

# Budget Overview



Police Accountability Board  
(PAB)

February 25, 2026

# AGENDA

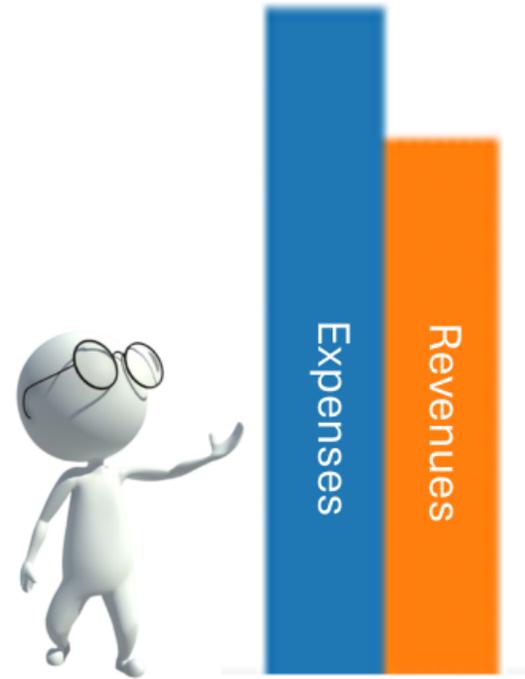
- Budget and Key Terms
- Situational Overview
- Recap of FY 2026 Mid-Biennial Budget Update
- FY 2027 & FY 2028 All Funds Baseline Budget
- FY 2027 & FY 2028 General Fund Baseline Budget
  - Revenues
  - Expenditures and Assumptions
  - Preliminary General Fund Budget Status
- Other Fiscal Challenges
- Budget Balancing Plans
- Next Steps
- Q&A

# BUDGET AND KEY TERMS

- A budget is a document that includes an **estimate** of income and expenditures for a set period. For the City of Berkeley, we adopt a budget for a two-year period (biennial budget). It is a financial plan that reflects the City’s policies, goals, and priorities.
- A Fiscal Year (FY) is a 12-month period of time to which the budget applies, July 1 thru June 30.
- Revenues are the “how” to pay for personnel, services, programs and projects. Referred to as “sources”
- Expenditures are the “what” the budget is being spent on. Referred to as “uses”
- **Proposed:** The financial plan that outlines the anticipated expenditures and revenues for the biennial budget, developed and submitted by the City Manager to Council– May
- **Adopted Budget:** The budget document formally approved by the City Council – June
- **Amended or Revised Budget:** The Adopted budget plus any modifications approved by Council during the two amendments to the **Annual Appropriation Ordinance** (AAO#1 and AAO#2) – AAO#1 (November/December) and AAO#2 (May)
- **Appropriation:** Authorization granted by Council to make expenditures and to incur obligations for purposes specified in the Annual Appropriation Ordinance. It sets the funding levels or the amount the City can spend – June
- Required by law to be adopted and balanced. To be balanced, planned expenditures must equal to or be less than planned revenue.
- City has over 200 funding sources
- General Fund most discretionary. It may support other funds that have fiscal issues.

# SITUATIONAL OVERVIEW

- Reliance on one-time resources/actions to balance deficit and implement new initiatives
  - Vacancies (hiring freeze, assumed salary savings)
  - Transfers in from other funding sources
  - Use of fund balance and/or reserves
  - One-time resources (grants, ARPA)
  - Project deferrals
- Reality is our expenses outpace our revenues
- Goal for this Biennial Budget and beyond
  - Adopt balanced budgets focused on sustainable, long-term solutions and minimizing reliance on one-time measures, recognizing that such measures cannot be entirely avoided.



# RECAP OF FY 2026 MID-BIENNIAL BUDGET UPDATE

	FY 2026 Adopted *
Revenues	\$311,435,259
Personnel	\$210,685,113
Non-Personnel	\$100,750,146
Total Expenditure	\$311,435,259
Surplus/(Deficit)	\$0

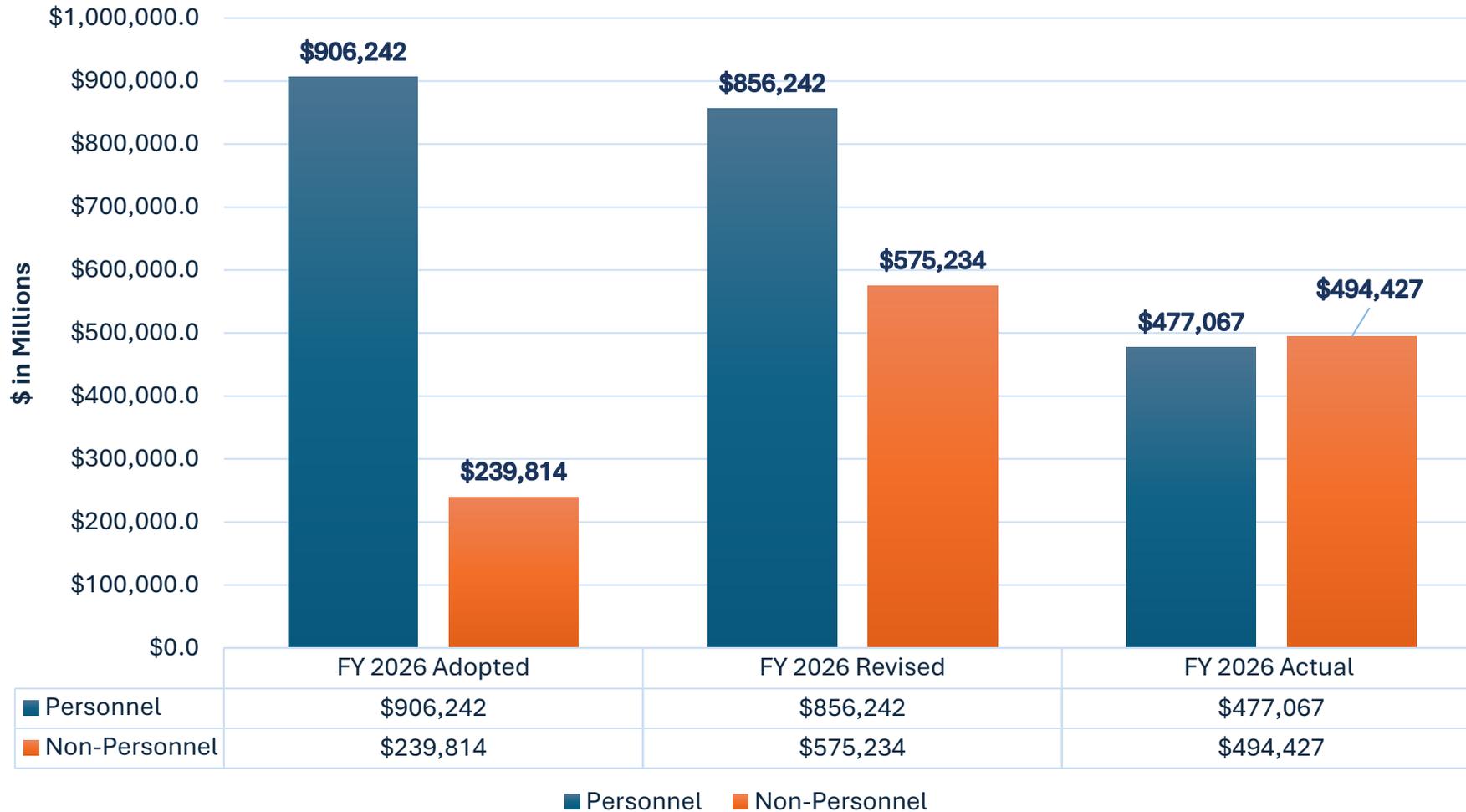
\* FY 2026 had a deficit of approximately \$29 million prior to implementation of 1x budget balancing measures and updated General Fund (GF) revenue.

The Adopted FY 2026 General Fund Budget was balanced by:

- \* Increases Revenue = \$7.5 million
- \* Use of Section 115 Trust fund balance = \$6.0 million (Recorded as revenue through transfers into the GF)
- \* Use of Workers Compensation GF budget = \$5.2 million (Recorded as revenue through transfers into the GF)
- \* Use of IT Cost Allocation (ISF) GF budget = \$6.2 million (Recorded as revenue through transfers into the GF)
- \* Small Sites Reallocation = \$2.5 million (Recorded as revenue through transfers into the GF)
- \* Freeze 44.4 vacant positions (RIF) = \$2.8 million (net savings after deletion of target salary savings)

# FY 2026 ODPA BUDGET

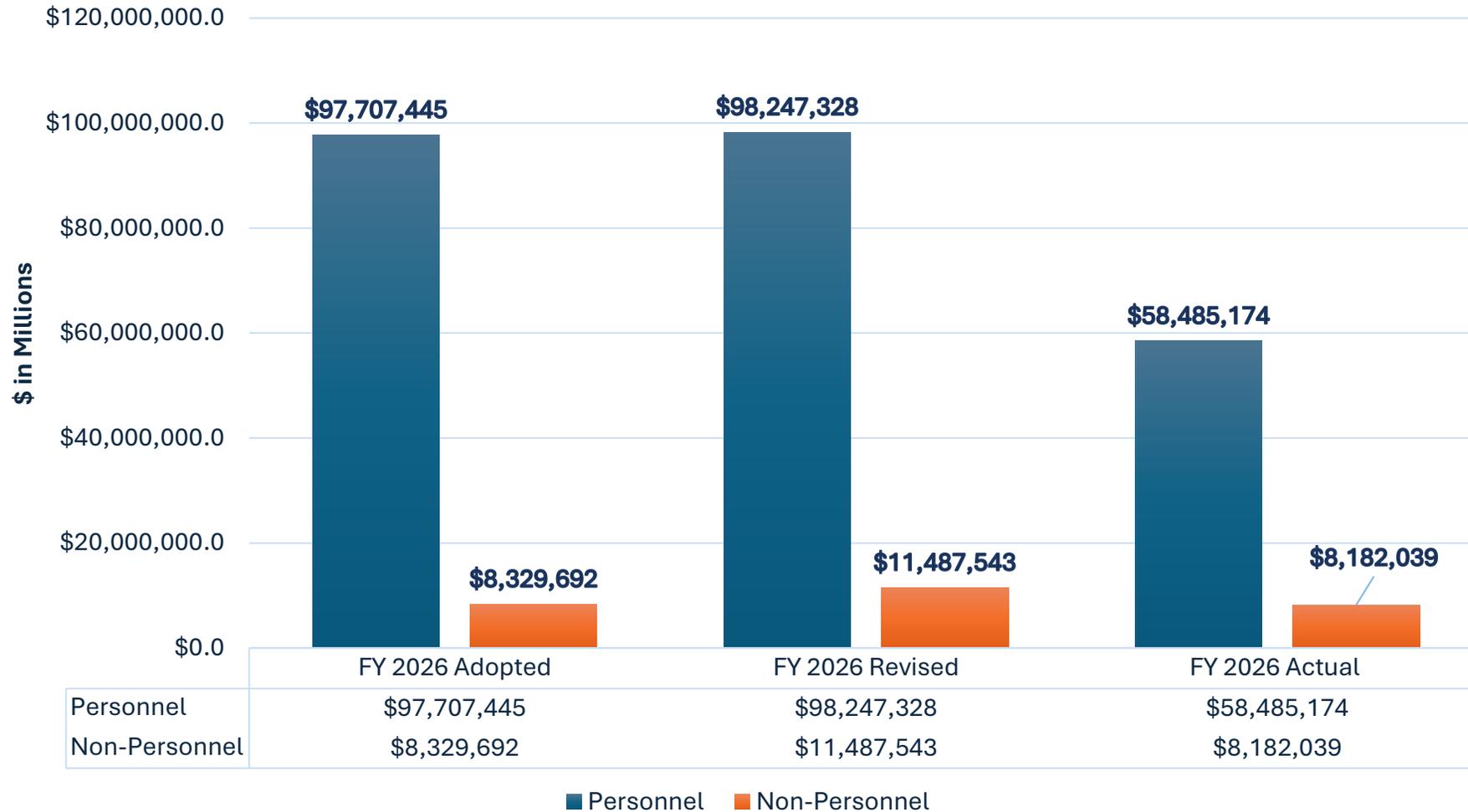
Adopted \$1.15M, Revised \$1.43M, \*Actual \$971.5K



\* Actual as of Period 7 (January 2026). Period 7 not officially closed and Period 8 (February) not yet over

# FY 2026 BPD BUDGET

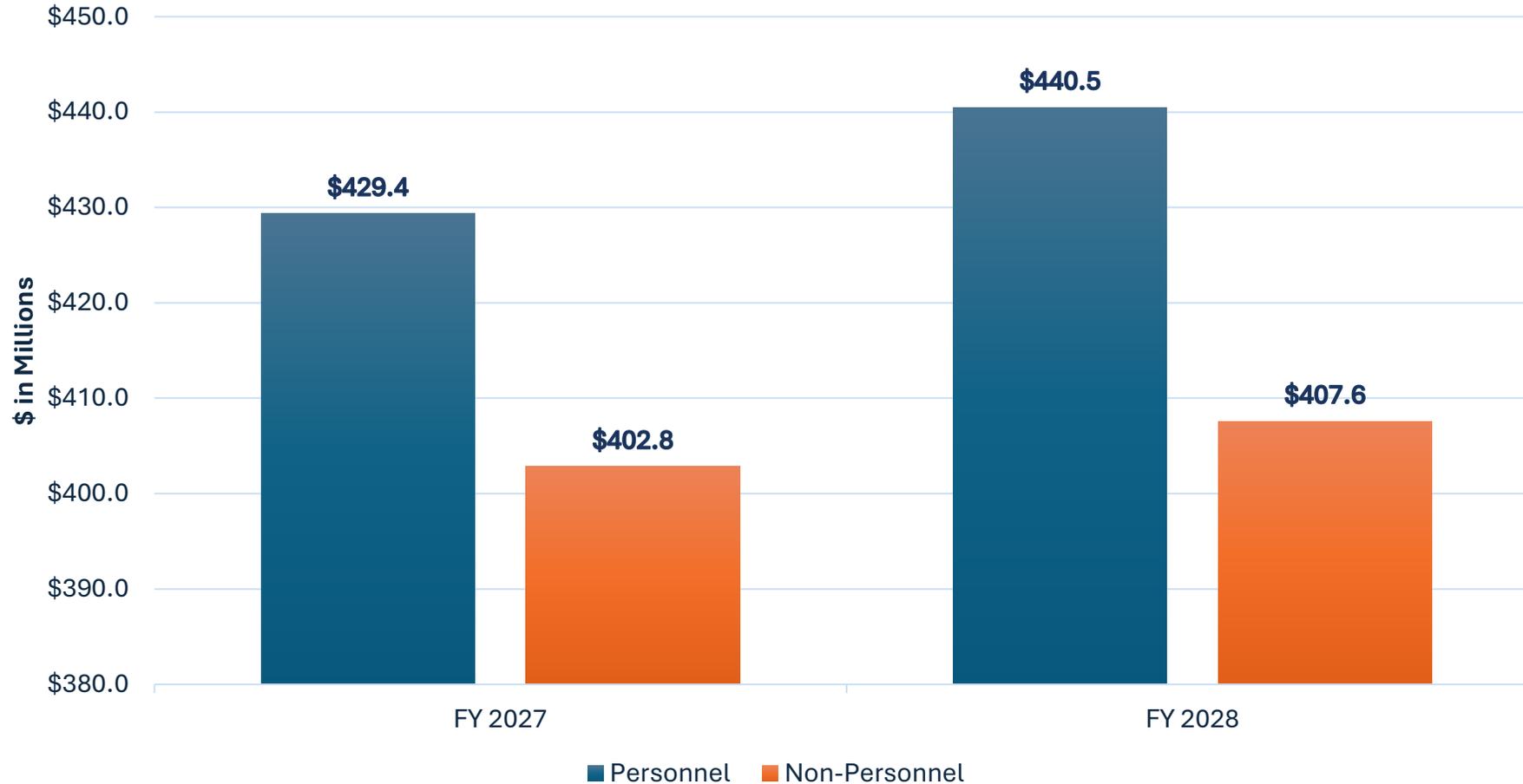
Adopted \$106.24M, Revised \$109.73M, \*Actual \$66.67M



- Actual as of Period 7 (January 2026). Period 7 not officially closed and Period 8 (February) not yet over.
- General Fund is about 88% of BPD’s budget.

# FY 2027 & FY 2028 ALL FUNDS BASELINE BUDGET

## All Funds Baseline Budget\* FY 2027 \$832.2 million, FY 2028 \$848.1 million



\* Represents the Baseline budget as of 01/14/2026 and is subject to change at each level of budget development

\* FY 2027 General Fund Baseline Budget is \$329.44 million, FY 2028 General Fund Baseline Budget is \$335.55 million

# FY 2027 & FY 2028 GENERAL FUND BASELINE REVENUE



## **No change in FY 2027 & FY 2028 General Fund (GF) Revenue projections**

GF revenue reflects projections from May 2025:

FY 2027 = \$297.2 million

FY 2028 = \$302.3 million



Currently analyzing revenues for the first six months of FY 2026 to inform the current fiscal year and updates to FY 2027 and FY 2028 projections



## **Updated GF revenues to be provided by Finance February 26, 2026**

Changes will be updated in Central Budget Entry (CBE) by the Budget Office

Change could affect budget balancing and overall biennial budget discussion

# BUILDING THE GENERAL FUND BASELINE

## **Baseline Budget Approach (FY 2027–FY 2028)**

- Built on actual expenditures and projected needs to align with service costs
- Eliminates inefficiencies and replace outdated budgets
- Base planning on data-driven spending patterns and the real cost of services

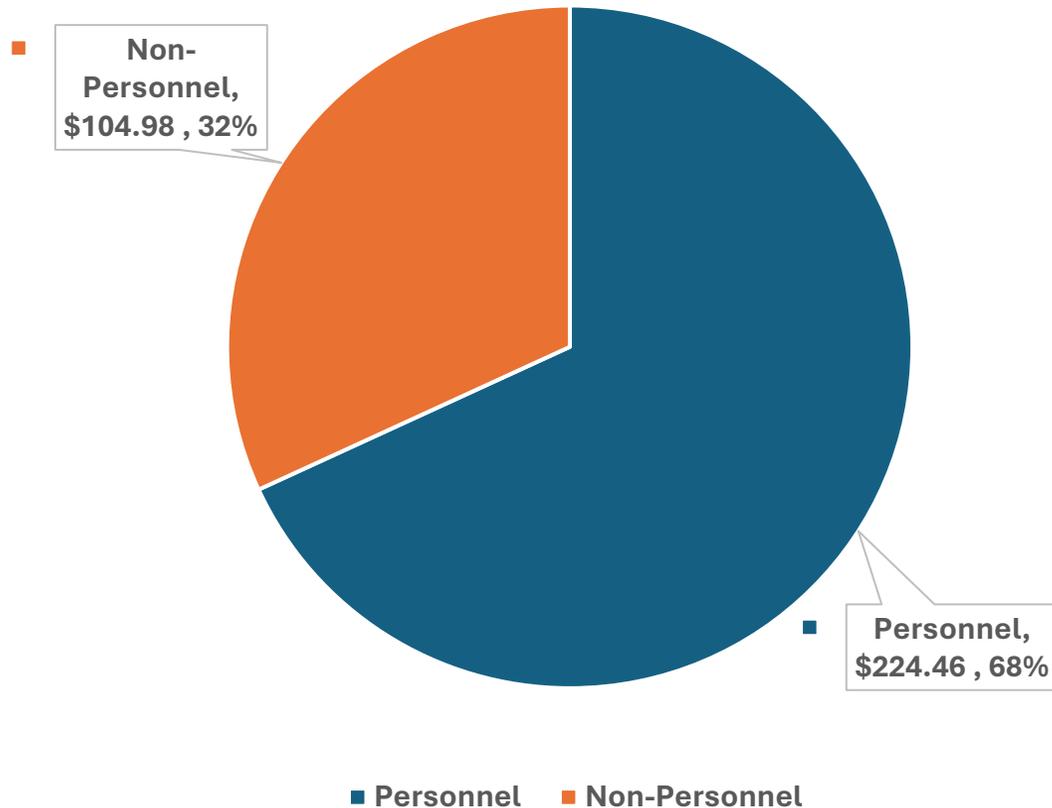
**The updated General Fund baseline for overtime, hourly, and non-personnel expenses reflects this approach.**

## **Personnel baseline assumptions**

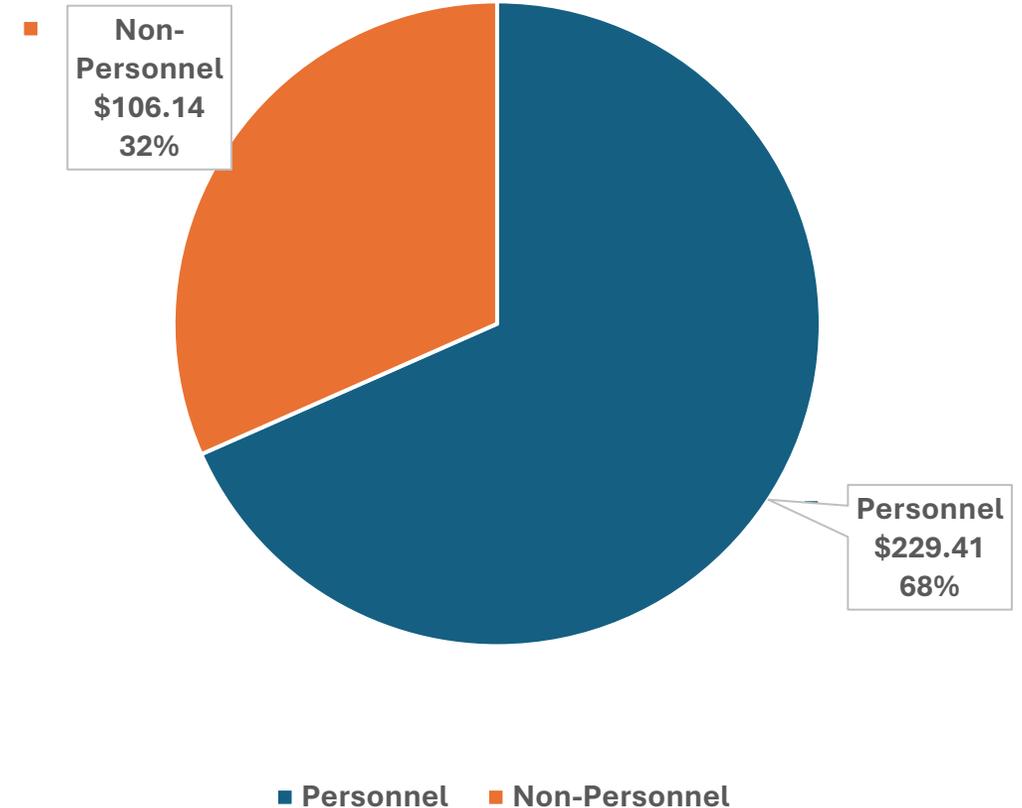
- COLA for Miscellaneous (FY 2027 only, reflects current MOUs)
- No COLA in FY 2028 (subject to change depending on current labor negotiation outcome)
- Step and pay band increases for all eligible employees
- All Add Pays associated with employees and specific classifications
- Increases to all benefits, majority of increase from health and pension costs
- Vacant positions budgeted at Step 1
- Reduction in Force (RIF) positions from the FY 2026 Mid-Biennial Budget Update not budgeted in FY 2027 and FY 2028
- Overtime and Hourly reflects alignment to actual prior year expenditures and projected needs

# FY 2027 & 2028 GENERAL FUND BASELINE EXPENDITURES

FY 2027 GF Expenditures \$329.44 million



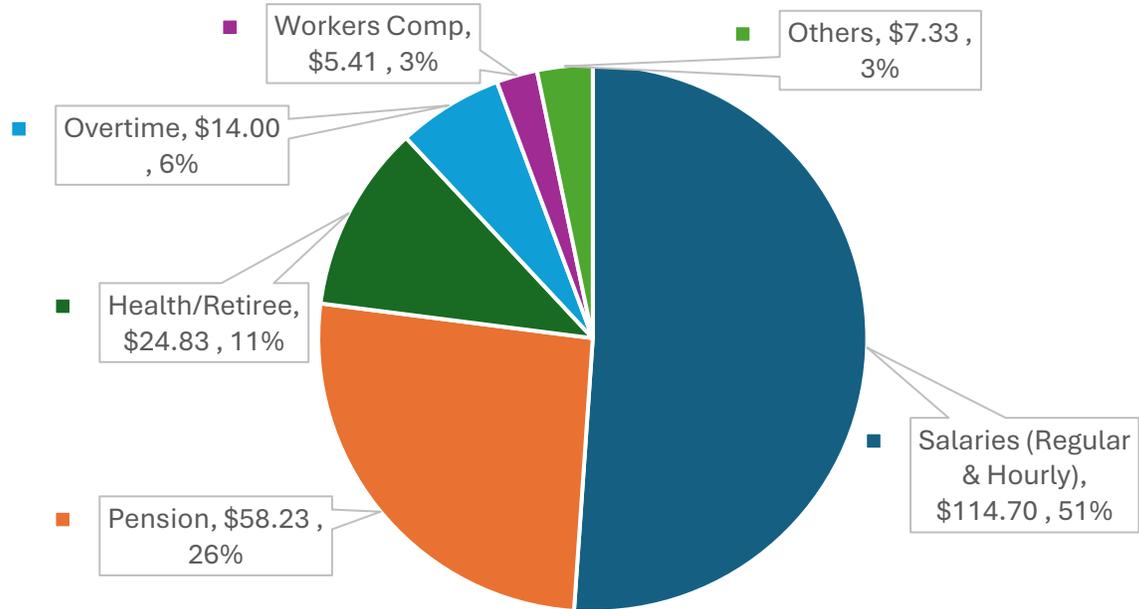
FY 2028 GF Expenditures \$335.55 million



- **Leading drivers of expenditure growth are salaries, pension, other benefits, OT & Hourly, and health insurance**

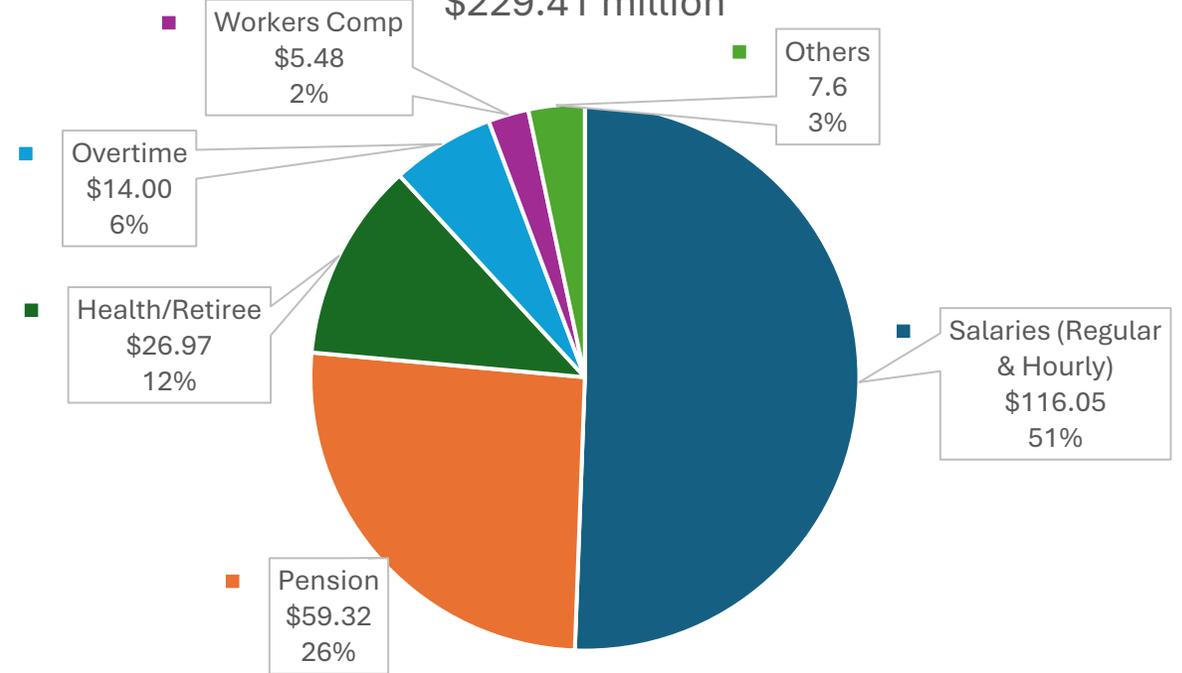
# FY 2027 & 2028 GENERAL FUND BASELINE PERSONNEL

FY 2027 GF Personnel Expenditures by category  
\$224.46 million



- Salaries (Regular & Hourly)
- Pension
- Health/Retiree
- Overtime
- Workers Comp
- Others

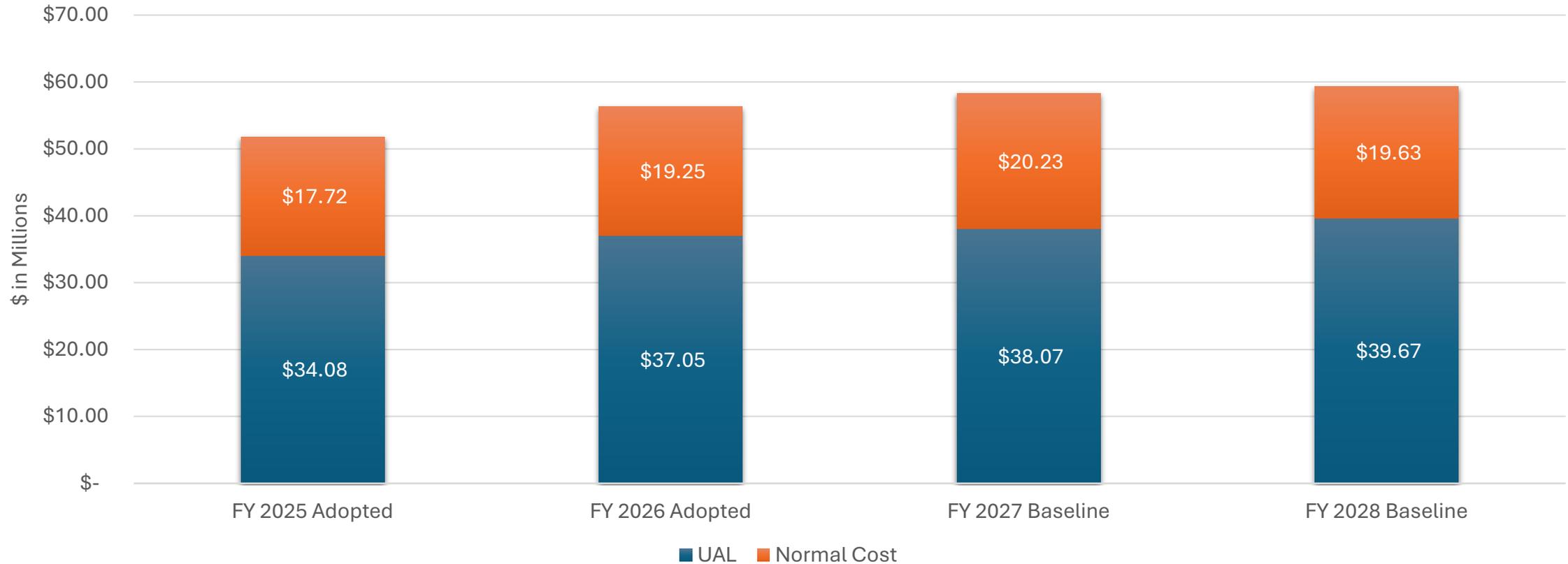
FY 2028 GF Personnel Expenditures by category  
\$229.41 million



- Salaries (Regular & Hourly)
- Pension
- Health/Retiree
- Overtime
- Workers Comp
- Others

■ **Leading drivers of expenditure growth are salaries, pension, other benefits, OT & Hourly, and health insurance**

# FY 2027 & 2028 GENERAL FUND EXPENDITURES MAJOR COST DRIVERS – PENSION



FY 2025 Adopted Total	FY 2026 Adopted Total	FY 2027 Baseline Total	FY 2028 Baseline Total
\$51.80 million	\$56.30 million	\$58.30 million	\$59.30 million

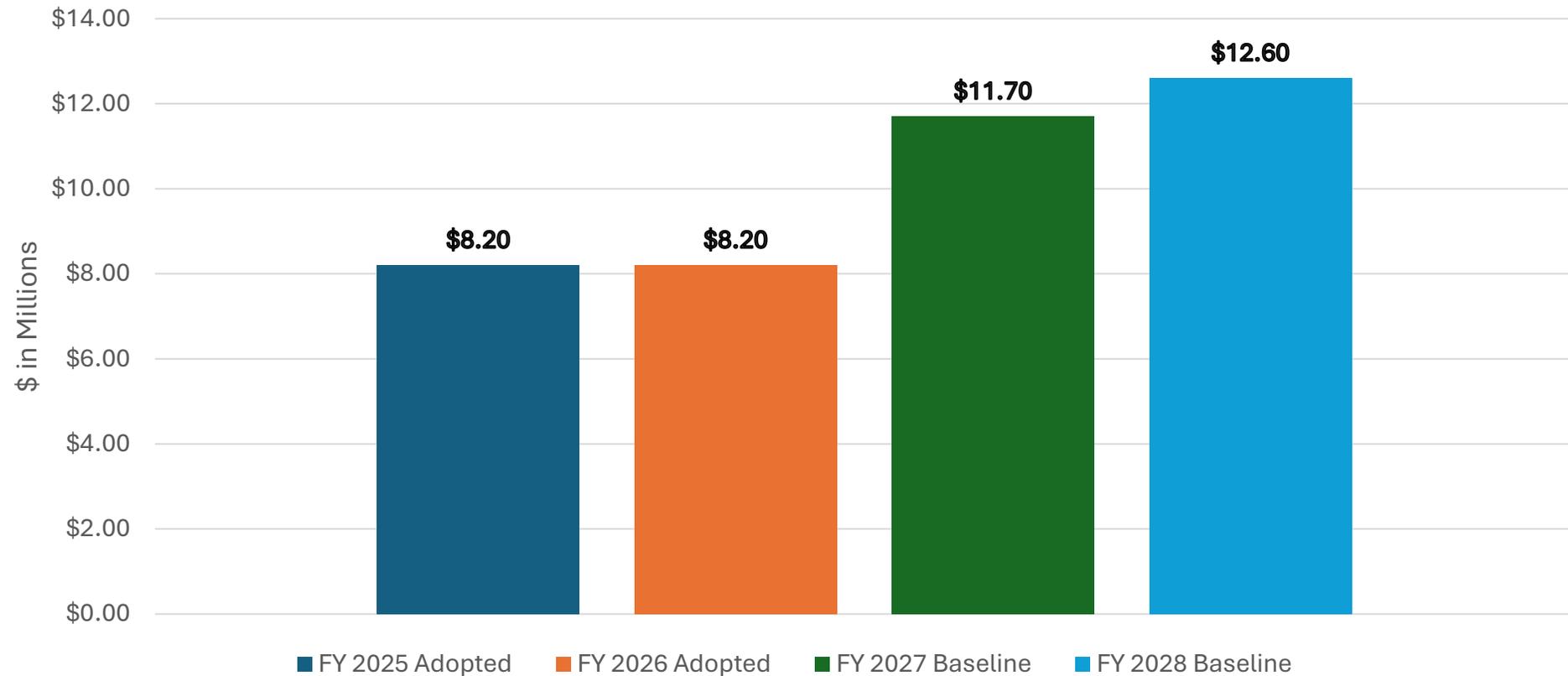
# FY 2027 & 2028 GENERAL FUND EXPENDITURES MAJOR COST DRIVERS – OVERTIME



FY 2027 and FY 2028 Baseline developed to more closely reflect actual overtime spending (e.g. FY 2024 Actual: \$14.1 million; FY 2025 Actual: \$15.9 million).

# FY 2027 & 2028 GENERAL FUND EXPENDITURES

## MAJOR COST DRIVERS – Liability (BCJPIA) Insurance



FY 2027 and FY 2028 Baseline developed to more closely reflect actual insurance cost (e.g. FY 2024 Actual: \$9.14 million; FY 2025 Actual: \$10.46 million, FY 2026 Actual: \$10.9 million).

# GENERAL FUND STATUS AT BASELINE LEVEL

	<b>FY 2027 Baseline</b>	<b>FY 2028 Baseline</b>
Revenues	\$297,181,421	\$302,343,897
Personnel	\$224,457,262	\$229,407,084
Non-Personnel	\$104,980,459	\$106,143,614
Total Expenditure	\$329,437,721	\$335,550,698
Surplus/(Deficit)	<b>(\$32,256,300)</b>	<b>(\$33,206,801)</b>

# OTHER BUDGETARY PRESSURES



## Operating / Other Funds (not exhaustive)

- Grant Funds (Federal and State pass thru funds)
- Enterprise Funds
- Internal Service
- Capital Improvement Fund
- Behavioral Health Services Act Transition
- Upcoming Labor Contract Negotiations



## Unfunded Infrastructure and Deferred Maintenance (Current estimates: \$1.65–\$2B)

- Buildings
- Fleet
- Technology infrastructure
- Streets & Roads



## External Volatility Factors

- Economic uncertainties
- Federal and State budget changes
- Unpredictable Events – Local, State, National, Global

# CLOSING THE DEFICIT: OUR PATH FORWARD

## Budget Balancing already in Motion.:

- Preliminary Exercise Launched:
  - Expenditure Reduction Worksheet
    - Target Reductions: 10% and 12.5% from baseline
    - Applies to General Fund for all departments
    - Departments managing other funds with structural deficits or negative balances must also submit balancing proposals
  - Revenue Generation Proposal Worksheet



## Other Strategies:

- Establish an Operating Reserve
- Engage Bargaining Groups and Employees for input and collaboration.
- Identify and implement operational efficiencies that yield real savings.
- City-owned Property Review
- Review Internal Service Funds
- Review existing contracts
- Continue Developing Organization-Wide Budget Solutions

# NEXT STEPS

## January 2026

Budget balancing guidance issued

Departments develop proposals

**Labor-Management Meeting (1/22)**

## February 2026

Launch Five-Year CIP

Review budget reduction proposals

FY27-28 revenue projections updated

**Employee Webinar (2/3)**

**PAB Meeting (2/25)**

**Labor-Management Meeting (2/26)**

## March 2026

Refine biennial budget

Finalize reduction proposals

Proposed budget released

**Labor impact discussions begin**

**Vacancy freeze in affected classifications\***

\*Preserves placement and bumping options

## April – June 2026

Finalize proposed budget & Five-Year CIP (Apr)

Council study session & public hearings (May)

**Ongoing labor meetings (4/23, 5/28, 6/25)**

**Budget adoption (June 30, 2026)**

***Throughout this process, there will be ongoing discussions, engagement, and employee updates with the Budget and Finance Policy Committee, Union leadership, workforce, and community.***

# NEXT STEPS - STAFF ENGAGEMENT NEEDED

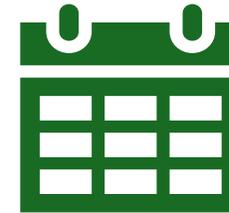


## **Employee Budget Balancing Ideas & Feedback Form**

This form is designed to continue gathering employee ideas and feedback on potential ways to help close the city's budget deficit. All suggestions are welcome—big or small, short-term or long-term. Your insights help us make informed, balanced decisions.

Form can be found here:

<https://forms.office.com/g/SfB3giEYq5>



## **Stay informed**

*Attend Employee webinars*

- February 3, 2026
- Spring 2026 – TBD

*Attend Budget and Finance Policy Committee meetings*

- February 26, 2026
- March 12, 2026
- April 23, 2026

*Other meetings to be added*

# Q&A

## Questions and Answers