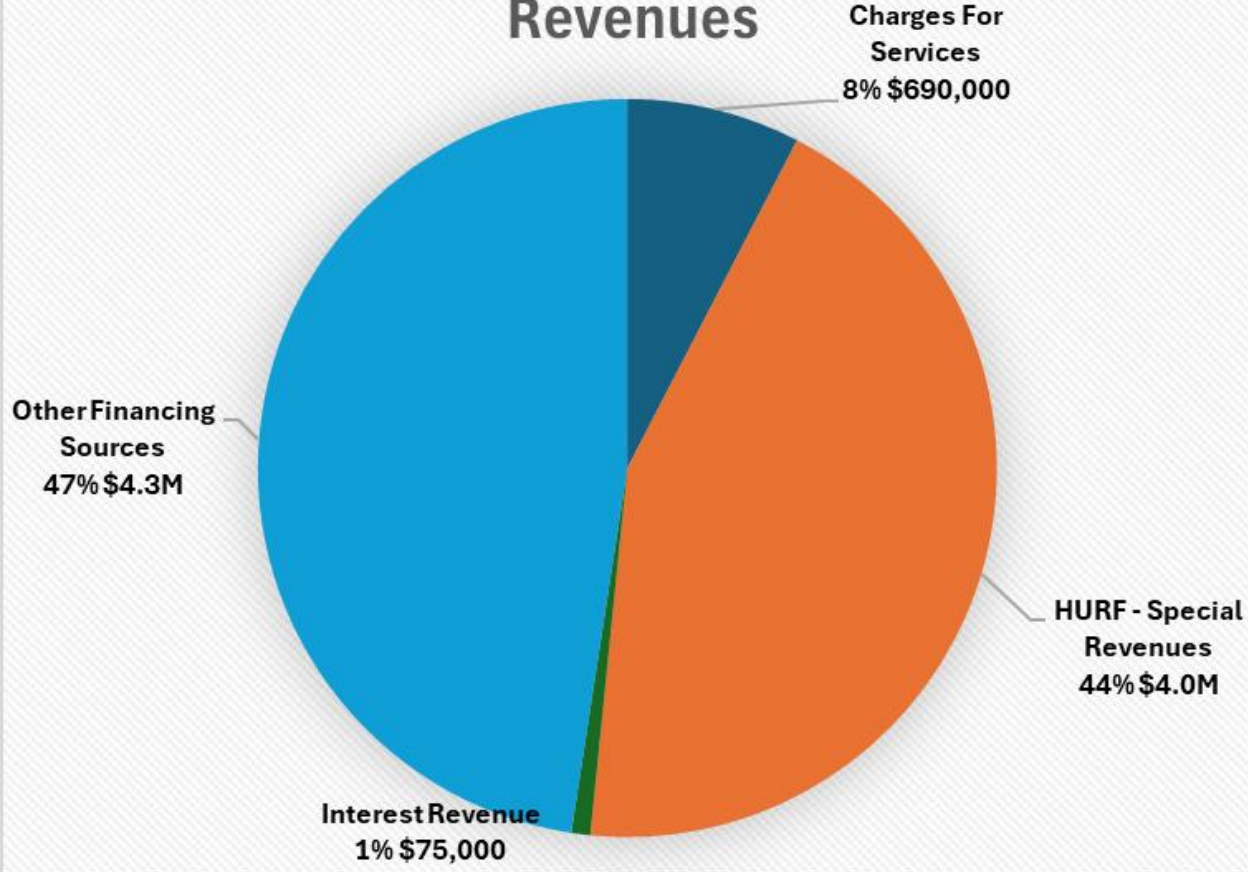


GENERAL FUND EXPENDITURES

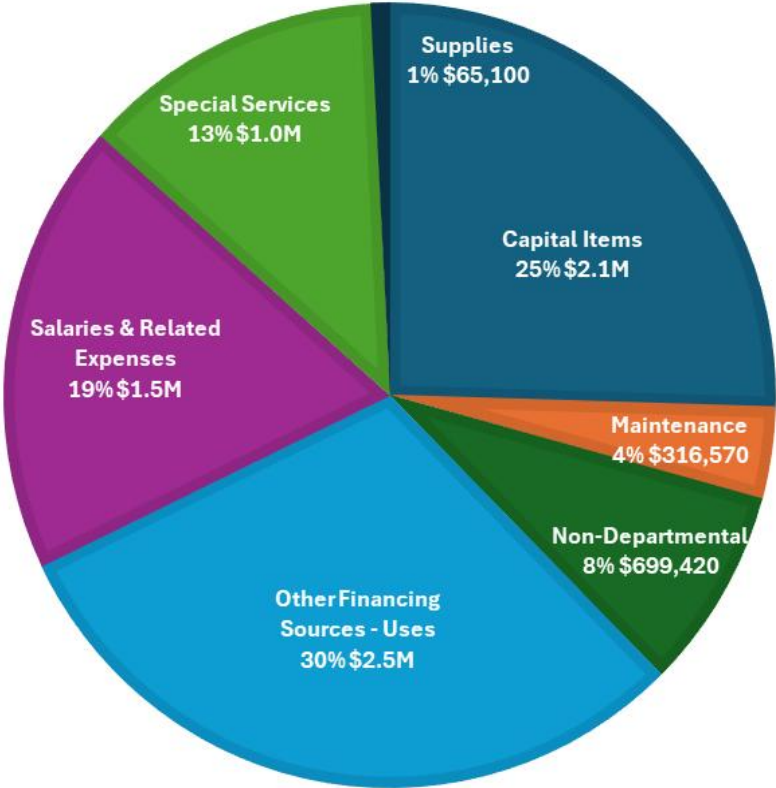


Budget FY2027 Highway User Overview

Revenues



EXPENDITURES



General Fund Long-range Financial Plan Five-year



Based on the long-range financial plan, projections indicate that in FY2028–2029, the City may not be able to maintain the six-month operating reserve required by its financial policy.

Other financing sources and uses include:

- Highway User Revenue Fund (HURF)
- Debt Service, including Business Center debt

Projections do not include potential URS revenue reductions approximately \$250,000 to \$500,000 annually beginning in FY2028 due to State tax conformity discussions.

	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
General Fund					
Revenues					
Charges For Services	\$ 70,000	\$ 71,400	\$ 72,828	\$ 74,285	\$ 75,770
Fines & Forfeits	288,000	293,760	299,635	305,628	311,740
Interest Revenue	250,000	255,000	260,100	265,302	270,608
Intergovernmental	16,852,410	17,189,458	17,533,247	17,883,912	18,241,591
Licenses & Permits	1,122,300	1,144,746	1,167,641	1,190,994	1,214,814
Other Revenue	119,000	120,190	121,392	122,606	123,832
Taxes	18,824,370	19,389,101	19,970,774	20,569,897	21,186,994
Total Revenues	\$ 37,526,080	\$ 38,463,655	\$ 39,425,618	\$ 40,412,624	\$ 41,425,349
		2.5%	2.5%	2.5%	2.5%
Expenditures					
Contingencies	300,000	300,000	300,000	300,000	300,000
Maintenance	3,276,470	3,374,764	3,476,007	3,580,287	3,687,696
Non-Departmental	(5,213,730)	(5,318,005)	(5,424,365)	(5,532,852)	(5,643,509)
Other Financing Sources - Uses	6,122,330	7,321,886	8,533,576	4,491,481	4,540,135
Salaries & Related Expenses	28,497,710	29,067,664	29,649,017	30,241,998	30,846,838
Special Services	8,054,723	8,215,817	8,380,134	8,547,736	8,718,691
Supplies	1,571,872	1,603,309	1,635,376	1,668,083	1,701,445
Total Expenditures	\$ 42,609,375	\$ 44,565,437	\$ 46,549,745	\$ 43,296,734	\$ 44,151,296
		5%	4%	-7%	2%
Operation Result	\$ (5,083,295)	\$ (6,101,782)	\$ (7,124,128)	\$ (2,884,110)	\$ (2,725,947)
Capital Items	\$ 3,805,630	\$ 7,007,960	\$ 9,267,660	\$ 4,670,240	\$ 2,614,300
Net Result	\$ (8,888,925)	\$ (13,109,742)	\$ (16,391,788)	\$ (7,554,350)	\$ (5,340,247)
Beginning Fund Balance	\$ 45,047,031	\$ 36,158,106	\$ 23,048,364	\$ 6,656,577	\$ (897,774)
Ending Fund Balance	\$ 36,158,106	\$ 23,048,364	\$ 6,656,577	\$ (897,774)	\$ (6,238,021)
Operational Reserves	\$ 21,304,688	\$ 22,282,718	\$ 23,274,873	\$ 21,648,367	\$ 22,075,648
Ending Fund balance net of reserves	14,853,419	765,646	-16,618,296	-22,546,141	-28,313,668

PLANNING FOR THE FUTURE



Best Practices for fiscal sustainability planning



CONDUCTING A
COMPREHENSIVE
LONG-RANGE FISCAL
ANALYSIS



ESTABLISHING CLEAR
FINANCIAL GOALS



PRIORITIZING
SPENDING



IDENTIFYING
REVENUE
(RESOURCE)
OPPORTUNITY

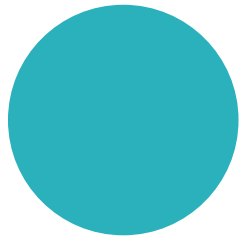


ENGAGING
STAKEHOLDERS

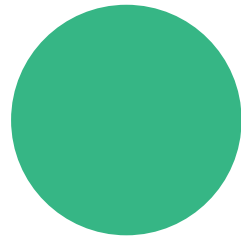


DEVELOPING AN
EXECUTABLE ACTION
PLAN

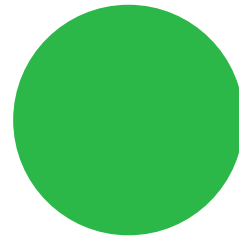
Points for Consideration



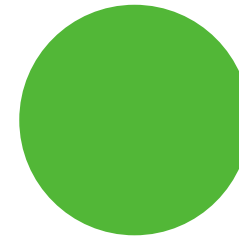
WHAT REVENUE STRATEGIES SHOULD BE CONSIDERED?



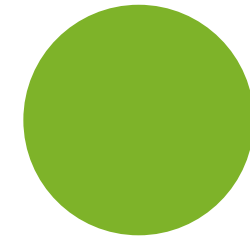
WHAT SHOULD THE CITY'S RESERVE TARGETS BE, PARTICULARLY FOR ONE-TIME LARGE EXPENDITURES?




HOW SHOULD THE CITY PRIORITIZE CAPITAL INVESTMENTS TO SUPPORT GROWTH AND DEVELOPMENT?



HOW CAN THE CITY CONTINUE TO RETAIN PERSONNEL, INCLUDING SALARY ADJUSTMENTS?



HOW CAN THE CITY MAINTAIN A STRONG FINANCIAL FOUNDATION TO SUPPORT SERVICE LEVELS AND QUALITY OF LIFE?



Together, we can
achieve our goals.

Thank you!