

To: Budget and Finance Committee Members
From: Mayor Adena Ishii (Author)
Subject: Mayor's Proposed City Budget FY2027 – FY2028

RECOMMENDATION

Review the Mayor's proposed recommendations for adjustments to the City Manager's Proposed FY27-FY28 Budget. Provide feedback on the proposal.

BACKGROUND

Mayor Ishii is submitting recommendations for the Fiscal Year 2027 through Fiscal Year 2028 (FY27-FY28) Budget Proposal. Every two years, the Mayor and Council are tasked with approving a 2-year budget for the City of Berkeley. This budget serves as a framework for how the city spends its revenue and provides services for the community. It is revisited and adjusted by Council every year to ensure alignment across expenses and revenue.

In this budget cycle for FY27-FY28 the City is projecting a \$30 million shortfall for each of the next two fiscal years. The city already has been experiencing a structural deficit since before the pandemic. For a number of years, the City's budget has been balanced through one-time fixes. To resolve the deficit in FY26, the City Manager proposed a hiring freeze on vacant positions and the council was able to work together to pass a balanced budget. For FY27-FY28 the hiring freeze is still in effect, but it is not enough to cover the identified deficit the city is faced with over the next two years.

The City Manager and his team are proposing a number of solutions and cuts across all departments to ensure the city can meet its obligations, while also addressing the structural deficit. The Mayor and Council are tasked with reviewing the proposed budget, making adjustments they see are important to the city, and approving the City's budget by no later than June 30, 2026. The Council is prioritizing making adjustments to the City's budget that moves away from one-time fixes and towards fiscal sustainability.

RATIONALE FOR RECOMMENDATION

The Mayor is submitting her proposed budget recommendations for the FY27-FY28 budget to the Budget and Finance Committee for review and feedback. She is submitting this to provide multiple opportunities for discussion on the proposed adjustments to the City's budget and to ensure a transparent process.

FINANCIAL IMPLICATIONS

See Item Attachment. The financial implications are directly related to the budget, not necessarily the implementation of the recommendations.

ENVIRONMENTAL SUSTAINABILITY

No identifiable environmental effects from taking this action.

CONTACT PERSON

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