



CITY OF BERKELEY

# **FY 2027 and FY 2028 Budget Balancing Plan**

**Budget & Finance Committee**

**April 16, 2026**

## Situational Overview

- *Fiscal Context & Budget Summary*
- *Revenues and Expenditures*
- *Pre/Post Sales & Use Tax scenario*

## Departmental Impacts

- *High-level Budget and Position Impacts*

## Next Steps

- *Illustrative Timeline*

## Discussion

# Agenda

# Situational Overview

# Fiscal Context

- General Fund structural deficit and deficits/structural challenges in other funds
- Rising costs in personnel, pension, and health care
- Inflation
- Programs supported by one-time funds
- State/federal revenue limitations and economic uncertainty
- Increased service demands and community expectations
- Deferred maintenance and significant unfunded infrastructure needs.

***Recent budgets have relied on one-time funding measures, the Budget Balancing Plan relies on long-term, structural adjustments to restore fiscal stability.***

## FY 2027–FY 2028 GF Baseline Reset

- Baseline rebuilt using actual spending and service needs.

## Budget Balancing Framework

- After revenue and expenditure adjustments, GF deficit ranged from \$31.3M (FY 27) to \$29.5M (FY 28)
- Citywide effort: 10–12.5% GF reductions, other fund-specific fixes, and revenue ideas.
- Includes strategic cost shifts, non-departmental refinements, required debt-service support, and parking-fund stabilization.

## Use of One-Time GF Resources

- \$12.06M in one-time funds used to smooth deficits.
- Sustains services (public safety and youth/adult programs) in FY27 until the outcome of a potential Nov. 2026 Sales Tax measure is known.

# Fiscal Context Cont'd.

*The goal is a balanced budget that **protects core services**, **reduces reliance on one-time funds**, and sets the foundation for **long-term fiscal sustainability**.*

# General Fund Deficit

	FY 2027	FY 2028
Initial Estimate of General Fund Deficit	(\$32,256,300)	(\$33,206,801)
Additional Income From Revenue Projections	\$5,111,718	\$8,291,028
<b>Revised Deficit after Revenue Projections</b>	<b>(\$27,144,582)</b>	<b>(\$24,915,773)</b>
Adjustments to Revised Deficit		
1947 Center Street Debt Service	(\$1,630,454)	(\$1,623,581)
Parking Funds Stabilization	(\$1,050,938)	(\$1,050,938)
Adjustments to Non-Departmental	(\$1,523,365)	(\$1,942,666)
<b>Total Deficit Before Use of One Time Resources</b>	<b>(\$31,349,339)</b>	<b>(\$29,532,958)</b>
Use of One Time Resources	\$2,100,000	\$0
<b>General Fund Deficit after Revenue and Expenditure Adjustments</b>	<b>(\$29,249,339)</b>	<b>(\$29,532,958)</b>

# One Time Resources

Sources of One Time Resources	Amount
Operating Reserve (2025 AAO#1)	\$4,177,541
Dissolution of Successor Agency - Transfer to City	\$7,877,572
<b>Total Sources of One Time Resources</b>	<b>\$12,055,113</b>

Uses of One Time Resources	Amount
Proposed Sales and Use Tax	\$9,443,000
Smooth Out Difference in FY 2027 and FY 2028 Deficit	\$2,100,000
Carrying Costs Associated with Impacted Employees	\$500,000
<b>Total Uses of One Time Funds</b>	<b>\$12,043,000</b>
Remaining One Time Resources	\$12,113

## Scenario 1: Proposed Sales & Use Tax Measure Passes (November 2026)

- Avoids service disruptions in public safety and youth and adult services
- Provides ongoing revenue to stabilize the General Fund
- Allows the City to continue long-term structural reforms

## Scenario 2: Proposed Sales & Use Tax Measure Fails

- Deeper cuts needed to balance the budget

# Budget Scenarios

*The proposed Budget Balancing Plan presents two paths.*

# General Fund Budget Balancing

## FY 2027

- Deficit - \$29,249,330
- Reduction Achieved **before** S&U Tax \$29,251,348 (10.3%)
- Reduction Achieved **after** S&U Tax (1xResource) \$19,808,353 (7.0%)

## FY 2028

- Deficit - \$29,532,958
- Reduction Achieved **before** S&U Tax \$29,773,019 (10.5%)
- Reduction Achieved **after** S&U Tax \$20,139,074 (7.1%)

*The City closed the FY 27 and FY 28 structural deficits with more than 10 percent in ongoing reductions. While one-time resources provide short-term easing, the underlying balance is achieved through durable, sustainable fiscal measures and new revenue.*

## Developing the Plan centered on the following:

- Protecting essential and safety-net services
- Advancing community wellbeing
- Maintaining long term fiscal sustainability
- Minimizing service disruptions and workforce impacts

# Budget Balancing Plan

***Reflects a strategic approach that addresses City needs considering severe resource constraints rather than equal cuts by department.***

# FY 27 Proposed Reduction Plan - Charter Offices - GF

Charter Offices	FY 27 Baseline	Reduction	FY 27 Budget w/Reduction	% Reduction	S&U Tax Alloc.	Reduction w/S&U Tax	% Reduction w/S&U Tax
City Attorney	\$7,696,001	\$0	\$7,696,001	0.0%	\$0	\$0	0.0%
City Auditor	\$3,929,199	\$288,560	\$3,640,639	7.3%	\$0	\$288,560	7.3%
ODPA	\$1,289,953	\$71,708	\$1,218,245	5.6%	\$0	\$71,708	5.6%
Mayor & Council	\$6,899,331	\$863,145	\$6,036,186	12.5%	\$0	\$863,145	12.5%
<b>Total Charter</b>	<b>\$19,814,484</b>	<b>\$1,223,413</b>	<b>\$18,591,071</b>	<b>6.2%</b>	<b>\$0</b>	<b>\$1,223,413</b>	<b>6.2%</b>

**Once Charter Offices' reductions were set, the remaining deficit was defined, requiring \$28.0 million in additional reductions from CM-Managed Departments to close the FY 27 GF gap. Same methodology was applied for FY 28.**

# FY 27 Proposed Reduction Plan – Departments - GF

Departments	FY 27 Baseline	Reduction	FY 27 Budget w/Reduction	% Reduction	S&U Tax Alloc.	Reduction w/S&U Tax	% Reduction w/S&U Tax
City Clerk	\$3,952,847	\$210,456	\$3,742,391	5.3%	\$0	\$210,456	5.3%
CMO	\$18,713,660	\$2,489,487	\$16,224,173	13.3%	\$0	\$2,489,487	13.3%
Finance	\$9,887,235	\$684,356	\$9,202,879	6.9%	\$0	\$684,356	6.9%
Fire	\$55,650,689	\$6,653,092	\$48,997,597	12.0%	\$3,631,106	\$3,021,986	5.4%
HHCS	\$37,548,665	\$3,561,672	\$33,986,993	9.5%	\$0	\$3,561,672	9.5%
HR	\$5,212,918	\$625,774	\$4,587,144	12.0%	\$0	\$625,774	12.0%
IT	\$1,150,454	\$185,391	\$965,062	16.1%	\$0	\$185,391	16.1%
PRW	\$13,233,201	\$1,190,950	\$12,042,251	9.0%	\$466,004	\$724,946	5.5%
Planning & Dev.	\$3,666,161	\$458,269	\$3,207,892	12.5%	\$0	\$458,269	12.5%
Police	\$106,198,574	\$10,588,717	\$95,609,857	10.0%	\$5,345,885	\$5,242,832	4.9%
Public Works	\$8,135,147	\$779,771	\$7,355,377	9.6%	\$0	\$779,771	9.6%
IT Cost Allocation		\$600,000			\$0	\$600,000	

# FY 27 Proposed Reduction Plan – Dept. GF – Cont.

Departments	FY 27 Baseline	Reduction	FY 27 Budget w/Reduction	% Reduction	S&U Tax Alloc.	Reduction w/S&U Tax	% Reduction w/S&U Tax
Total CM Depts.	\$263,349,551	\$28,027,935	\$235,321,616	10.6%	\$9,442,995	\$18,584,940	7.1%
Total Citywide	\$283,164,035	\$29,251,348	\$253,912,687	10.3%	\$9,442,995	\$19,808,353	7.0%

**FY 28 Reduction amount is higher than FY 27 to allow for natural increase but percentage of reduction of the baseline budget is also 10.6% for CM Managed Depts. and 6.5% for Charter Offices, with Total Citywide reduction of 10.3%**

## **A Personnel-Driven Budget Limits Balancing Options. Choices Get Difficult.**

- About 70% of the General Fund is tied to staffing, meaning the deficit cannot be closed through non-personnel cuts alone.
- Other City funding sources face similar constraints.
- Departments minimized impacts by prioritizing vacant positions and only identifying filled positions with focus on preserving core services and to support long-term fiscal health.
- Positions proposed for allocation to the Sales & Use Tax = 33.0 FTE (15.0 Vacant and 18.0 Filled)

# Staffing Reduction

## *All Funds*

### *Proposed Position Reduction*

*Vacant = 100*

*Filled = 38*

*Total = 138*

### *Proposed Position Reduction (S&U)*

*Vacant = 85*

*Filled = 20*

*Total = 105*

# Staffing Impact - All Funds

**Table 1 – Cumulative FTE RIF no Sales & Use Tax (FY 26 Mid-Biennial and Proposed FY 27 & FY 28)**

FY 26 Adopted FTE*	FY 26 Reduction in Force (RIF)**	FY 27 Baseline FTE***	FY 27 Proposed FTE Reduction	FY 27 Total FTE (net of Proposed Reduction)	Total Cumulative RIF	Total Cumulative % Reduction in FTE
1,608.99	45.00	1,559.54	138.00	1,421.54	183.00	11.37%

**Table 2 – Cumulative FTE RIF w/Sales & Use Tax (FY 26 Mid-Biennial and Proposed FY 27 & FY 28)**

FY 26 Adopted FTE*	FY 26 Reduction in Force (RIF)**	FY 27 Baseline FTE***	FY27 Proposed FTE Reduction (w/Sales & Use Tax)	FY 27 Total FTE (net of Proposed Reduction)	Total Cumulative RIF (w/Sales & Use Tax)	Total Cumulative % Reduction in FTE
1,608.99	45.00	1,559.54	105.00	1,454.54	150.00	9.32%

\* FY 26 Adopted Full-Time Equivalent (FTE) count includes RIF – positions that were authorized but not budgeted in FY 26.

\*\* Reduction in Force (RIF) – 44.4 General Fund positions; equivalent to 45 FTE count – All Funds

\*\*\* Baseline as of 01/15/2026; excludes RIF (45 FTE) and includes department adjustments (4.45 net FTE, removed temporary positions and expired project-based positions, reclassifications, relocation, new Measure FF positions, etc.)



# Departmental Impacts

# City Clerk's Office

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of GF Baseline	All Funds Baseline FTE	FTE after proposed reduction
2027	\$3,952,847	\$3,742,391	5.3%	9	9
2028*	\$3,998,036	\$3,903,580	2.4%	9	9

## Service and Operational Impacts:

- Eliminate resources for overtime and temporary staffing.
- Delay planned update of OnBase (City Council report management system).
- Reduce captioning costs. Lowers captioning expenses while maintaining accessibility.
- Reallocate 75% of Boardroom costs to other funding sources.

\* Excludes \$1,071,990 one-time reduction due to allocation to election, which does not occur in FY 2028. These resources will be deployed to address increases in insurance costs that exceed the City's initial projections.

# City Manager's Office

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of GF Baseline	All Funds Baseline FTE	FTE after proposed reduction
2027	\$18,713,660	\$16,224,173	13.3%	53	44
2028	\$19,041,413	\$16,608,790	12.8%	53	44

## Service and Operational Impacts:

- Diversity, Equity & Inclusion: Priority items assigned to existing staff to the extent feasible. Community engagement activities envisioned for role will not occur.
- Economic Development: Reduced capacity for small-business assistance, loan fund management, BID/commission support, and marketing activities.
- Civic Arts: Reduces operational capacity, grant opportunities, prioritizes backlog of public arts projects.
- Communications: Slows response times, shifts work to departments, weakens crisis / emergency response.
- Increased administrative workload spread across the department.
- Ends homeless outreach (DBA) and animal services contracts.

# Finance Department

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of GF Baseline	All Funds Baseline FTE	FTE after proposed reduction
2027	\$9,887,235	\$9,202,879	6.9%	52	48
2028	\$10,178,435	\$9,462,721	7.0%	52	48

## Service and Operational Impacts:

- Diminished capacity for system modernization and technology system upgrades.
- Loss of the only broad-scope analyst limits internal analysis, revenue monitoring, and backup coverage.
- Reduced staffing for business tax audits and collections, reducing revenue generation for the General Fund and Zero Waste Fund.
- Reduces training resources by 25%.

# Fire Department

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of Baseline	All Funds Baseline FTE	FTE after proposed reduction	Sales & Use Tax Allocation	Reduction % after S & U Tax	All Funds FTE after S & U Tax
2027	\$55,650,689	\$48,997,597	12.0%	206	192	\$3,631,106	5.4%	201
2028	\$57,206,818	\$50,406,027	11.9%	206	192	\$3,703,328	5.4%	201

## Service and Operational Impacts:

- Closure of Station 4 significantly slows response times and reduce reliability. \*
- Anticipated delays in project reviews, inspections, and special event permitting.
- Prevention and Preparedness -- ends Street Trauma Prevention, CERT instruction, and disaster preparedness training.
- Diminished emergency medical services program oversight.
- Operational cost shifts reduces critical employee health and wellness programming and education.
- Limited capacity to apply for and monitor grants.

\* Maintained in FY 27 with one-time funding; Future years proposed for Sales & Use Tax Measure.

# Health, Housing, and Community Services Department

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of GF Baseline	All Funds Baseline FTE	FTE after proposed reduction
2027	\$37,548,665	\$33,986,993	9.5%	240.75	195.75
2028	\$38,021,381	\$34,565,913	9.1%	240.75	195.75

## Service and Operational Impacts:

- Addresses General Fund deficits and loss of funding across mental health, public health, aging, and housing.
- Ends Vector Control, Mobile Crisis, Heart-to-Heart, public health emergency preparedness, and other services.
- Eliminates Winter Shelter program, reduces STAIR Center funding, and reduced staffing impacts responsiveness (Shelter Plus Care and Labor Standards).
- State and federal funding cuts (Prop I, CASPHI, CFHL, SEED) reduce health, nutrition, equity, and mental health services.

# Human Resources Department

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of GF Baseline	All Funds Baseline FTE	FTE after proposed reduction
2027	\$5,212,918	\$4,587,144	12.0%	26	24
2028	\$5,387,455	\$4,765,423	11.5%	26	24

## Service and Operational Impacts:

- Focus shifts from proactive and strategic efforts to a compliance-driven, baseline model.
- Reassigns portions of multiple HR roles to WVC duties, limiting broader HR services.
- Reduces capacity for workers' compensation, safety, and proactive HR support.
- Slower response times associated with ergonomic assessments, site visits, and compliance support.
- Non-personnel: Eliminates consulting, software, and modeling tools, increasing manual work and reducing strategic support.

# Information Technology Department

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of GF Baseline	All Funds Baseline FTE	FTE after proposed reduction
2027	\$1,150,454	\$965,062	16.1%	49	45
2028	\$1,150,454	\$965,062	16.1%	49	45

## Service and Operational Impacts:

- Reduced capacity for system support and modernization, project management, infrastructure improvements, 311 Customer Service, and employee Service Desk operations.
- Defers phone system replacement, integration platform work, and AI tools.
- Non-personnel reductions: Eliminates ServiceNow support, increasing risk of slower issue resolution.
- Structural deficits in other IT funds (502 and 503) shift costs to IT Cost Allocation Plan Fund, increasing long-term funding pressures.

# Parks, Recreation, and Waterfront Department

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of Baseline	All Funds Baseline FTE	FTE after proposed reduction	Sales & Use Tax Allocation	Reduction % after S & U Tax	All Funds FTE after S & U Tax
2027	\$13,233,201	\$12,042,251	9.0%	116	110	\$466,004	5.5%	113
2028	\$13,382,163	12,176,353	9.0%	116	110	\$477,313	5.4%	113

## Service and Operational Impacts:

- Addressing GF and Marina Fund deficits and expiring TI funding results in reduced capacity in recreation, maintenance, and capital project delivery.
- Fewer camps, afterschool slots, pool and community center hours, youth programs, and special events; Therapeutic Recreation ends.\*
- Waterfront & capital: Reduced capacity to deliver projects, secure grants, oversee leases, and maintain marina operations.
- Non-personnel: Reduced fire fuel work, outreach and events, department training, and maintenance.

\* Maintained in FY 27 with one-time funding, Future years proposed for Sales & Use Tax Measure.

# Planning and Development Department

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of GF Baseline	All Funds Baseline FTE	FTE after proposed reduction
2027	\$3,666,161	\$3,207,892	12.5%	104.04	104.04
2028	\$3,763,360	\$3,292,941	12.5%	104.04	104.04

## Service and Operational Impacts:

- Reallocates eligible staff costs to Permit Service Center and CUPA funds, reducing General Fund spending with no immediate service change.
- Adjusts internal service charges to properly align with workload, generating additional General Fund savings.
- Enterprise funds may require fee adjustments to sustain reallocated costs over time.

# Police Department

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of Baseline	All Funds Baseline FTE	FTE after proposed reduction	Sales & Use Tax Allocation	Reduction % after S & U Tax	All Funds FTE after S & U Tax
2027	\$106,198,574	\$95,609,857	10.0%	290	251	\$5,345,885	4.9%	272
2028	\$107,356,946	\$96,567,568	10.1%	290	251	\$5,453,304	5.0%	272

## Service and Operational Impacts:

- Sworn and nonsworn staffing reductions diminishes response to 9-1-1 calls for service and ability to proactively address crime. Increases workload, burnout, and negatively impacts hiring efforts.
- Dispatcher staffing reductions will slow 9-1-1 call-taking and impact reliability.\*
- Sworn staffing reductions reduces / eliminates specialty units (Traffic, Community Services, Bicycle Team, and major Detective functions shrink or end) reducing proactive work, investigations, and community engagement.\*
- Non-personnel: Shifts in contracts, software, training, uniforms/gear to special funds and reduces overtime.

\* 15 police officers / 6 dispatchers maintained in FY 27 with one-time funding to maintain public safety response. Future years proposed for Sales & Use Tax Measure.

# Public Works Department

Fiscal Year	GF Baseline Expenditures	GF Proposed Budget	Reduction % of GF Baseline	All Funds Baseline FTE	FTE after proposed reduction
2027	\$8,135,147	\$7,355,377	9.6%	352	337
2028	\$8,302,692	\$7,218,169	13.1%	352	337

## Service and Operational Impacts:

- Addresses GF deficit, along with deficits in other funds (Building Maintenance, Parking, CIP).
- Focus on essential public life-safety systems, legal compliance, and preventing catastrophic infrastructure failure.
- Anticipated delays in repairs and facility work, especially for non-emergency work, and reduced support for special events.
- Extensive cost shifting strains funds, leading to reduced services, deferred projects, and increased backlog.
- Non-personnel reductions: Cuts security services and defers parking meter upgrades, increasing long-term maintenance issues and revenue risks, and defers capital projects.

# Next Steps | Illustrative Timeline

*The planned action items noted below may be adjusted based on the actual budget process.*

## April 2026

**April 15<sup>th</sup>**

All Staff webinar

**April 16<sup>th</sup> and 23<sup>rd</sup>**

Budget and Finance  
Committee meetings

## May 2026

**May 14<sup>th</sup> and 28<sup>th</sup>**

Budget and Finance  
Committee Meetings

**May 19<sup>th</sup>**

City Council Public  
Hearing re: Proposed  
Biennial Budget

## June 2026

**June 9<sup>th</sup>**

Council meeting Public  
Hearing re: CIP

**June 16<sup>th</sup>**

Potential discussion at  
Council regarding Biennial  
Budget and CIP

**June 23<sup>rd</sup>**

Council Meeting to adopt  
FY 27/28 Biennial Budget  
and 5-year CIP

## July 2026

**July 1<sup>st</sup>**

FY 27 begins and the  
adopted budget balancing  
measures take effect

**July 2<sup>nd</sup>**

Employees impacted by  
the adopted Budget  
receive Notice

## Budget Development & Adoption

- *Refine the biennial budget and prepare adjustments for June 2026 adoption.*

## Fiscal Alignment

- *Maintain focus on long-term structural balance over one-time fixes.*

Next Steps

# Discussion