



FY26 Mid-Biennial Update Budget Update

Budget and Finance Policy Committee
15 May 2025



AGENDA

1. Update Citywide All Funds Summary
2. General Fund Revenue Update
3. General Fund Expenditure Update
4. Recommendation on Vacant Positions
5. Measure U1 Draft Program Budget and Forecasts
6. General Fund Budget Balancing Options
7. Other Fiscal Challenges and Funding Needs
8. Recap of Questions
9. Next Steps and Timeline

FY26 BUDGET UPDATE STATUS

	2026 Adopted	2026 Update v8	Variance	% Inc/Dec
All FUNDS Revenue	698,663,103.87	738,756,191.19	40,093,087.32	5.74%
All FUNDS Expense	783,017,117.38	781,761,994.60	(1,255,122.78)	-0.16%
Delta	(84,354,013.51)	(43,005,803.41)	41,348,210.10	-49.02%
GF Revenue	284,047,716.05	291,583,351.00	7,535,634.95	2.65%
GF Expense	296,120,768.87	310,261,633.40	14,140,864.53	4.78%
Delta	(12,073,052.82)	(18,678,282.40)	(6,605,229.58)	54.71%
All FUNDS Personnel	390,853,568.41	422,800,699.58	31,947,131.17	8.17%
All FUNDS Non-Personnel	392,163,548.97	358,961,295.02	(33,202,253.95)	-8.47%
Total	783,017,117.38	781,761,994.60	389,598,445.63	49.76%
GF Personnel	192,772,862.79	211,187,216.64	20,371,428.33	10.57%
GF Non-Personnel	103,347,906.08	99,074,416.76	(4,573,489.32)	-4.43%
Total	296,120,768.87	310,261,633.40	15,797,939.01	5.33%

- All funds revenue increase with Measure FF (Streets). Special revenue taxes will increase by either CPI (1.3%) or Personal Income Growth (6.4%). However, overall revenues not keeping up with expenditures.

FY26 ALL FUNDS SUMMARY BY DEPARTMENT

	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Adopted	FY 2026 Adopted	FY 2026 Update
Mayor and Council	3,334,706	3,943,449	4,203,792	5,929,940	5,975,686	7,936,134
City Auditor	2,691,656	2,711,752	3,157,444	3,759,532	3,838,168	3,934,495
Rent Stabilization Board	5,803,126	6,784,836	7,028,903	8,489,208	8,597,595	9,159,201
Police Accountability (a)	808,594	909,307	1,210,483	1,484,847	1,524,120	1,522,348
City Manager's Office	18,417,010	19,826,926	22,096,549	18,116,987	18,383,457	18,949,471
Berkeley Public Library	18,476,578	19,951,914	24,026,043	29,196,378	29,606,293	33,865,077
City Attorney	6,200,456	7,880,612	9,112,692	9,290,707	9,425,305	9,825,142
City Clerk	2,398,903	2,876,230	2,823,822	3,518,483	3,576,397	3,709,023
Finance	8,738,585	8,872,348	8,938,144	11,823,352	11,963,574	12,026,929
Human Resources	3,574,288	4,588,216	5,551,340	5,993,013	6,198,864	6,804,564
Information Technology	16,446,318	15,454,602	15,298,230	23,471,574	23,651,297	24,019,890
Health, HSG & Community Svc	91,780,017	102,059,650	108,295,302	137,886,421	138,029,239	99,812,900
Parks, Recreation & Waterfront	63,534,473	45,578,024	48,266,958	47,477,378	47,713,333	51,021,863
Planning & Development	22,433,636	24,148,382	26,533,191	33,307,721	33,268,672	34,631,009
Public Works	140,757,034	133,012,197	149,296,617	196,515,790	181,881,632	185,433,697
Police	82,753,749	89,672,154	90,716,174	91,311,450	94,797,598	106,237,136
Fire & Emergency Services	58,014,195	62,872,373	68,731,246	71,480,646	73,060,880	78,537,592
Non-Departmental (b)	126,738,115	119,779,636	133,946,419	94,266,290	91,525,011	94,335,523
Total All Funds	672,901,439	670,922,608	729,233,350	793,319,717	783,017,121	781,761,995

- Department expenditures reflect increases over FY26 Adopted primarily due to personnel costs.
- HHCS decrease due to timing of housing development projects.
- Citywide (all funds) expenditures decreased by \$1.3M over the FY26 Adopted.

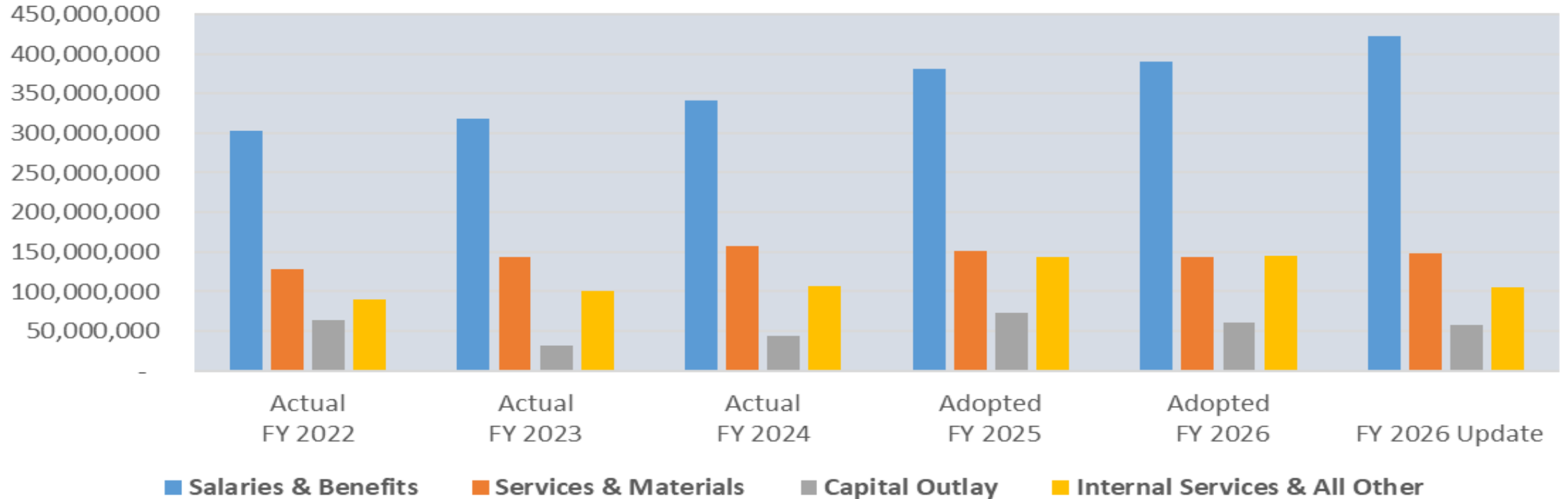
FY26 GENERAL FUND BY DEPARTMENT

	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Adopted	FY 2026 Adopted	FY 2026 Update
Mayor and Council	3,334,706	3,939,049	4,203,792	5,929,940	5,975,686	7,936,134
City Auditor	2,627,178	2,633,227	3,078,425	3,657,880	3,734,615	3,891,057
Rent Stabilization Board	-	568,412	554,214	-	-	-
Police Accountability	808,594	909,307	1,210,483	1,484,847	1,524,120	1,522,348
City Manager's Office	12,034,751	13,385,432	15,438,698	14,352,200	14,591,829	15,383,455
City Attorney	2,648,008	3,701,943	5,332,589	5,612,249	5,662,267	6,065,046
City Clerk	2,231,818	2,550,697	2,114,865	2,867,551	2,918,529	3,044,270
Finance	6,827,434	7,075,971	7,188,353	9,302,267	9,415,265	9,544,384
Human Resources	2,052,893	2,971,640	3,819,103	3,928,242	4,073,809	4,696,613
Information Technology	1,446,933	882,432	1,077,796	1,580,760	1,580,760	1,580,760
Health, HSG & Community Svc	32,619,369	28,154,030	36,867,755	31,950,903	33,283,018	34,039,371
Parks, Recreation & Waterfront	8,757,651	9,693,628	12,640,006	9,625,120	9,719,820	10,345,805
Planning & Development	2,629,757	2,924,671	3,153,666	3,745,098	3,802,944	3,731,131
Public Works	6,859,822	7,066,623	7,100,535	7,046,369	7,209,627	7,545,711
Police	77,916,629	84,895,063	85,926,952	86,427,222	89,849,214	101,282,782
Fire & Emergency Services	43,406,934	40,874,529	48,392,171	47,108,481	48,628,122	49,810,350
Non-Departmental	43,112,577	52,800,630	69,050,828	50,930,926	54,151,147	49,842,415
Total	249,315,054	265,027,284	307,150,230	285,550,055	296,120,772	310,261,633

- Expenditures have been reduced to reflect recommended savings by not budgeting some vacant positions.

FY26 EXPENDITURES BY CATEGORY

Expenditure History by Category - All Funds



- Personnel costs are the leading driver of growth in expenditures.

FY26 GENERAL FUND REVENUE

Revenue increase from \$284.1M to \$291.6M largely due to property related taxes

- Secured property tax **up** from \$89.9M to \$90.3M
- Supplemental Tax Revenue **down** from \$3.4 million to \$2.9 million
- Property Transfer Tax Revenue projection **up** from \$19 million to \$22.6 million
- Measure P Property Transfer Tax **up** from \$6.2 million to \$9.1 million
- UUT Revenue projection **up** from \$17.7 million to \$19.4 million
- TOT Revenue projection **down** from \$7.7 million to \$6.5 million
- Business license projection **up** from \$23.8 million to \$24 million
- Ambulance Fees projection **up** from \$7.7 million to \$8.16 million

BUDGET BALANCING STRATEGIES

FY26 Budget Balancing Options

Revenue	\$	291,583,351
Expenditures	\$	310,261,633
Projected Surplus/(Deficit)	\$	(18,678,282)

Adopted Budget Balancing Strategies

Workers compensation holiday	\$	(5,187,019)
Section 115 Trust for Pension	\$	(3,000,000)
Revised Projected Surplus/(Deficit)	\$	(10,491,263)

Other Budget Balancing Options Under Consideration

Increase use of Section 115 Trust	\$	(3,000,000)
IT Cost Allocation reduction	\$	(6,164,889)
Small Sites Reallocation	\$	(2,500,000)
Revised Projected Surplus/(Deficit)	\$	1,173,626
<i>Possible Marina Fund Support</i>	\$	(1,300,000)
Revised Projected Surplus/(Deficit)		-126,374.14

Includes changes in vacant positions budgeted

Marina Fund \$1.3M request, Parking Meter Funds TBD

- These options help balance the budget using one-time strategies that are not sustainable in future years.
- There are tradeoffs associated with each of these options.
- There are additional funding needs across the organization that exceed the available projected surplus.

BUDGET BALANCING OPTION: WORKER COMPENSATION HOLIDAY

- The City is self-insured for worker compensation claims.
- All City funds contribute to the worker compensation fund.
- This approach means that the General Fund would not contribute to the fund for FY26.
- With FY25 holiday, expected to end FY 2025 with \$35-36M in assets.
- City actuaries expect our discounted total outstanding liability to be \$44.3M.
- 75% confidence in being able to cover liabilities (their minimum recommended level), they calculate that we have \$49.6M in assets. 70% confidence level to be marginally acceptable, and for that level we would need \$48.1M in assets.
- For FY26, a \$5M transfer to General Fund (leaving a net contribution of around \$6M to the Workers Comp Fund), plus \$1M in earned interest, and paying out an estimated \$8.4M in claims during FY 2026, we would have approximately \$33.6M – \$34.6M at 6/30/26. Our actuaries have not delivered a report giving our estimated liabilities with confidence levels for the end of FY 2026 but based on previous asset level, we will be less than 70% confidence level.

BUDGET BALANCING OPTION: SECTION 115 TRUST

- FY25 and FY26 included use of \$3M of the pension trust each fiscal year
- Policy includes goal of contributing \$5.5M each fiscal year.
- Balance of \$26.4M as of 6/30/2024
- **Balancing option would increase the use of the Trust to \$6M in FY26.**
- Use of Trust in the short-term balanced with future needs. \$54.5 in 24-25 projected to \$75.3M in 29-30

PLAN Citywide costs	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Fire	\$7,958,918	\$8,768,612	\$9,415,000	\$9,945,000	\$11,093,000	\$11,370,000
Police	16,420,813	17,867,757	18,906,000	19,796,000	21,479,000	21,988,000
Miscellaneous	30,126,063	31,865,338	34,561,000	36,579,000	40,959,000	42,012,000

Source: CalPERS actuarial valuation as of 6/30/23. Assumes 6.80% rate of return.

BUDGET BALANCING OPTION: IT COST ALLOCATION

- City funds contribute to the IT Cost Allocation Fund to pay for IT services
- This approach means that the General Fund would reduce its funding by 50% in FY26
- Core services will remain intact, but delays in project implementation
- IT should be able to weather the outcome through FY26 with enough fund balance to account for any unforeseen expenditures, such as significant infrastructure and/or application failures or a cyber-event
- Not sustainable to reduce amount more in FY26 due to fund balance level

BUDGET BALANCING OPTION: U1/SMALL SITES

- FY26 includes \$2.5M allocation for Small Sites program in U1 budget
- Currently Measure P expenditures outpace revenue with a \$3.4M shortfall
- This includes \$2.5M in required match for the State Encampment Resolution grant
- The \$2.5M from U1 could support ERF grant and General Fund deficit
- However, proposed U1 FY26 Revised Budget faces significant deficit
- Fund balance depleted in FY26

OTHER FISCAL NEEDS

- Other funds in needs of fiscal support like the Marina Fund, Parking Meter Funds
- Council budget referrals and departmental needs
- Contingency for federal funding uncertainty
- Contingency for economic uncertainty

TIMELINE

- Overview of the FY26 Budget at Council on May 20, 2025
- Budget and Finance Policy Committee on May 22, 2025
 - Fire and Police Discussion on Overtime
 - Measure P and U1 Discussion
- Budget and Finance Policy Committee on June 12, 2025
 - Parking Meter Discussion