



First Amendment to the FY 2026 Annual Appropriations Ordinance (AAO#1)

And Preliminary FY 2025 Year-end Status

PURPOSE AND OVERVIEW

Summary of Preliminary FY25 Year-End Status for General Fund

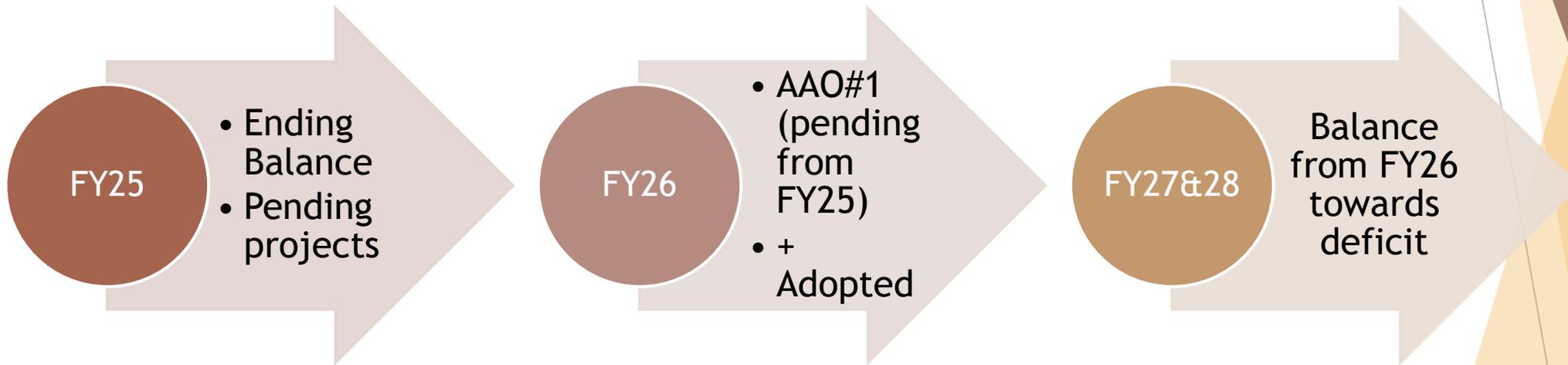
- General Fund Revenues
- General Fund Expenditures

FY26 AAO1

- Purpose
- Summary of Requests
- Fiscal Policies
- Unassigned Fund Balance Calculation & Consideration

Discussion

BUDGET PROCESS CONTINUES



FY25 GENERAL FUND YEAR-END STATUS

	FY 2025 Adopted	FY 2025 Revised	FY 2025 Preliminary Actual*
Revenues	\$273,404,100	\$278,196,657	\$288,952,222
Expenditures	285,550,053	\$321,575,439	\$290,283,169
Annual Surplus/(Shortfall)**	(12,145,953)	(43,378,782)	(1,330,947)

**FY 2025 Preliminary and based upon unaudited actuals and subject to change*

***Use of Fund Balance and other balancing measures*

FY26 AAO AMENDMENT PURPOSE

Why Do We Need to Amend the Annual Appropriation?

- **Spending Limit (by fund):** Cannot exceed Council-approved appropriation
- **Budget and Annual Appropriation Ordinance Adopted in June** for the new fiscal year starting July
- **Amendments Required** to adjust spending authority
- **Council Approval Needed** for each amendment via ordinance

When and How?

- **AAO #1 (Nov/Dec):** Increases the FY26 appropriation beyond the adopted budget.
- **AAO #2 (May):** A second adjustment typically made later in the fiscal year.

ADJUSTMENT TYPES

Encumbrance Rollovers

- Contractual obligations from FY 2025 that were not paid by June 30, 2025
- Funding is carried forward into FY 2026 to pay these existing commitments

Unencumbered Carryover

- Unspent funds from FY 2025 set aside for specific one-time projects or commitments that are needed in FY 2026 to start or continue those commitments
- Not available for new discretionary spending or to increase the baseline budget
- Unspent personnel funds cannot be used for ongoing costs and typically revert to fund balance

Other Adjustments

- New funding requests
- Grant appropriations
- Obligations that arose after the budget was adopted

FY 2026 AAO#1 ALL FUNDS SUMMARY

	FY 2026 Adopted	Encumbered Recommended	Unencumbered Request	Other Adjustments Request	Total Amendment	FY 2026 Revised
General Fund (011)	\$311,435,259	\$ 22,721,191	\$ 5,446,108	\$ 4,766,827	\$ 32,934,126	\$ 344,369,385
*Capital Improvement Fund (501)	\$ 18,155,130	\$ 10,347,460	\$ 8,233,228	\$ -	\$ 18,580,688	\$ 36,735,818
All Other Funds	\$499,622,970	\$ 112,163,316	\$ 79,648,270	\$ 114,747,096	\$ 306,558,682	\$ 806,181,652
Total	\$829,213,359	\$ 145,231,967	\$ 93,327,606	\$ 119,513,923	\$ 358,073,496	\$1,187,286,855

* amounts may change pending final review

FY26 GENERAL FUND CARRYOVER & OTHER ADJUSTMENT REQUESTS

Department	Description	Funding Amount
City Attorney	Carryover FY25 balance for support of additional services due to litigations (BMC Sec. 2.56.080.C)	249,354
City Manager's Office	Various Items (e.g. Deportation Defense, Digital Accessibility, Re-entry employment and Guaranteed)	245,956
Finance	Payment Acceptance Solutions and Banking Services Consultant	90,000
Fire	Motorola Equipment lease payment	177,496
HHCS	Community Agencies Funding	1,922,883
Mayor & Council	Carryover funding for Mayor & Council FY 25 year-end balance per Res#70,054	76,608
Non-Departmental	Bay Cities Joint Powers Insurance Authority Program bill & Transfer out to Marina Fund support	2,489,292
Planning	FY25 Budget Referral – Ashby BART Area EIFD	100,000

FY26 GENERAL FUND CARRYOVER & OTHER ADJUSTMENT REQUESTS CONT.

Department	Description	Funding Amount
Police Accountability	Outreach, community meetings, oversight survey, stand-alone website & social media program	68,855
PRW	Various Capital projects (e.g. South Cove Parking Lot, Waterfront Dredging, Aquatic Park Tide Tubes, D&E Dock Replacement, others)	1,939,549
PRW	Youthworks Program support R2 holiday payout (CSU/PTRLA MOU)	170,156
PW	Various Capital projects (e.g. Security Cameras, ADA, Restrooms, Corp Yard EV, Oxford/University Corridor, Accessible Pedestrian Signal, WBSC, Strawberry Creek Culvert, others)	2,682,785
TOTAL GF CARRYOVER		5,446,108
TOTAL GF OTHER ADJUSTMENTS		4,766,827
TOTAL		10,212,934

SUMMARY OF OTHER FUNDS AAO#1 REQUESTS- GRANTS

Grants Carryover and Other Adjustments \$26,715,300

▶ **Key items of Grants request**

▶ St. Paul Terrace Development Loan	3,878,850
▶ Prohousing Incentive Program (PIP) funds	1,250,000
▶ Woolsey-Fulton Bike Blvd Capital grant	1,769,100
▶ Ohlone Green Modification & Safety	2,520,159
▶ 2321 Tenth Street project	1,179,015
▶ Proposition 47 Cohort 5	2,800,000
▶ Santa Fe Right of Way	3,964,670
▶ Berkeley Pier w/Ferry Access	964,158
▶ FEMA FY24 SAFER Grant	782,709

SUMMARY OF OTHER FUNDS AAO#1 REQUESTS- CAPITAL PROJECT FUNDS

CIP Fund (501) Carryover and Other Adjustments	\$8,233,228
➤ Various PRW Capital Projects	572,052
➤ Various PW Capital Projects	7,661,176
Measure T1 (511) Carryover and Other Adjustments	\$28,934,852
➤ Civics Arts allocation of Measure T1	426,116
➤ Various PRW Capital Projects	14,038,439
➤ Various PW Capital Projects	14,470,298
Measure O (512) Other Adjustments	\$30,343,613
➤ North Berkeley BART Phase 1 Development Loan	20,000,000
➤ St. Paul Terrace Development Loan	8,176,509
➤ Ephesian Legacy Court Development Loan	2,167,104
Fire Admin Training Building (514) Other Adjustment	\$4,500,000

BUDGET AND FISCAL POLICIES

- ❑ **Building prudent reserves with a target range of between 20 to 30% of General Fund revenues. Allocate unassigned fund balance to:**
 - Stabilization Reserves (Fund 098) allocate 55%
 - Catastrophic Reserves (Fund 099) allocate 45%
- ❑ **Allocating annual savings derived from the prepayment of the annual CalPERS unfunded liability payments to the City's Section 115 Pension Trust up to \$5.5 million per fiscal year**
- ❑ **Property transfer tax:**
 - When possible, allocate excess property transfer tax over the baseline (\$16 million) to short-term operational needs, General Fund reserves and the City's capital infrastructure plan.
- ❑ **Allocating any additional revenue earned from investments that is over the annual (fiscal year) baseline of \$6 million in the following manner:**
 - One-third to the Section 115 Pension Trust
 - One-third to General Fund reserves
 - One-third to address the City's capital infrastructure needs

Preliminary Fund Balance with Fiscal Policies

GENERAL FUND UNASSIGNED FUND BALANCE CALCULATION

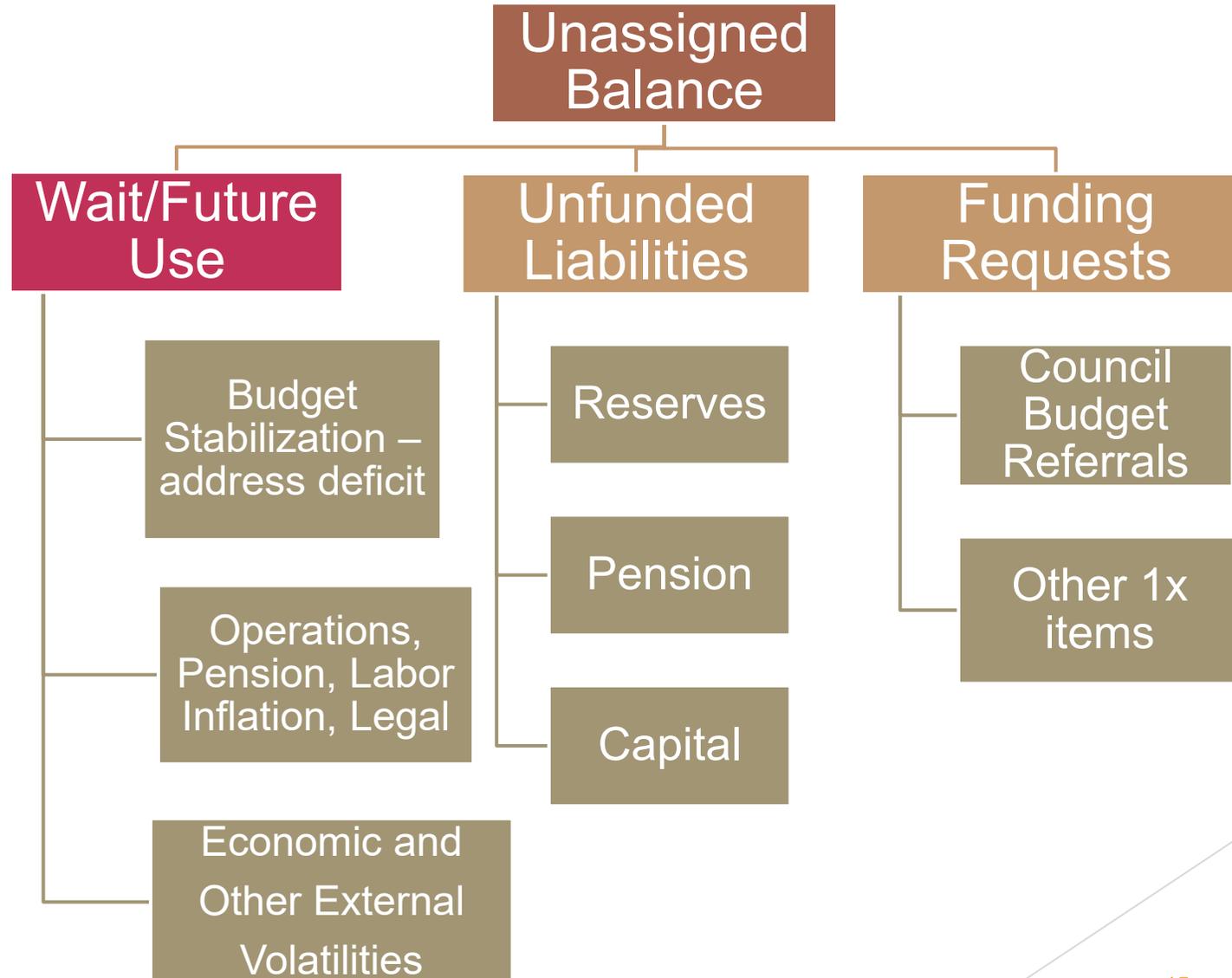
FY 2025 Beginning Fund Balance	\$	50,087,331
FY 2025 Revenues	\$	288,952,222
FY 2025 Expenditures	\$	(290,283,169)
Investment Interest above baseline of \$6 million to Section 115 Trust	\$	(2,822,392)
Investment Interest above baseline of \$6 million to GF Reserves	\$	(2,822,392)
Investment Interest above baseline of \$6 million to Capital	\$	(2,822,392)
Excess Property Transfer Tax Over \$16M Baseline	\$	(7,052,569)
Balance After Policy Consideration	\$	33,236,639
Less:		
FY 2025 G. F. Encumbrances Roll to FY 2026 Restricted (AAO #1)	\$	(22,721,191)
Unencumbered Carryover Request	\$	(5,446,108)
Adjustment/New Appropriation Request	\$	(4,766,827)
Total AAO#1 and other requests	\$	(32,934,126)
Balance After AAO #1 Items	\$	302,513
Allocation to Reserves	\$	(302,513)
General Fund Balance (Unassigned) Before Tapping Into Reserves	\$	-

Preliminary Fund Balance with Partial Fiscal Policies

GENERAL FUND UNASSIGNED FUND BALANCE CALCULATION

FY 2025 Beginning Fund Balance	\$ 50,087,331
FY 2025 Revenues	\$ 288,952,222
FY 2025 Expenditures	\$ (290,283,169)
Investment Interest above baseline of \$6 million to Section 115 Trust	\$ (2,822,392)
Investment Interest above baseline of \$6 million to GF Reserves	\$ (2,822,392)
Investment Interest above baseline of \$6 million to Capital	\$ (2,822,392)
Excess Property Transfer Tax Over \$16M Baseline	\$ -
Balance After Policy Consideration	\$ 40,289,208
Less:	
FY 2025 G. F. Encumbrances Roll to FY 2026 Restricted (AAO #1)	\$ (22,721,191)
Unencumbered Carryover Request	\$ (5,446,108)
Adjustment/New Appropriation Request	\$ (4,766,827)
Total AAO#1 and other requests	\$ (32,934,126)
Balance After AAO #1 Items	\$ 7,355,082
Allocation to Reserves	\$ (3,177,541)
General Fund Balance (Unassigned) Before Tapping Into Reserves	\$ 4,177,541

FY25 UNASSIGNED OPTIONS



UNASSIGNED FUND BALANCE CONSIDERATION

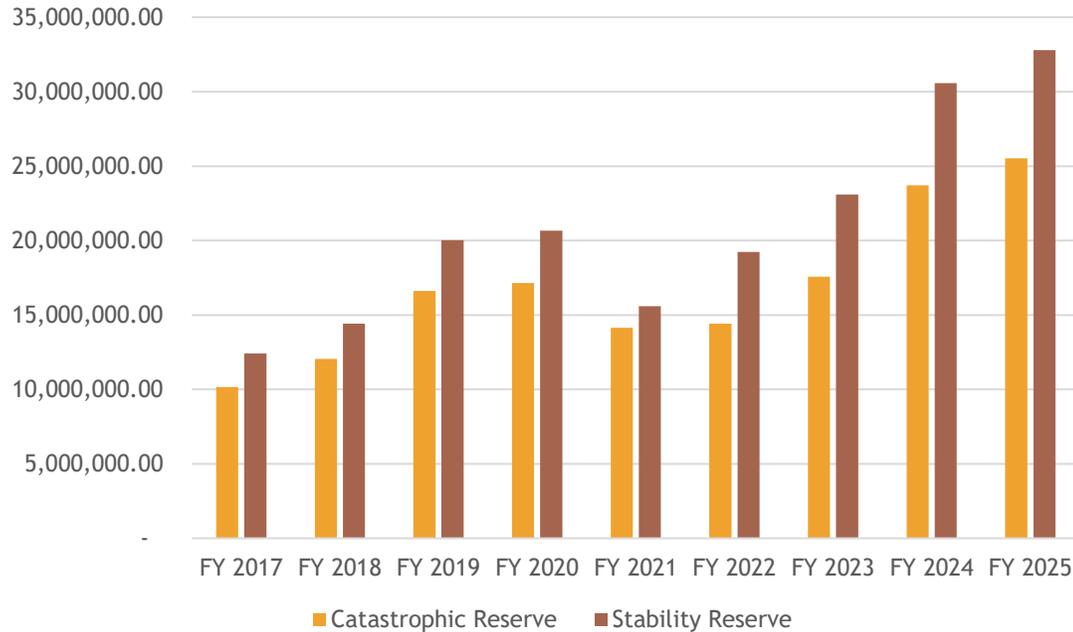
Use as a budget stabilization tool.

Consider retaining the unassigned balance as an 'Operating Reserve' to strategically prepare for the FY 2027–2028 Biennial Budget..

New Operating Reserve	
FY 2027 Projected GF Revenues	\$ 297,181,421
FY 2027 Projected GF Personnel Expenditures	\$ (219,181,678)
FY 2027 Projected GF Non-Personnel Expenditures	\$ (106,773,308)
FY 2027 Projected Surplus/(Deficit)	\$ (28,773,565)
Use of New Operating Reserve	\$ 4,177,541
Revised FY 2027 Projected Surplus/(Deficit)	\$ (24,596,024)

RESERVES STATUS

General Fund Contribution to Reserve Funds



- Estimated \$6M recommended to be added in FY26 as part of FY25 Year-End Unassigned Fund Balance Calculation.
- Increases percentage to 22.05% of revenue (goal of 20% to 30%).

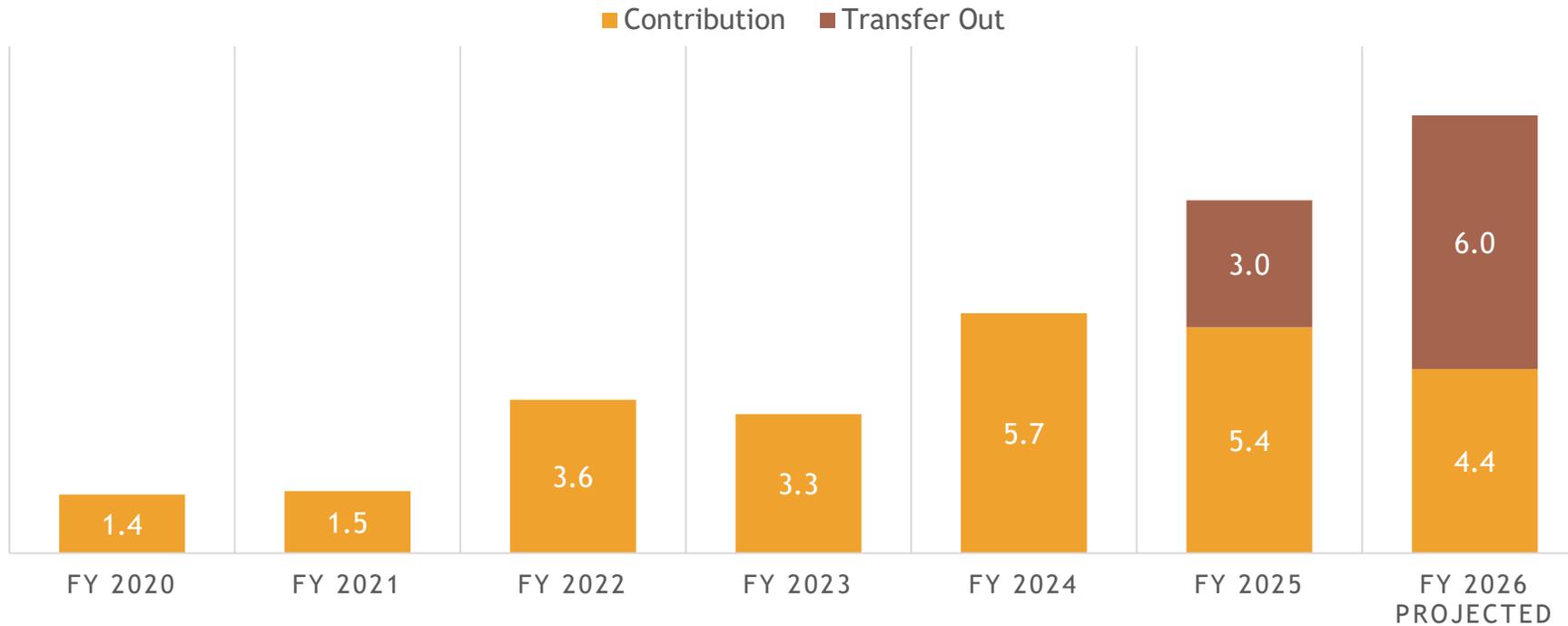
General Fund Reserves	Stability Reserve	Catastrophic Reserve	Reserve %
Beginning Balance – FY 2026	\$ 32.8	\$ 25.5	
FY 2025 Allocation to Reserves	\$ 3.3	\$ 2.7	
% Allocation	55%	45%	
Ending Cash Balance - Reserves	\$ 36.1	\$ 28.2	22.05%

Notes:

Reserve % based on FY 2026 Adopted Revenue Budget of \$291.6 million

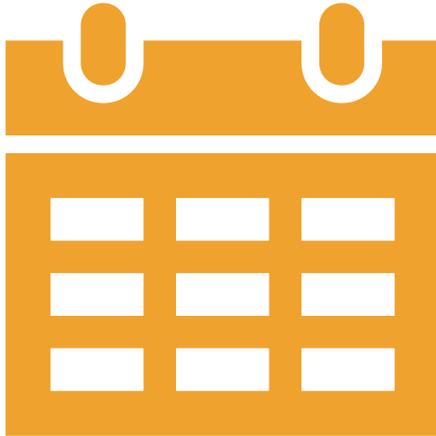
SECTION 115 TRUST STATUS

SECTION 115 TRUST CONTRIBUTIONS BY FISCAL YEAR



Estimated \$2.8 million recommended to be added to the Section 115 Trust in FY26 as part of FY25 Year-End Unassigned Fund Balance Calculation. This is a prudent step, as the Trust has served as a balancing strategy and now needs to be replenished.

FY26 AAO#1 AMENDMENT TIMING



- Budget and Finance Policy Committee November 6
- Budget and Finance Policy Committee November 13 (if needed)
- 1st reading Council November 18
- 2nd reading Council December 2

DISCUSSION