STAFF REPORT

Meeting Type:	City Council
Meeting Date:	August 17, 2026
From:	Tyler Deems, City Manager
Subject:	Financial Forecast – General Fund

DECISION TO BE MADE:

None.

APPLICABLE COUNCIL GOAL:

None.

BACKGROUND / CONTEXT:

The General Fund is the City's largest fund, in terms of both dollar amount and number of programs offered. The City of Sandy has historically conducted rate analysis and modeling for the various utility funds (Water, Wastewater, and SandyNet) to ensure that adequate revenue is being collected to provide services. Unfortunately, the City has not historically done that same level of analysis on the General Fund. While staff have mentioned during recent budget processes that things will likely get tight in future budget cycles due a variety of reasons, a formal financial forecast had not yet been delivered to Council to display what this actually looks like.

The purpose of this report is to convey that the City needs to begin to either seriously consider alternative revenue sources or strategically reduce services. Future meetings will be needed to have these policy discussions. The discussion surrounding this report should ideally not focus on what revenue streams should be explored or if a particular service should be reduced, but rather focus on absorbing the financial information and asking questions related to City finances or financial trends the City is currently experiencing.

KEY CONSIDERATIONS / ANALYSIS:

Note: the forecast presented in this report is specific to the General Fund. Additionally, this forecast focuses solely on departments that rely on general fund money to operate. Revenue within the General Fund includes property taxes, franchise fees, citations, and charges for services. Charges for services includes a wide range of revenue, from registration fees for recreation programs to permit review fees.

Departments Analyzed

The departments that are included in this analysis are **Mayor & Council, Municipal Court, Police, Recreation, Senior Services, Parks & Trails, Planning, Economic Development, Facilities, and Non-Departmental**.

Departments that are excluded from this forecast include:

- **Indirect Services (Administration, Legal, Finance, Human Resources, and Information Technology)** – These departments are not included in this forecast because they receive funding through transfers from other direct service departments, both within the General Fund and from other funds.
- **Library (Sandy and Hoodland)** – The Sandy Library receives approximately 1.6% of General Fund revenue and does not materially impact the analysis that has been conducted.
- **Building** – The Building Department does not receive any funding from the General Fund. This department is completely self-funded through the collection of building fees.

Revenue Growth

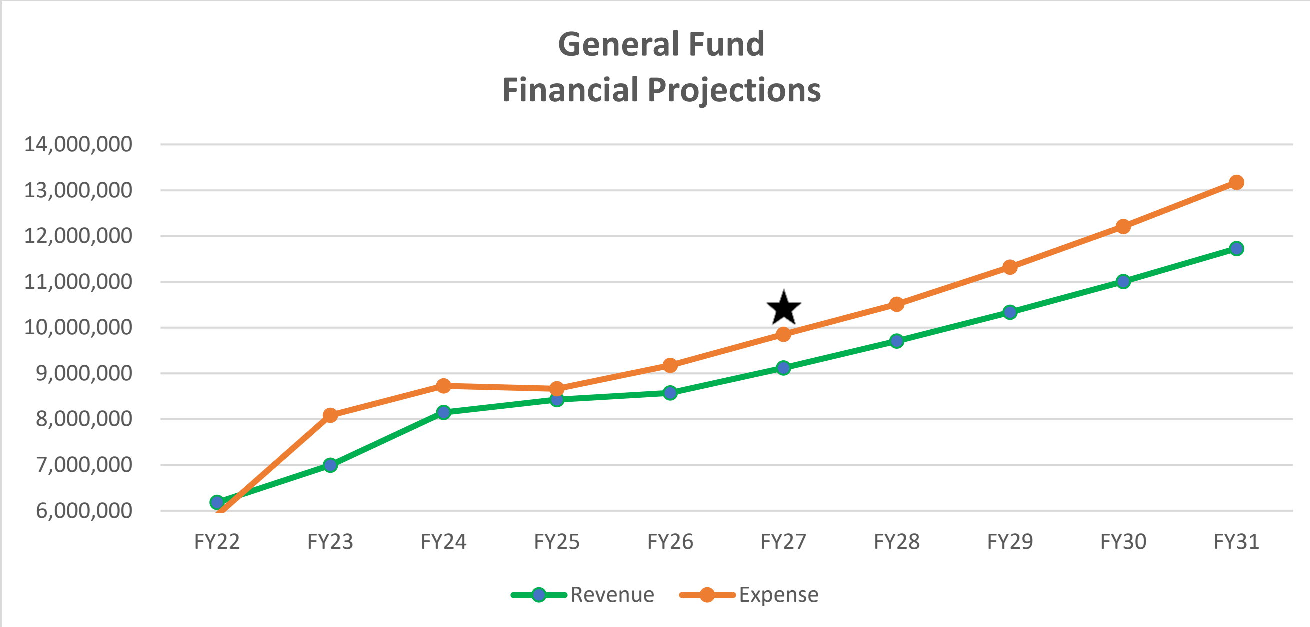
For the next five years, revenues are estimated to grow at a rate of 6% annually. This growth is attributed to the average rate of growth over the last four years and adjusted slightly to remove any large or non-recurring revenue sources. Historically, the City has seen general revenues increase at a faster pace than this (generally between 8 and 10%, but with the reduced volume of development and the related revenue that comes with that (for example, property taxes and planning and permit fees), the estimate for the future is expected to decrease. This could, of course, change as the City completes additional wastewater projects and phases out of the development moratorium.

Expenditure Growth

For the next five years, expenditures are estimated to grow at a rate of 8% annually. This growth is attributed to increases in salaries and benefits, materials and services (for example, insurance, utilities, and contractual services), and transfers to indirect service departments. Transfers to indirect service departments face the same cost driving challenges, such as salaries and benefits and contractual services. One-time capital expenditures have been removed from this analysis as those have typically been funded with grants or other sources of funding that do not require ongoing funding.

Summary of Growth

Based on the trends of the prior four years, the upcoming five-year summary of revenues and expenditures looks like this:



	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	8,977,312	9,552,117	10,167,253	10,825,697
Expenditures	9,666,855	10,316,935	11,116,918	11,990,088
Deficit	(689,543)	(764,819)	(949,665)	(1,164,391)

As you can see above, without significant changes in our current conditions, the City is projected to have expenditures exceed revenues by nearly $1 million in fiscal year 2030. A small deficit can be absorbed by using contingency funds or strategic delays in filling vacant positions, but annual deficits the size of what is shown above are not sustainable.

The Main Message

Expenditures have been outpacing revenues for a few years now. Due to the City's strong beginning balances, departments have been able to continue to operate and provide the same level of service despite this. That same approach is not sustainable as we move into the future, and additional revenue streams will need to be considered in order to provide the same level of service to the community. As the Council moves forward over the next several months with goal setting and budget preparation, it is imperative that the Council remain aware of this financial situation and be mindful that adding new programs or services will come at a cost to others.

BUDGET IMPACT:

None.

RECOMMENDATION:

None at this time. The intent is to provide Council with information in advance of goal setting and the upcoming budget process. Staff will continue to analyze the current cost of services, delay recruitments when/where appropriate, and research potential revenue sources for future discussion and implementation.

SUGGESTED MOTION LANGUAGE:

None.