

**Proposed FY25-26 Biennial Budget
and
FY25-29 Capital Improvement Program**

**City Council
June 4, 2024**

PURPOSE AND OVERVIEW

Purpose:

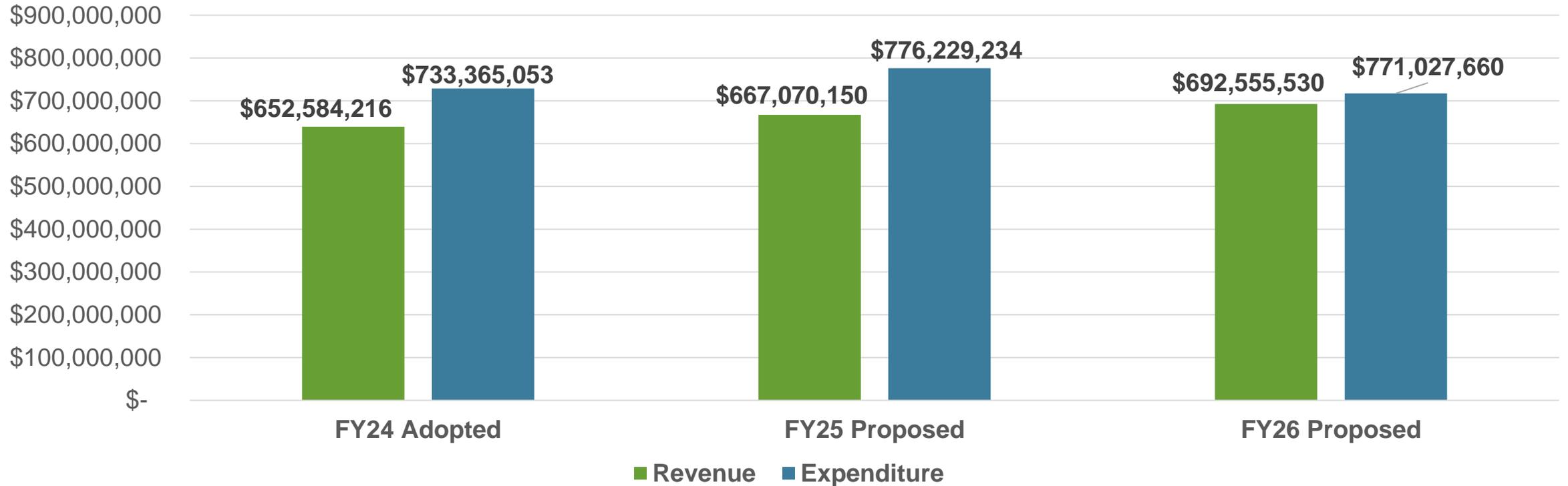
- Receive a presentation on the FY25 & FY26 Biennial Budget
 - Recap and summary of budget overview
 - Department details and funding requests
- FY25-FY29 Capital Improvement Program (CIP)
 - Overview
 - Information Technology
 - Parks, Recreation and Waterfront
 - Public Works

BUDGET ENGAGEMENT AND TIMELINE

- **May 8, 9 and 13: Budget and Finance Policy Committee meetings**
 - Department Presentations
 - Measure P and U1
 - Preliminary Discussion on Balancing the Budget
- **May 22, 2024: Budget and Finance Policy Committee**
 - Funding Requests and Council Budget Referrals
 - Budget Balancing Discussion
- **June 4, 2024: Council Meeting**
- **June 5, 2024: Budget and Finance Policy Committee meeting**
- **June 25, 2024: Council Meeting and Adoption**

FY25/26 CITYWIDE BUDGET SUMMARY

All Funds Budget at a Glance



- Revenue growth is projected at 2% in FY25, increasing to 3.8% in FY26.
- However, expenditures outpace revenues, requiring the use of either fund balance (prior years' savings) and/or other strategies to balance the budget.

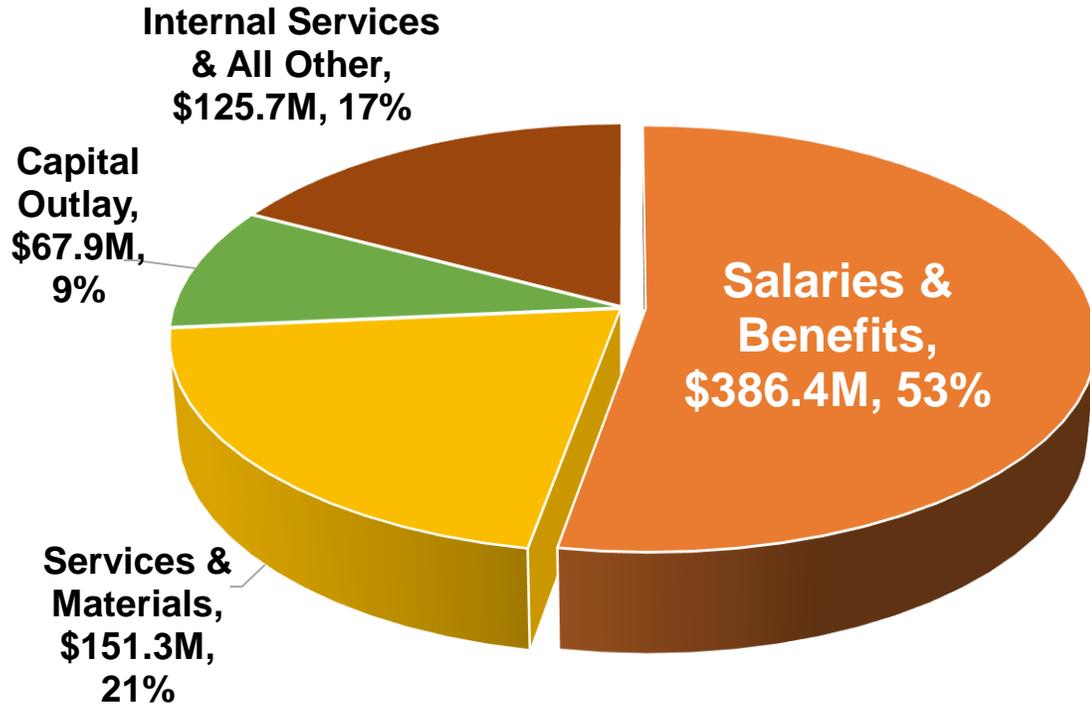
FY25/26 CITYWIDE EXPENDITURE SUMMARY

Expenditures (in millions)	FY22 Adopted	FY23 Adopted	FY24 Adopted	FY25 Proposed	FY26 Proposed
General Fund*	\$241.2	\$286.9	\$283.6	\$277.1	\$287.9
Other Funds	432.4	467.3	445.0	499.1	483.1
Total	673.6	754.2	728.6	776.2	771.0

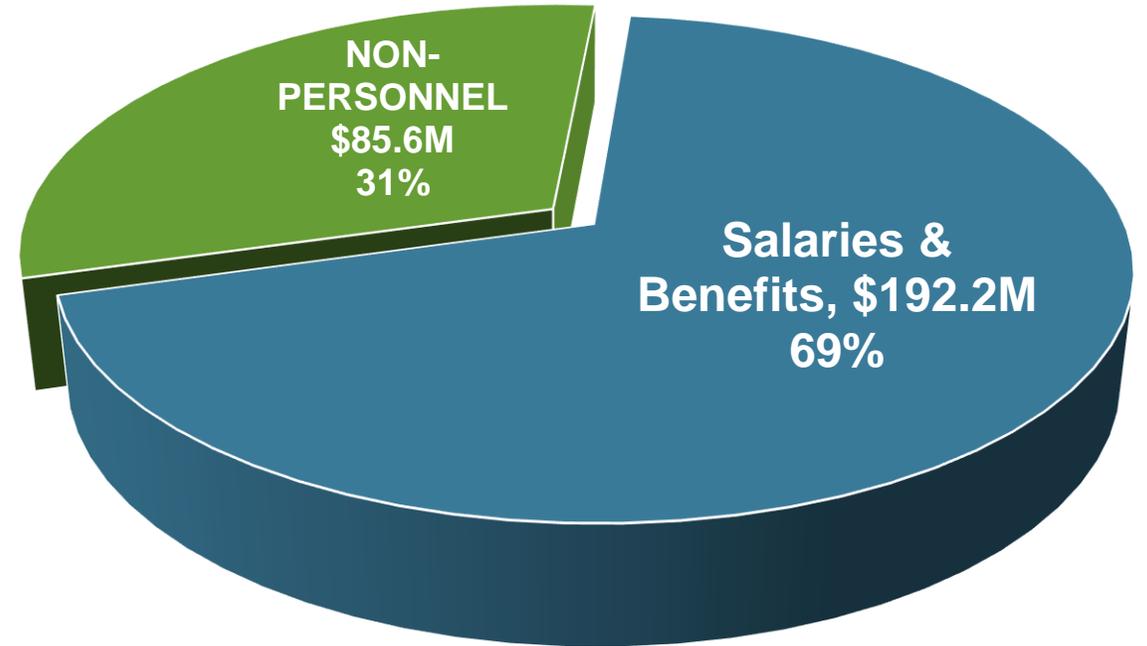
- FY25 budget is \$776M, an increase of \$47M, or 6%, over FY24 Adopted.
- Driver of increase in salaries and benefit (+\$44M) offset by decreases in capital (-\$19M)
- Other driver includes \$26M in Affordable Housing Mitigation Fund (Fund 120).
- Citywide FY26 budget of \$771M, decrease of less than 1%, over FY25 Proposed.
- General Fund budget, on other hand, increase by \$10M, or just under 4% in FY26.

CATEGORIES OF EXPENDITURES

**All Funds: FY25 Total
\$776.2M**

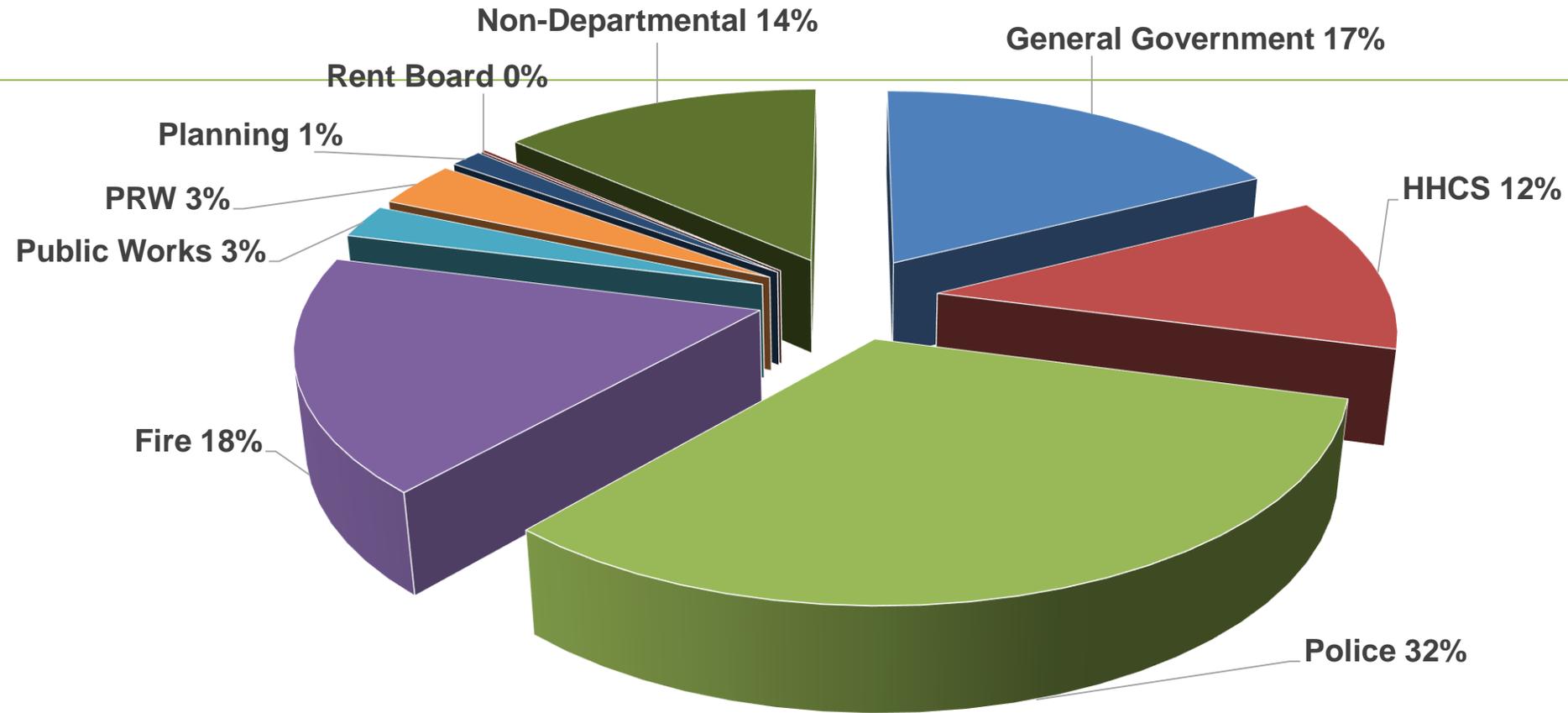


**General Fund: FY25 Total
\$277.9M**



- Personnel expenditures represent a little more than half of citywide expenditures.
- However, personnel expenditures increase to nearly 70% of General Fund expenditures.

GF EXPENDITURES BY DEPARTMENT



- The General Fund largest expenditures are Police, General Government and HH&CS.
- Public Works, the largest expenditure across all funds at 24%, drops to just 3% of GF.

GF EXPENDITURES BY DEPARTMENT

	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Adopted	FY 2025 Proposed	FY 2026 Proposed
Mayor & Council	2,701,344	3,334,707	3,939,049	4,772,190	5,923,941	5,975,687
Auditor	2,467,028	2,627,179	2,633,228	3,136,323	3,657,880	3,734,615
Police Review Commission	744,950					
Office of the Director of Police Accountability		808,594	909,307	1,363,509	1,484,847	1,524,120
City Manager	10,360,937	12,050,089	13,385,434	13,280,234	14,309,804	14,527,224
Information Technology	1,330,730	1,446,932	882,432	1,580,760	1,580,760	1,580,760
City Attorney	2,760,048	2,648,007	3,701,943	4,370,439	5,612,249	5,662,266
City Clerk	2,832,552	2,235,191	2,550,698	2,547,276	2,867,551	2,918,529
Finance	6,682,935	6,827,435	7,075,972	8,179,370	9,685,628	9,798,626
Human Resources	2,318,029	2,052,892	2,971,640	3,467,541	3,928,242	4,073,809
Health, Housing & Community Services	25,566,360	32,619,368	28,154,026	32,064,102	32,884,252	33,150,340
Police	77,270,053	77,916,629	84,895,064	83,984,966	89,720,763	93,285,424
Fire	38,988,843	43,574,467	40,874,526	39,546,063	48,724,616	50,307,565
Public Works	5,499,277	6,859,823	7,102,952	7,178,529	7,068,389	7,231,647
Parks, Recreation & Waterfront	7,304,226	8,755,061	9,694,847	9,534,709	9,785,501	9,880,201
Planning	2,567,473	2,629,757	2,924,669	3,277,246	3,745,097	3,802,943
Rent Board	-	-	568,412	550,000	550,000	550,000
Non-Departmental	46,390,565	43,112,577	52,800,630	57,715,711	36,345,562	39,956,968
Total General Fund	\$ 235,785,349	\$ 249,498,708	\$ 265,064,829	\$ 276,548,969	\$ 277,875,083	\$ 287,960,725

GF EXPENDITURES: General Government

CITY CLERK

- \$3.5M Budget/\$2.9M of GF in FY25
- \$3.6M/\$2.9M in FY26
- 81% GF (Fair Elections Fund)
- 10 FTE
- Service Priority: November Election, streaming and captioning services, hybrid meetings
- Funding Request: Paperless Contracts Workflow (Tier 2)

CITY MANAGER

- \$17.8M Budget/\$14.3M of GF in FY25
- \$18M/\$14.5M in FY26
- 81% GF (pass thru BIDS, other)
- 56 FTE
- Service Priority: DEI, RPS, EoC, All Home Regional Action Plan implementation; catalytic development project, support for cultural arts and small businesses
- Funding Requests: HVAC Design Animal Shelter, Grant Assistance, Solano Stroll Hard Costs (Tier 1); various other requests

GF EXPENDITURES: General Government

FINANCE

- \$12.4M Budget/\$9.7M of GF in FY25
- \$12.6M/\$9.8M of in FY26
- 78% GF (Zero Waste, U1, Other)
- 56 FTE
- Service Priority: Staff recruitment/retention, ERMA implementation
- Funding Request: Three reclassifications of which 2 are revenue-related (Tier 1)

HUMAN RESOURCES

- \$6.0M Budget/\$3.9M of GF in FY25
- \$6.2M/\$4.1M in FY26
- 66% GF (Training Fund, Work Comp)
- 26 FTE
- Service Priority: Sustaining hiring, training
- Funding Requests: Labor Negotiation/Investigations Adjustment; Threat Assessment (Tier 1); continued recruitment funding for marketing (Tier 2)

GF EXPENDITURES: General Government

INFORMATION TECHNOLOGY

- \$23.4M Budget/\$1.6M of GF in FY25
- \$23.6M/\$1.6M in FY26
- 1% GF Directly (IT Cost Allocation)
- 51 FTE
- Service Priority: Systems (FUNDS, Accela, CRM), cybersecurity
- Funding Request: Infrastructure Vulnerability Scanner (Tier 1); Microsoft Upgrade, Cloud Co-location (Tier 2); 1 FTE Permit Service Center (Tier 2)

MAYOR AND COUNCIL

- \$5.9M Budget/\$5.9M of GF in FY25
- \$6.0M/\$6.0M in FY26
- 100% GF
- 23 FTE
- Funding Requests: Legislative Aide Salary Range Adjustment (Tier 1); Council budget referrals

GF EXPENDITURES: General Government

CITY AUDITOR

- \$3.8M Budget/\$3.7M of GF in FY25
- \$3.8M/\$3.7M in FY26
- 97% GF (Work comp fund)
- 16 FTE
- Service Priority: Performance audits, payroll audit, whistleblower program
- Funding Request: software, training, succession planning and convert 1 FTE temp funded position to career

CITY ATTORNEY

- \$9.2M Budget/\$5.6M of GF in FY25
- \$9.4M/\$5.6M in FY26
- 100% GF (Public Liability Fund)
- 17 FTE
- Service Priority: Changes in State law, complex litigation, responding to PRAs, support for new policy initiatives and potential development projects;
- Funding Requests: 3 FTE, outside legal expertise, affirmative litigation fund, office facilities, inflation adjustment

GF EXPENDITURES: General Government & HHCS

OFFICE OF DIRECTOR OF POLICE ACCOUNTABILITY

- \$1.5M Budget/\$1.5M of GF in FY25
- \$1.5M/\$1.5M in FY26
- 100% GF
- 6 FTE
- Service Priority: Improve communications with stakeholders; increase analytical support, improve reporting and transparency
- Funding Request: 3 FTE; Board and staff training, internship program; increased cost of new office space

HEALTH, HOUSING & COMMUNITY SERVICE

- \$136.2M Budget/\$32.9M of GF in FY25
- \$135.2M/\$33.2M in FY26
- 24% GF (Other Funds, Grants)
- 247 FTE
- Service Priority: Health equity, community health assessment, affordable housing, CalAIM and Prop 1 implementation
- Funding Requests: 1 FTE for Labor Standards Unit and temp EH Director (Tier 1), 5 FTE, SCU, workforce/youth development program (Tier 2)

GF EXPENDITURES: Public Safety

POLICE

- \$95M Budget/\$90M of GF in FY25
- \$98M/\$93M in FY26
- 95% GF (Parking Meter, Other)
- 303 FTE
- Service Priority: Focus on service, recruitment and retention, communication and collaboration
- Funding Request: KIND/FIP and wellness training, recruitment and marketing firm, jail control panel supplemental costs (Tier 1); 3 FTE, request to convert temp CSO to career, EIS platform (Tier 2)

FIRE

- \$73M Budget/\$49M of GF in FY25
- \$75M/\$50M in FY26
- 67% GF (FF, GG, Paramedic Tax UC)
- 200 FTE
- Service Priority: Facilities including new HQ and ambulance deployment; operations response, training and EMS; dispatch, wildland veg management and ecology study for Hill; outdoor warning system, evacuation and response time study
- Funding Requests: Increase OT budget and recruitment and marketing firm (Tier 1); 1 FTE cost share (Tier 2)

GF EXPENDITURES: Land Use

PUBLIC WORKS

- \$192.3M Budget/\$7.1M of GF in FY25
- \$182.6M/\$7.2M in FY26
- 4% GF (Parks Tax, Marina, Other)
- 350 FTE
- Service Priority: Street paving, traffic calming and Vision Zero, ADA improvements; ISF Rate Updates
- Funding Request: Streets; ADA Transition Plan; low-income rebates for utilities, restroom maintenance, creek rehab project, Vision Zero consultant (Tier 1); Creek rehab. BART bike rental; (Tier 2) Parking Meter Cost Shift (Tier 3, although recommend \$700k transfer suspended); TNC cost shift (Tier 3); 10 FTE across funds (Tier 2 and 3)

PARKS, RECREATION & WATERFRONT

- \$47.9M Budget/\$9.8M of GF in FY25
- \$47.8M/\$9.9M in FY26
- 21% GF (FF, GG, Paramedic Tax UC)
- 113 FTE
- Service Priority: quality services and equity programs (DEI scholarships); capital improvements; balancing special funds facing financial challenges
- Funding Requests: Implementation/hourly cost of Fair Work Week, utilities, inflation and summer lunch food program cost increases; Camps scholarships, Cazadero Riverbed erosion project, South Berkley landscaping and Marina Fund operating subsidy (Tier 1); cost shift of staff to CIP Fund, Camps and Marina capital funding, JK ADA restroom, increase CiP baseline (Tier 2)

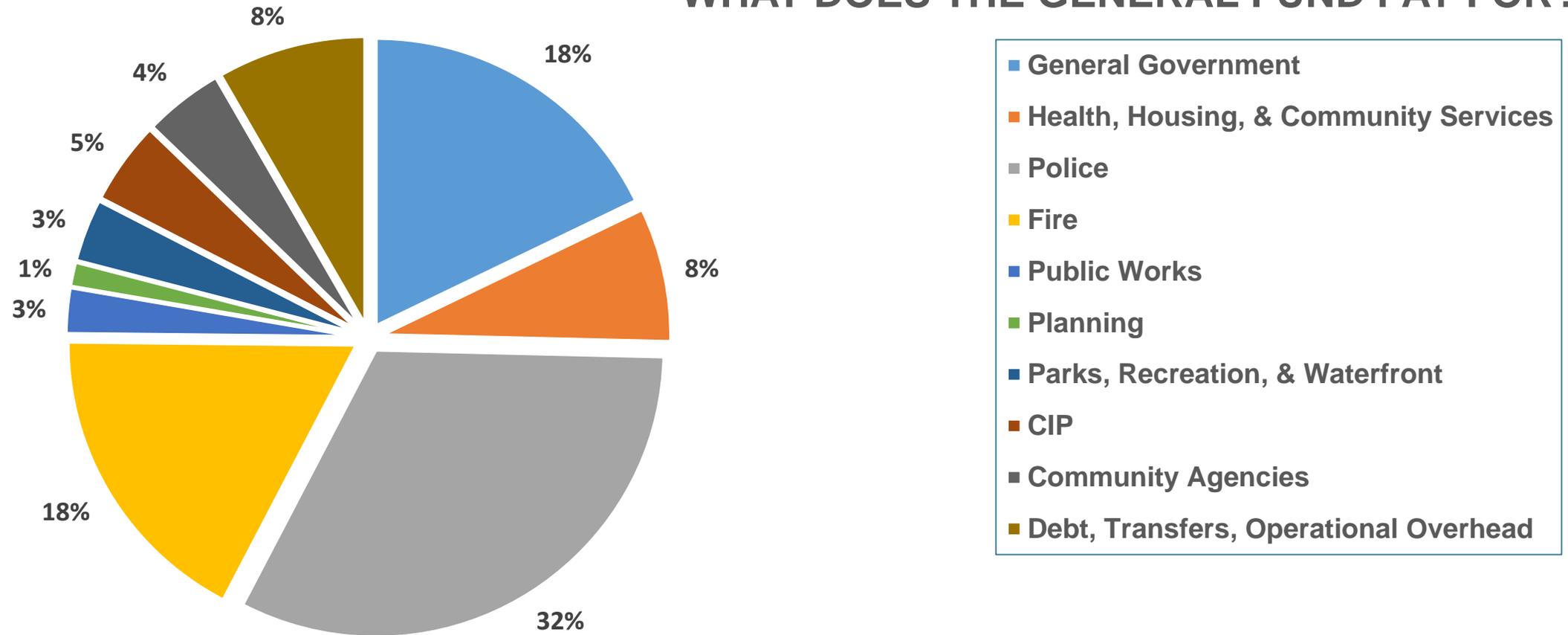
GF EXPENDITURES: Land Use

PLANNING & DEVELOPMENT

- \$33.3M Budget/\$3.8M of GF in FY25
- \$33.3M/\$3.8M in FY26
- 11% GF (Permit Service Center, Other)
- 109 FTE
- Service Priority: Maintain core services and support staff, permit software replacement, amnesty program, historic context statement and Gilman rezone
- Funding Request: historic context statement, energy manager software and processing fee (Tier 1), Gilman rezone (Tier 2); 2 FTE Permit Service Center and Rental Housing (Tier 2)

FY25/26 GF EXPENDITURES AT A GLANCE

WHAT DOES THE GENERAL FUND PAY FOR?



- **\$144M (50%) of General Fund is for public safety; \$13M (5%) for Capital (CIP) and \$12M (4%) for community agencies**

UPDATED GENERAL FUND STATUS

	FY 2024 Adopted	FY 2025 Baseline	FY 2026 Baseline
Measure P	10,189,500	6,199,580	6,509,559
Measure U1	5,900,000	6,500,000	6,200,000
Other Revenues	250,328,842	260,704,520	271,338,157
All General Fund Revenues	266,418,342	273,404,100	284,047,716
Measure P	21,100,176	9,427,345	13,102,872
Measure U1	7,027,248	6,500,000	6,200,000
Other Expenditures	248,421,545	253,127,306	260,593,637
Initial All Baseline Expenditures	267,448,969	269,054,651	279,896,509
Initial Surplus/(Deficit)	(1,030,627)	4,349,449	4,151,207
Add Streets to Baseline	9,100,000	8,000,000	8,000,000
Revised All General Fund Expenditures	276,548,969	277,054,651	287,896,509
Revised Surplus/(Deficit)	(10,130,627)	(3,650,551)	(3,848,793)
Worker Compensation Holiday		4,760,694	4,869,832
Revised Surplus/(Deficit)		1,110,143	1,021,039

- Additional work to align Measure P expenditures with revenue projections.
- Baseline budget with \$1M surplus by workers compensation fund holiday.
- Continue discussions with Budget & Finance Policy Committee on other one-time strategies to help fund pending labor adjustments and other funding requests.

OTHER CONSIDERATIONS

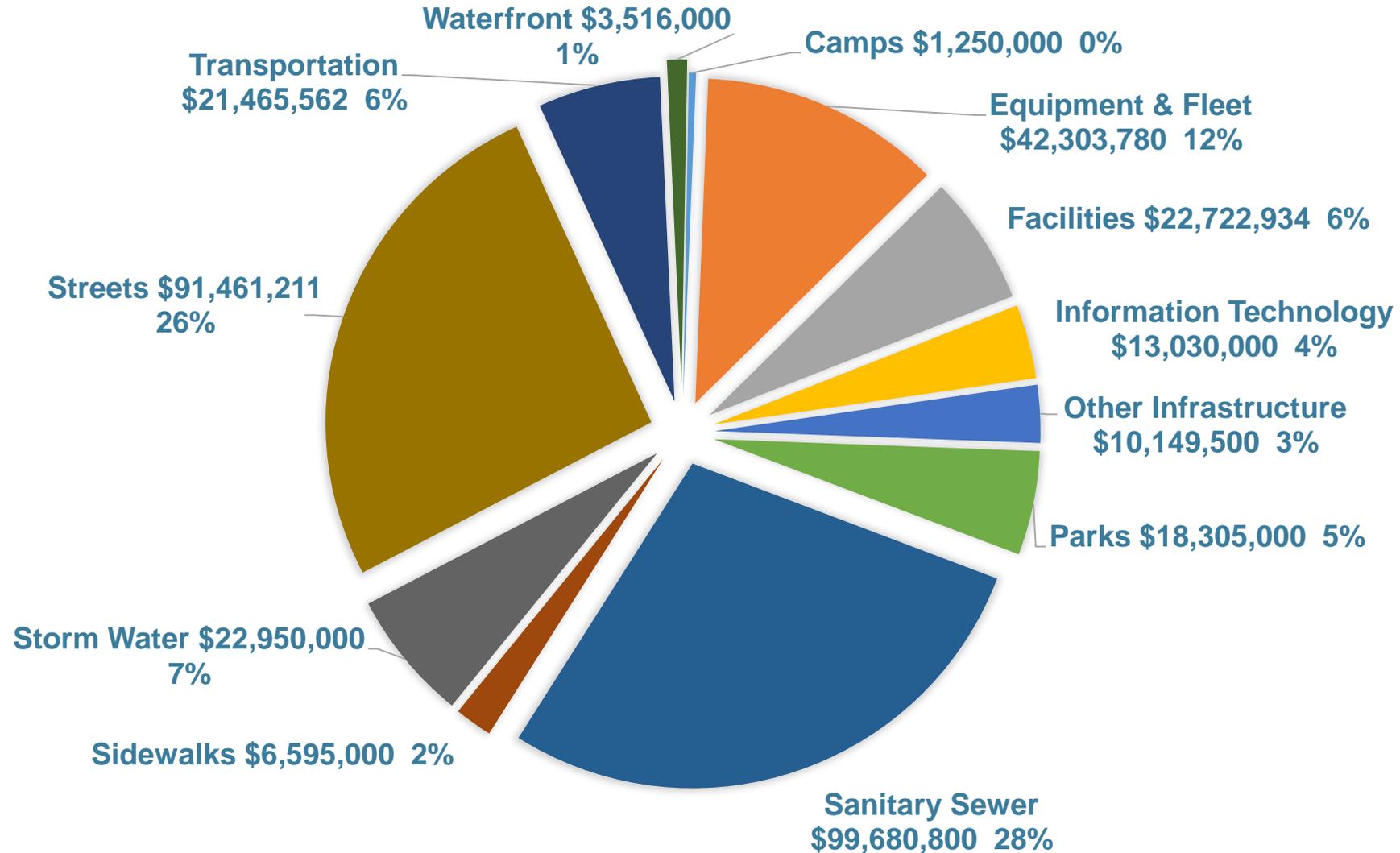
- **A Number of “Moving Parts” in this Moment**
 - Labor costs increasing
 - Potential Ballot Measures in November with impacts to revenues and expenditures
 - State budget deficit
 - Year-End results pending
- **Requests for Additional Funding Beyond Revenues**
 - Department Requests prioritized by City Manager
 - Charter officers
 - Council budget referrals
- **Timing**
 - Consideration of a pause on new expenditures, beyond mandated items, is an option for Council consideration until there is a clearer fiscal picture

▪ **Consideration of steps that can be taken to create a stable and sustainable budget.**

CAPITAL IMPROVEMENT PROGRAM BY CATEGORY FY 2025-FY 2029

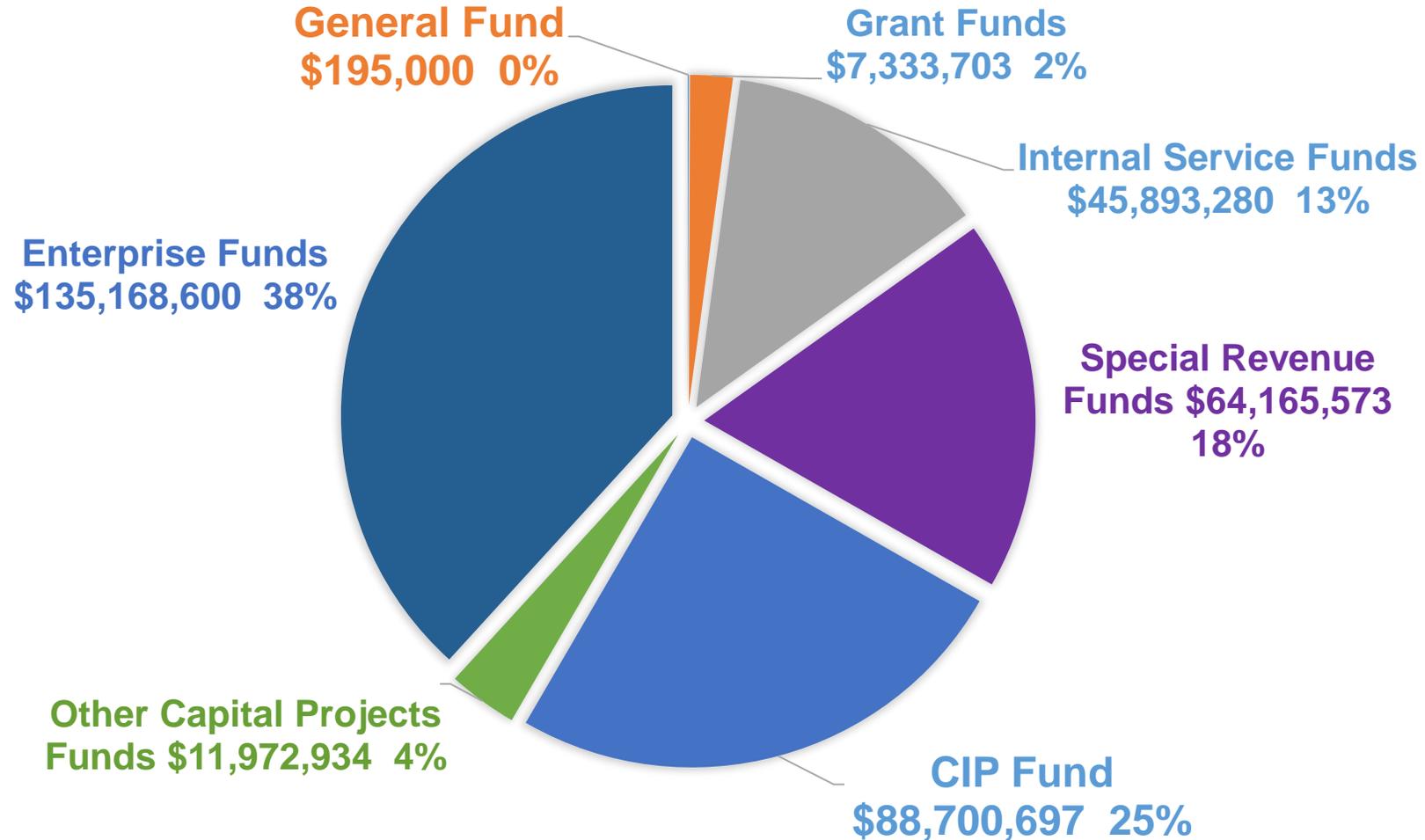
FY 2025 =
 \$79,502,396
 FY 2026 =
 \$86,957,267
 FY 2027 =
 \$63,294,325
 FY 2028 =
 \$64,277,956
 FY 2029 =
 \$59,397,843

 Five-Year
 Total
 \$353,429,787



CAPITAL IMPROVEMENT PROGRAM BY FUNDING SOURCE FY 2025-FY 2029

5-YEAR TOTAL \$353.43 MILLION



CAPITAL IMPROVEMENT PROGRAM PLANNED PROJECTS HIGHLIGHTS

PUBLIC WORKS

- Transfer Station Redesign & Replacement
- Sanitary Sewer Rehabilitations and Replacements
- Annual Sidewalk and Pathway Repairs
- Green Infrastructure Projects
- Street Rehab PCI Improvements
- Parker – Addison Bikeway
- ADA Transition Plan
- Streetlight Pole Replacement
- Annual Vehicle Replacement

PARKS, RECREATION, AND WATERFRONT

- Echo Lake Tree Removal
- Ohlone Park Restoration
- MLK/YAP Youth Services Community Center
- African American Holistic Resource Center
- K Dock Restroom Renovation

INFORMATION TECHNOLOGY

- Data Center CoLocation or lift/shift to Cloud
- Infrastructure Vulnerability Scanner

Five-Year Capital Improvement Program consist of 113 projects, 73 continuing/starting in FY 2025

FY 2025 & FY 2026 CAPITAL BUDGET

How much is funded and what's still requested?

FY 2025

Total in Capital Improvement Program = \$79.5 million (All Funds)

Funded = \$76.19 million

- Includes the \$8 million for Streets

CIP Requested Funding = \$3.31 million

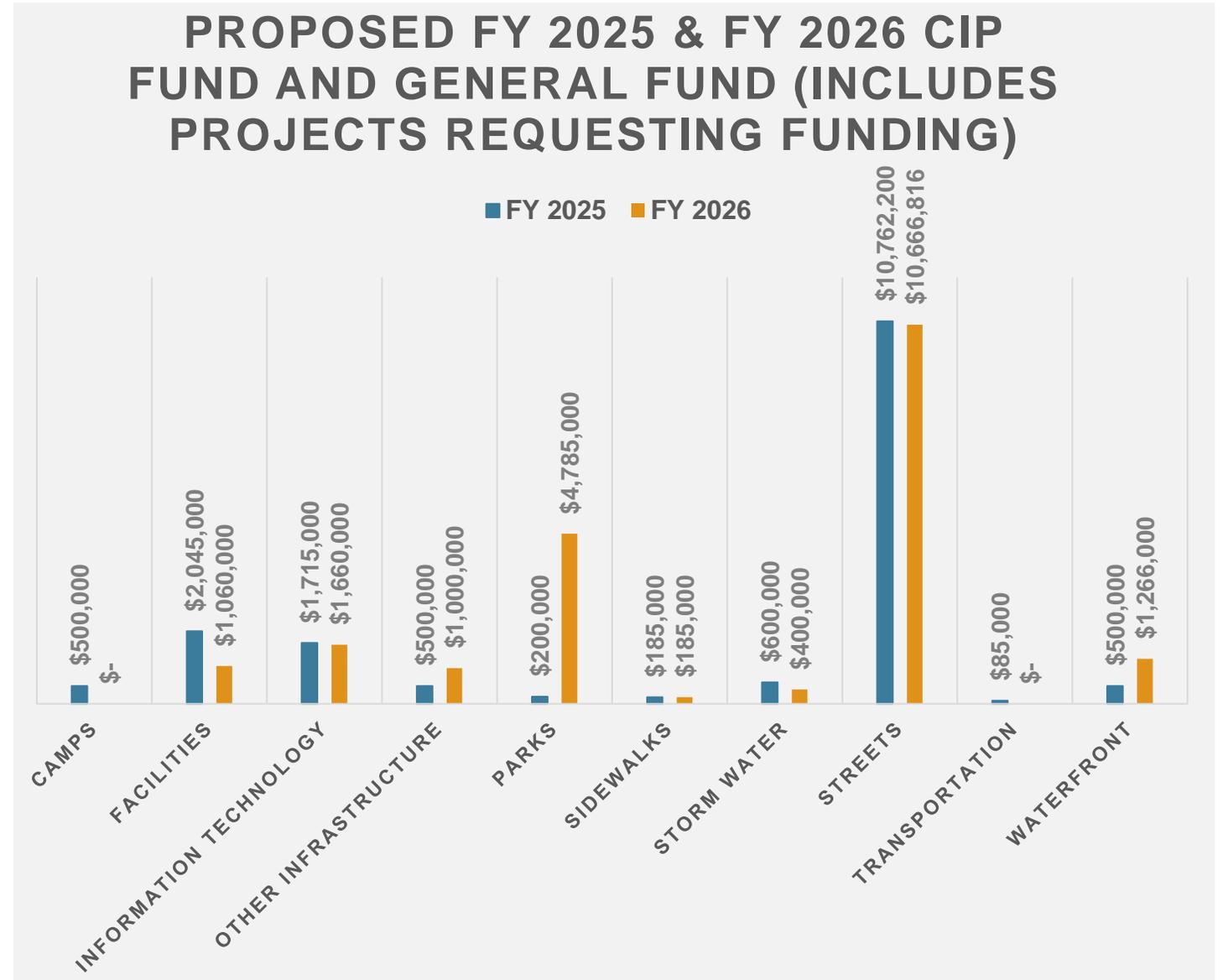
FY 2026

Total in Capital Improvement Program = \$86.96 million (All Funds)

Funded = \$78.55 million

- Includes the \$8 million for Streets

CIP Requested Funding = \$8.41 million



CIP FUNDING REQUESTS

Project Title	FY25	FY26
Cazadero Riverbed Erosion	\$300,000	\$-
Re-Deck F & G Dock	\$-	\$500,000
Adeline/Alcatraz Right-of-Way Landscaping	\$-	\$400,000
Codornices Playground-Design	\$-	\$250,000
Glendale La Loma Park (2-5 & 5-12 Play Structure + ADA)	\$-	\$250,000
James Kenney Restroom ADA	\$-	\$160,000
Santa Fe Right-of-Way	\$-	\$3,150,000
Shorebird Playground-Design	\$-	\$175,000
199 Seawall Beam/Piling	\$-	\$766,000
South Cove Seawall Replacement	\$500,000	\$-

Project Title	FY25	FY26
Data Center CoLocation Infrastructure	\$1,100,000	\$1,100,000
Vulnerability Scanner	\$60,000	\$60,000
Upgrade to Microsoft G5	\$500,000	\$500,000
ADA Transition Plan Implementation	\$250,000	\$500,000
Codornices Creek Restoration at 9th Street	\$200,000	\$200,000
Codornices Creek Restoration between UPRR & Caltrans	\$400,000	\$400,000
Request Total	\$3,310,000	\$8,411,000