



Office of the City Manager

Date: February 26, 2026
 To: Budget and Finance Policy Committee/City Council
 From: Paul Buddenhagen, City Manager
 Submitted by: Henry Oyekanmi, Finance Director
 Subject: FY 2026 Mid-Year General Fund Revenue Report

General Fund Revenue and Transfers Mid-Year FY 2026 vs Mid-Year FY 2025 Comparison

Revenue Categories	FY 2026				FY 2025				Comparison FY26 vs FY25	
	Adopted	Actual	Variance	% Received	Adopted	Actual	Variance	% Received	Amount	%
	(a)	(b)	c=(b) - (a)	(d) = (b)/(a)	(e)	(f)	g=(f) - (e)	(h) = (f)/(g)	(i) = (b) - (f)	(j) = (i)/(f)
Secured Property	\$95,236,939	\$47,402,611	(\$47,834,328)	49.77%	\$89,887,496	\$45,385,988	(\$44,501,508)	50.49%	2,016,623	4.44%
Supplemental Taxes	3,400,000	684,808	(2,715,192)	20.14%	3,400,000	727,555	-2,672,445	21.40%	(42,747)	-5.88%
Unsecured Property Taxes	4,973,066	4,439,145	(533,921)	89.26%	4,648,038	4,165,858	-482,180	89.63%	273,287	6.56%
Property Transfer Tax	22,000,000	14,079,634	(7,920,366)	64.00%	19,000,000	11,918,015	-7,081,985	62.73%	2,161,619	18.14%
Property Transfer Tax-Measure P (New 12/21/2018)	9,100,000	6,586,501	(2,513,499)	72.38%	6,199,580	4,833,858	-1,365,722	77.97%	1,752,643	36.26%
Sales Taxes	19,106,713	9,623,130	(9,483,583)	50.37%	18,884,235	9,364,937	-9,519,298	49.59%	258,193	2.76%
Soda Taxes	1,147,387	405,897	(741,490)	35.38%	1,147,387	512,817	-634,570	44.69%	(106,920)	-20.85%
Utility Users Taxes	19,396,728	8,351,808	(11,044,920)	43.06%	17,700,000	9,047,804	-8,652,196	51.12%	(695,996)	-7.69%
Transient Occupancy Taxes	6,500,000	5,660,431	(839,569)	87.08%	7,688,065	4,249,236	-3,438,829	55.27%	1,411,195	33.21%
Less: TOT rebates owed (2)		(981,036)				(665,260)			(315,776)	47.47%
Short-term Rentals	1,400,000	641,433	(758,567)	45.82%	1,400,000	661,730	-738,270	1,400,000	(20,297)	-3.07%
Business License Tax	24,480,000	2,336,893	(22,143,107)	9.55%	23,664,000	1,338,858	-22,325,142	5.66%	998,035	74.54%
Recreational Cannabis	18,000		(18,000)	0.00%	18,000	19,017	1,017	105.65%	(19,017)	-100.00%
U1 Revenues	6,500,000	298,004	(6,201,996)	4.58%	6,500,000	128,163	-6,371,837	1.97%	169,841	132.52%
Residential Vacancy Tax (5)	3,500,000	363,780	(3,136,220)	10.39%	-	-	0		363,780	
Other Taxes (including Redemptions-Regular) (3)	5,453,059	3,852,627	(1,600,432)	70.65%	5,453,059	1,987,429	-3,465,630	36.45%	1,865,198	93.85%
Vehicle In-Lieu Taxes	20,055,853	9,904,792	(10,151,061)	49.39%	18,851,257	9,500,999	-9,350,258	50.40%	403,793	4.25%
Parking Fines-Regular Collections	5,900,000	3,666,656	(2,233,344)	62.15%	5,800,000	2,932,701	-2,867,299	50.56%	733,955	25.03%
Moving Violations	132,600	77,236	(55,364)	58.25%	132,600	73,119	-59,481	55.14%	4,117	5.63%
Ambulance Fees	8,900,000	4,593,148	(4,306,852)	51.61%	7,734,813	3,768,540	-3,966,273	48.72%	824,608	21.88%
Interest Income (4)	14,000,000	6,849,335	(7,150,665)	48.92%	13,500,000	7,735,188	-5,764,812	57.30%	(885,853)	-11.45%
Franchise Fees	1,822,528	246,401	(1,576,127)	13.52%	1,822,528	268,424	-1,554,104	14.73%	(22,023)	-8.20%
Other Revenue	8,000,000	4,619,244	(3,380,756)	57.74%	8,759,495	4,308,571	-4,450,924	49.19%	310,673	7.21%
IDC Reimbursement	7,070,256	3,045,997	(4,024,259)	43.08%	7,031,624	3,200,593	-3,831,031	45.52%	(154,596)	-4.83%
Transfers	23,842,130	18,763,010	(5,079,120)	78.70%	4,181,923	2,090,961	-2,090,962	50.00%	16,672,049	797.34%
			-				0		-	
Total Revenue:	\$311,935,259	\$155,511,485	-\$156,423,774	49.85%	\$273,404,100	\$127,555,101	-\$145,848,999	46.65%	\$27,956,384	21.92%

- Notes:
- (1) This statement is presented on a budgetary basis (i.e., cash).
 - (2) Includes the amount of TOT rebates paid during the period. A total of \$219,271 for November (\$121,558) and December (\$97,213) 2025 were still unpaid as of December 31, 2025
 - (3) Total Other Taxes includes Redemptions-Regular
 - (4) Excludes \$473,263 in CalPERS Prepayment Discount in FY 2026 and \$472,263 in FY 2025 that belongs to the Section 115 Pension Trust Fund
 - (5) New tax in FY 2026

General Fund revenue and transfers increased \$27,956,384 or 21.9%, from \$127,555,101 in the first half of FY 2025, to \$155,511,485 for the same period in FY 2026.

General Fund revenue (excluding transfers) increased \$11,284,335 or 9.0%, from \$125,464,140 in the first half of FY 2025, to \$136,748,475 for the same period in FY 2026.

Notable increases (decreases) in revenue and transfers during the first half of FY 2026 were the following:

Revenue Source	Amount
1. Secured Property Taxes	\$2,016,623
2. Property Transfer Taxes	2,161,619
3. Measure P Property Transfer Taxes	1,752,643
4. Utility Users Taxes	(695,996)
5. Transient Occupancy Taxes (TOT)	1,095,419
6. Other Taxes	1,865,198
7. Vehicle In Lieu Taxes (VLF)	403,793
8. Ambulance Fees	824,608
9. Interest Income	(885,853)
10. Transfers	16,672,049

FY 2026 FIRST HALF GENERAL FUND REVENUE/TRANSFERS DETAILS:

Secured Property Tax (+\$2,016,623 more than FY 2025 Actual

During the first half of FY 2026, Secured Property Tax revenues totaled \$47,402,611, which was \$2,016,623 or 4.44% more than the \$45,385,988 received for the same period in FY 2025. This result was consistent with the County's Certification of Assessed Valuation (received from the County in August 2025), which reflects growth of 4.22%. However, the FY 2026 Adopted Budget assumed a 5.5% increase and a base of \$90,271,980 (i.e., projected total collection for FY 2025). However, the actual collection for FY 2025 was \$89,041,388, primarily as a result of a 116.4% increase in the amount of Secured Property Tax refunds that were issued by Alameda County, from \$448,572 in FY 2024 to \$970,660 in FY 2025.

As a result, the Secured Property Tax Revenue projection is being decreased from \$95,236,939 to \$92,798,935.

Supplemental Taxes (-\$42,747 less than FY 2025 Actual)

During the first half of FY 2026, Supplemental Taxes totaled \$684,808, which was \$42,747 or 5.9% less than the \$727,555 received for the same period in FY 2025

The Supplemental Tax Revenue projection is being decreased from \$3.4 million to \$2.0 million, consistent with the FY 2025 actual of \$2.0 million.

Unsecured Property Tax (+\$273,287 more than FY 2025 Actual)

During the first half of FY 2026, Unsecured Property Tax revenues totaled \$4,439,145, which was \$273,287 or 6.56% more than the amount of \$4,165,858 received for the same period in FY 2025. This amount is greater than the County's Certification of Assessed Valuation growth of 5.87% for FY 2026. No changes will be made to the projections for FY 2026.

Please note that Unsecured Property Taxes are payable once a year and due August 31st.

Property Transfer Tax (+\$2,161,619 more than FY 2025 Actual)

During the first half of FY 2026, Property Transfer Tax totaled \$14,079,634, which was \$2,161,619 or 18.1% more than the \$11,918,015 received for the same period in FY 2025.

The primary reasons for the \$2,161,619 increase in Property Transfer Tax were the following:

- (1) The dollar value of property sales increased by \$182.0 million or 22.9%, from \$794.6 million in the first half of FY 2025 to \$976.6 million during the same period of FY 2026, as illustrated in Table 1 below.
- (2) There were three property sales of \$10 million or more, with total sales of \$265.9 million in the first half of FY 2026 compared to five property sales of \$10 million or more, with total sales of \$164.6 million in the first half of FY 2025; and,
- (3) The number of property sales transactions increased by 35 or 8.5% from 414 in the first half of FY 2025 to 449 during the same period of FY 2026, as illustrated in the Table 2 below.

Table 1- Property Sales In Million \$

	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2025	\$163.30	\$111.00	\$79.30	\$167.50	\$195.40	\$78.10	\$794.60
FY 2026	\$143.30	\$123.10	\$83.80	\$190.70	\$327.70	\$108.00	\$976.60
Change	-20.0	+12.1	+4.5	+23.2	+132.3	+29.9	+182.0
% Change	-12.2%	10.9%	5.7%	13.9%	67.7%	38.3%	22.9%

Table 2-Number of Property Sales Transactions

	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2025	75	72	55	69	86	57	414
FY 2026	104	74	58	61	94	58	449
Change	+29	+2	+3	-8	+8	+1	+35
% Change	+38.70%	+2.80%	+5.50%	-11.60%	+9.30%	+1.80%	+8.50%

The FY 2026 Property Transfer Tax Revenue projection is being increased from \$22 million to \$24 million.

Measure P-Property Transfer Tax (+\$1,752,643 more than FY 2025 Actual)

Measure P taxes totaling \$6,586,501 were collected during the first half of FY 2026, which was \$1,752,643 or 36.3% more than the \$4,833,858 collected during the same period of FY 2025.

This increase resulted primarily from the following:

- (1) An increase of \$163,3 million or 33.0% in the dollar value of property sales amount in the first half of FY 2026 versus those in the first half of FY 2025 as reflected in Table 3;
- (2) The number of property sales transactions increased by 9 or 6.4% during the first half of FY 2026, as illustrated in the Table 4 below; and,
- (3) There were three property sales of \$10 million or more totaling \$265.9 million during this six-month period in FY 2026, compared to five transactions with total property sales of \$164.6 million for the same period in FY 2025.

Table 3- Property Sales \$1.5 million+ In Million \$

	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2025	\$113.9	\$55.9	\$31.3	\$123.5	\$137.5	\$33.3	\$495.4
FY 2026	68.3	70.0	39.1	146.4	267.0	67.9	\$658.7
Change	-45.6	+14.1	+7.8	+22.9	+129.5	+34.6	163.3
% Change	-40.0%	+25.2%	+24.9%	+18.5%	+94.2%	+103.9%	33.0%

Table 4- Property Transactions \$1.5 Million and Above

	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2025	31	25	10	26	34	15	141
FY 2026	28	25	17	24	36	20	150
Change	-3	0	+7	-2	+2	+5	+9
% Change	-9.7%	0.0%	+70.0%	-7.7%	+5.9%	+33.3%	+6.4%

The Measure P1 Property Transfer Tax Revenue projection for FY 2026 is being increased from \$9.1 million to \$11.1 million.

Sales Tax (\$258,193 more than FY 2025 Actual)

For the first half of FY 2026 Sales Tax revenue totaled \$9,623,130, which was \$258,193 or 2.76% more than the \$9,364,937 received for the same period in FY 2025. The City's Sales Tax Consultant made the following FY 2026 Sales Tax Projections by category:

Category	Amount
General Retail	\$3,982,164
Food Products	\$6,266,918
Transportation	\$2,308,365
Construction	\$1,458,206
Business to Business	\$1,408,923
Miscellaneous	\$847,497
County Pool	\$3,976,608
State Pool	\$11,599
County Sharing	(\$1,012,588)
CDTFA Administration	(\$140,978)
Total	\$19,106,713

The actual mid-year Sales Tax Revenue of \$9,623,130 was \$12,921 below the projection of \$9,636,051. No changes will be made to the projections for FY 2026.

Utility Users Taxes (-\$695,996 less than FY 2025 Actual)

Utility Users Tax revenue for the first half of FY 2026 totaled \$8,351,808, which was \$695,996 or 7.69% less than the \$9,047,804 received for FY 2025.

This decrease of \$695,996 resulted from increases/decreases in the following categories, particularly the decrease in Electricity:

FY 2026 Actual Revenues Compared to FY 2025 Actual Revenues				
	FY2026	FY 2025	\$ Change	% Change
Telephone	\$ 422,501	\$ 443,221	\$ (20,720)	-4.67%
Cable	\$ 407,766	\$ 458,076	\$ (50,310)	-10.98%
Cellular	\$ 864,438	\$ 896,208	\$ (31,770)	-3.54%
Electric	\$ 5,317,812	\$ 6,001,290	\$ (683,478)	-11.39%
Gas	\$ 1,339,291	\$ 1,249,009	\$ 90,282	7.23%
Total	\$ 8,351,808	\$ 9,047,804	\$ 695,996	-7.69%

No changes will be made to the projection.

Transient Occupancy Tax (+\$1,095,419 more than FY 2025 Actual)

The total net Transient Occupancy Tax (TOT) revenue reported for the first half of FY 2026 totaled \$4,679,395 (after deducting \$981,036 in TOT rebates paid), which was \$1,095,419 or 30.6% more than the \$3,583,976 (after deducting \$665,260 in TOT rebates paid) received for the same period in 2025.

The increase was primarily attributable to:

- (1) the FY 2025 delinquent payment of \$1,075,110 plus penalties of \$155,034 and interest of \$31,227 that was made by one of the top six hotels during the first six months of FY 2026; and,
- (2) the top six hotels reported FY 2026 revenue increase of \$198,703, despite non-payment of one of the six largest hotels to pay any TOT in the six months of FY 2026. The latter hotel has filed for bankruptcy.

As a result, the TOT Revenue projection (after rebates are paid) is being increased from \$6.5 million to \$7.5 million.

Short-Term Rentals (-\$20,297 less than FY 2025 Actual)

Short-Term Rentals revenue for the first half of FY 2026 totaled \$641,433, which was \$20,297 or 3.1% less than the \$661,730 received for the same period in FY 2025. No change in projections.

Business License Taxes (+\$998,035 more than FY 2025 Actual)

Business license Taxes (BLT) revenue for the first half of FY 2026 totaled \$2,336,893, which is \$998,035 or 74.5% more than the \$1,338,858 received for the same period in FY 2025.

It is too soon to determine if this increase is due to an increase in revenue or due to the timing of the processing of the Business License Tax receipts, as these taxes are not delinquent until March 1st. However, part of the increase thus far resulted from the late billing of \$597,829 in FY 2025 nonprofit BLT, which was collected in early FY 2026. No changes to projections.

U1 Revenues (+\$169,841 more than FY 2024 Actual)

U1 revenues for the first half of FY 2025 totaled \$298,004, which was \$169,841 or 132.5% more than the \$128,163 received for the same period in FY 2025.

It is too soon to determine if this increase is due to an increase in revenue or due to the timing of the processing of the U1 receipts, as these taxes are not delinquent until March 1st.

The U1 Revenue projection is being increased from \$6.5 million to \$6.6 million, consistent with the FY 2025 actual of \$6.6 million.

Other Taxes (+\$1,865,198 more than FY 2025 Actual)

Other Taxes (including Redemptions-Regular) for the first half of FY 2026 totaled \$3,852,627 which was \$1,865,198 or 93.85% more than the \$1,987,429 received for the same period in FY 2025.

The primary reason for the increase was:

- (1) \$665,426 in Transportation Network Company User Tax was recorded as Other Income, instead of Other Taxes in FY 2025.
- (2) an increase of \$109,676 in Parking Lot Taxes.
- (3) an increase of \$860,575 in BLT penalties; and,
- (4) an increase of \$86,997 in BLT interest.

The FY 2026 Other Taxes projection is being increased from \$5,453,059 to \$14,665,725. This updated projection includes a one-time adjustment of \$7,877,572 that will be transferred after the liquidation of the Berkeley Successor Agency and an additional \$570,000 in tax increment that will be received in June from the Successor Agency. Additionally, the projection has been increased by \$800,000.

Vehicle In Lieu Taxes (+\$403,793 more than FY 2025 Actual)

Vehicle in Lieu Taxes (VLF) for the first half of FY 2026 totaled \$9,904,792, which was \$403,793 or 4.25% more than the \$9,500,999 received for the same period in FY 2025. This result was consistent with the County's Certification of Assessed Valuation (received in August 2025), which reflects growth of 4.22%. Changes in VLF revenues are based on the growth in assessed values. However, the Adopted Budget reflects growth of 5.50%, so actual Vehicle In Lieu Taxes are expected to be \$251,971 or 1.26% less than the Adopted Budget amount of \$20,055,853.

The FY 2026 Vehicle In Lieu Tax projection is being decreased from \$20,055,853 to \$19,803,882.

Parking Fines (+\$733,955 more than FY 2025 Actual)

Parking Fines revenue for the first half of FY 2026 totaled \$3,666,656, which was \$733,955 or 25.0% more than the \$2,932,701 received for the same period in FY 2025.

For the first half of FY 2026, ticket writing decreased by 2,887 or 3.3% from 86,968 in the first half of FY 2025 to 84,081 in the same period in FY 2026, as follows:

	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2025	14,221	15,033	14,744	14,872	13,308	14,790	86,968
FY 2026	15,514	15,417	14,024	14,103	11,825	13,198	84,081
Difference	1,293	384	-720	-769	-1,483	-1,592	-2887
% Difference	9.10%	2.60%	-4.90%	-11.1	-7.11%	-10.80%	-3.30%

The FY 2026 increase in revenue resulted primarily from a collection of Parking Fines receivables from previous years.

As a result of the mid-year trend, the FY 2026 Parking Fines projection is being increased from \$5.9 million to \$6.65 million.

Ambulance Fees (+\$824,608 more than FY 2025 Actual)

Ambulance Fees revenue for the first half of FY 2026 totaled \$4,593,148, which was \$824,608 or 21.9% more than the \$3,768,540 received for the same period in FY 2025.

The increase in the first half of FY 2026 was due to a 37.7% increase in transports and an increase in Ambulance Fee rates:

Service Charge	FY 2026	FY 2025	% Increase
Base Rate	\$ 4,529.89	\$ 4,051.06	11.80%
Mileage	\$ 102.21	\$ 91.41	11.80%
Oxygen	\$ 338.42	\$ 302.64	11.80%
Treatment/Non-Transport	\$ 908.49	\$ 812.46	11.80%
First Responder Fee	\$ 559.00	\$ 500.00	11.80%

As a result of the mid-year trend, the FY 2026 Ambulance Fees Fines projection is being increased from \$8.9 million to \$9.2 million.

Interest Income (-\$885,853 less than FY 2025 Actual)

For the first half of FY 2026, Interest Income totaled \$6,849,335, which was \$885,853 or 11.5% less than the total of \$7,735,188 received for the same period in FY 2025.

This decrease was primarily attributable to:

- (1) Larger average investment balances in the first half of FY 2025 (range of \$530.5 million-\$557.6 million) than in the first half of FY 2026 (range of \$414.8 million-\$475.3 million). The decline in the average investment balances was partly due to General Fund operating deficits in FY 2024 and FY 2025. The General Fund's Available Cash Balance (i.e., Budget-Basis Fund Balance) declined from \$85.4 million on June 30, 2023 to \$30.6 million on June 30, 2025; and,
- (2) a slightly higher average net interest rate earned by the City in the first half of FY 2025 from a range of 2.93%-3.32%, to a range of 2.91%-3.37% during the first half of FY 2026, as follows:

Monthly Net Interest Rate Earned:

FY	July	Aug	Sept	Oct	Nov	Dec
2025	3.32%	3.18%	3.04%	3.05%	2.93%	3.05%
2026	3.37%	3.22%	3.03%	3.01%	2.91%	3.01%

The FY 2026 Interest Income projection is being decreased from \$14.0 million to \$13.5 million.

Other Revenues (+\$310,673 more than FY 2025 Actual)

Other Revenues primarily consists of licenses and permits; grants; preferential parking fees; general government charges for services; public safety charges for services; health charges for services; culture and recreation charges for services; rents and royalties; and other miscellaneous revenues that are not considered major.

Other Revenues for the first half of FY 2026 totaled \$4,619,244 which was \$310,673 or 7.2% more than the \$4,308,571 received for the same period in FY 2025.

This increase of \$310,673 was primarily attributable to:

- (1) An increase of \$963,048 in premiums received on the issuance of Tax and Revenue Anticipation Notes (TRAN) in FY 2026.
- (2) \$665,426 in TNC User Taxes erroneously recorded as Other Revenue, instead of Other Taxes, in FY 2025.

It should be pointed out that the premium on the issuance of Tax and Revenue Anticipation Notes paid to the City was not actually revenue; it was a liability that was paid by the purchaser of the City's Notes when the coupon interest rate was higher than the market rate when the Notes were issued. It will be used to offset the interest expense paid by the City on the Notes.

Indirect Cost Reimbursements (-\$154,596 less than FY 2025 Actual)

IDC Reimbursement (IDC) decreases result from decreases in the indirect cost allocation base (i.e., total direct salaries and wages in the fund), a decrease in the indirect cost rate or a combination of decreases or increases in both factors. IDC for the first half of FY 2026 totaled \$3,045,997, which was \$154,596 or 4.83% less than the \$3,200,593 received for the same period in FY 2025. The decline was primarily accounted for by a decrease in IDC rates for the Marina Fund from 23% in the first half of FY 2025 to 17% for the same period in FY 2026. The net decrease in IDC resulting from the Marina Fund change in rates was partially offset by a slight increase of \$461,768 or 2.86% in the indirect cost allocation base (total direct salaries and wages) from \$16,123,244 in the first half of FY 2025 to \$16,585,012 for the same period in FY 2026; This created a decline of \$154,596 or 4.83% in total IDC.

Considering the decrease in the Marina IDC rate, the IDC Revenue projection is being decreased from \$7.1 million to \$6.8 million, consistent with the FY 2025 actual of \$6.8 million.

Transfers (+\$16,672,049 more than FY 2025 Actual)

Transfers from other funds for the first half of FY 2026 totaled \$18,763,010 which was \$16,672,049 or 797.3% more than the \$2,090,961 received for the same period in FY 2025. This was primarily attributable to transfers for the following FY 2026 budget balancing items: \$5,187,019 transfer from the Workers Compensation Fund; \$2,500,000 transfer from the U1 Housing Fund; \$3,233,207 transfer from the IT Cost Allocation Fund, and \$6 million transfer from the Section 115 Pension Fund. No changes will be made to the projections.

5 YEARS PROJECTED GENERAL FUND REVENUES

	Projected General Fund Revenue						
	FY 2026 Adopted	FY 2025 Actual	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Undesignated Revenues							
Secured Property Taxes	95,236,939	89,041,388	92,798,935	98,784,093	103,454,324	108,288,012	113,290,880
Supplemental Taxes	3,400,000	2,035,343	2,000,000	2,500,000	2,000,000	2,000,000	2,000,000
Unsecured Property Taxes	4,973,066	4,798,998	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
Property Transfer Taxes	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Property Transfer Tax - Measure P	9,100,000	10,129,772	11,100,000	11,655,000	12,237,750	12,849,638	13,492,119
Property Transfer Taxes-Measure W				1,500,000	3,000,000	3,000,000	3,000,000
Sales Taxes	19,106,713	18,925,939	19,106,713	19,353,282	19,761,273	20,161,521	20,525,203
Soda Tax	1,147,387	1,031,453	1,000,000	1,147,387	1,147,387	1,147,387	1,147,387
Utility Users Taxes	19,396,728	18,999,486	19,396,728	18,750,000	18,750,000	18,750,000	18,750,000
Transient Occupancy Taxes(TOT)	6,500,000	7,087,525	8,660,450	8,920,264	9,098,669	9,280,642	9,466,255
TOT Rebates		-958,344	-1,160,450	-1,195,264	-1,231,122	-1,268,055	-1,306,097
Short-term Rentals	1,400,000	1,460,298	1,400,000	1,650,000	1,400,000	1,400,000	1,400,000
Business License Taxes	24,480,000	23,523,824	24,480,000	24,969,600	25,468,992	25,978,372	26,497,939
Recreational Cannabis	18,000	66,282	18,000	18,000	1,000,000	1,020,000	1,040,400
Measure U1	6,500,000	6,591,844	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000
Residential Vacancy Tax	3,500,000		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Other Taxes (Including redemptions)	5,453,059	6,050,906	14,665,725	6,500,000	6,630,000	6,762,600	6,897,852
Vehicle In Lieu Taxes	20,055,853	19,001,998	19,803,882	21,091,135	21,829,324	22,593,351	23,384,118
Parking Fines - Regular Collections	5,900,000	6,062,513	6,650,000	6,650,000	6,650,000	6,650,000	6,650,000
Moving Violations	132,600	165,360	165,360	165,360	165,360	165,360	165,360
Ambulance Fees	8,900,000	8,488,420	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000
Interest Income	14,000,000	14,467,176	13,500,000	13,500,000	12,500,000	12,500,000	12,500,000
Franchise Fees	1,822,528	2,133,540	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Other Revenues	8,000,000	10,985,618	8,000,000	8,200,000	8,405,000	8,615,125	8,830,503
Indirect cost reimbursements	7,070,256	6,835,834	7,070,256	7,211,661	7,355,894	7,503,012	7,653,072
Transfers	23,842,130	8,974,480	23,842,130	4,472,621	4,562,074	4,562,074	4,562,074
Total Undesignated Revenues	305,935,259	281,899,653	313,497,729	296,843,139	305,184,925	312,959,039	320,947,066
Designated Revenues							
Prop. Transfer Taxes for capital improvements	6,000,000	7,052,569	8,000,000	5,450,000	5,450,000	5,250,000	5,000,000
Total Designated Revenues	6,000,000	7,052,569	8,000,000	5,450,000	5,450,000	5,250,000	5,000,000
TOTAL REVENUES AND TRANSFERS	311,935,259	288,952,222	321,497,729	302,293,139	310,634,925	318,209,039	325,947,066

Secured Property Taxes

Property Transfer Tax revenue declined sharply in FY 2024 and FY 2025 and rebounded slightly in FY 2026. As a result, Secured Property Tax growth declined from 10.82% in FY 2023 to 7.256% in FY 2024 and 6.39% in FY 2025. It is currently down to 4.22% in FY 2026, although 5.5% was expected.

During the six months of FY 2026, Secured Property Tax revenues totaled \$47,402,611, which was \$2,481,368 or 4.44% more than the \$45,385,988 received for the same period in FY 2025. This result was consistent with the County's Certification of Assessed Valuation (received from the County in August 2025), which reflects growth of 4.22%. However, the FY 2026 Adopted Budget assumed a 5.5% increase and a base of \$90,271,980 (i.e., projected total collection for FY 2025). However, the actual collection for FY 2025 was \$89,041,388.

As a result, the Secured Property Tax Revenue projection is being decreased from \$95,236,939 to \$92,798,935.

Staff projects Secured Property Tax growth of 4.22% in FY 2026. Staff projects 6.4% increase in FY 2027, due to the return of County deductions related to the Successor Agency to the General Fund. In FY 2028 staff project a return to nominal increases.

Property Transfer Taxes

After reaching a total of \$42,901,750 in FY 2022, Property Transfer Taxes sharply declined in FY 2023 (by 46.7%) and FY 2024 (by 22.1%); it rebounded by 31.5% to \$23,052,569 in FY 2025. However, most of the increase in FY 2025 related to property sales that significantly exceeded \$10 million and are not likely to recur.

During the first half of FY 2026, Property Transfer Tax totaled \$14,079,634, which was \$2,161,619 or 18.1% more than the \$11,918,015 received for the same period in FY 2025.

The primary reasons for the \$2,161,619 increase in Property Transfer Tax were the following:

- (1) The dollar value of property sales increased by \$182.0 million or 22.9%, from \$794.6 million in the first half of FY 2025 to \$976.6 million during the same period of FY 2026.
- (2) There were three property sales of \$10 million or more, with total sales of \$265.9 million in the first half of FY 2026 compared to five property sales of \$10 million or more, with total sales of \$164.6 million in the first half of FY 2025; and,
- (3) The number of property sales transactions increased by 35 or 8.5% from 414 in the first half of FY 2025 to 449 during the same period of FY 2026.

Because of the difficulty in projecting this revenue source, Staff is projecting an increase of 9% in FY 2026, a decrease of 10% in FY 2027, and flat revenue through FY 2030. Mortgage rates are expected to continue to be high, due to higher inflationary expectations as a result of the current Administration's trade policies and huge federal budget deficits. This will have a negative impact on consumer and business spending, interest rates and the economy as a whole.

Measure P Taxes

After reaching a total of \$20,591,313 in FY 2022, Measure P Property Transfer Taxes sharply declined in FY 2023 (by 50.5% to \$10,199,580) and FY 2024 (by 38.5% to \$6,272,861); it rebounded by 61.5% to \$10,129,772 in FY 2025. However, most of those increases are related to property sales that significantly exceeded \$10 million and are not likely to recur.

Measure P taxes totaling \$6,586,501 were collected during the first half of FY 2026, which was \$1,752,643 or 36.3% more than the \$4,833,858 collected during the same period of FY 2025.

This increase resulted primarily from the following:

- (1) An increase of \$163.3 million or 33.0% in the dollar value of property sales amount in the first half of FY 2026 versus those in the first half of FY 2025,
- (2) The number of property sales transactions increased by 9 or 6.4% during the first half of FY 2026; and,
- (3) There were three property sales of \$10 million or more totaling \$265.9 million during this six-month period in FY 2026, compared to five transactions with total property sales of \$164.6 million for the same period in FY 2025.

Because of the difficulty in projecting this revenue source, Staff is projecting an increase of \$2,000,000 or 21.9% in FY 2026 and 5% growth in revenue in FY 2027 through FY 2030.

Sales Taxes

Sales tax revenue is above the pre-pandemic level of \$18.7 million in FY 2019. The City's Sales Tax Consultant projects an increase of 1.7% in Sales Taxes in FY 2026, an increase of 1.3 in FY 2027, and an increase of 2.1% in FY 2028.

Utility Users Tax

Utility Users Tax revenue for the first half of FY 2026 totaled \$8,351,808, which was \$695,996 or 7.69% less than the \$9,047,804 received for FY 2025. This decrease of \$695,996 resulted primarily from a decrease in Electricity of \$683,478.

Staff is making no changes to the projection for FY 2026. Staff is projecting a marginal decrease of 1.9% for FY 2027 and a flat rate through FY 2030.

Transient Occupancy Tax

With the addition of a new hotel, FY 2023 gross TOT revenue exceeded pre-pandemic levels, and was at 30% growth above FY 2022 levels after subtracting the TOT rebates owed. That is no longer the case. In FY 2025, there was significant delinquency in payments by two of the six largest hotels in the city: One of the hotels made no payments in FY 2025 or FY 2026 and has filed for bankruptcy; the other hotel missed six payments in FY 2025 but became current in early FY 2026 by making a payment plus penalties and interest totaling \$1,261,371.

The total net Transient Occupancy Tax (TOT) revenue reported for the first half of FY 2026 totaled \$3,583,976 (after deducting \$981,036 in TOT rebates paid), which was \$1,095,419 or 30.6% more than the \$3,583,976 (after deducting \$665,260 in TOT rebates paid) received for the same period in 2025.

All of that increase and more was primarily attributable to the FY 2025 delinquent payment of \$1,075,110 plus penalties of \$155,034 and interest of \$31,227 that was made during the first six months of FY 2026.

Staff is projecting a 22.4% increase in net TOT revenue (TOT minus rebates) in FY 2026, due to the repayment of the FY 2025 delinquent amount described above; and, Staff is projecting 2.01% growth in TOT for FY 2027 through FY 2030.

Business License Taxes

Business license Taxes (BLT) revenue for the first half of FY 2026 totaled \$2,336,893, which was \$998,235 or 74.6% more than the \$1,338,657 received for the same period in FY 2025.

Although it is too soon to determine if this increase is due to an increase in revenue or due to the timing of the processing of the Business License Tax receipts, as these taxes are not delinquent until March 1st. Staff is projecting an increase of 2% for FY 2027 and FY 2028.

Other Taxes

Other Taxes (including Redemptions-Regular) for the first half of FY 2026 totaled \$3,852,627 which was \$1,865,198 or 93.85% more than the \$1,987,429 received for the same period in FY 2025.

The primary reason for the increase was:

- (1) \$665,426 in Transportation Network Company User Tax was recorded as Other Income, instead of Other Taxes in FY 2025.
- (2) an increase of \$109,676 in Parking Lot Taxes.
- (3) an increase of \$860,575 in BLT penalties; and,
- (4) an increase of \$86,997 in BLT interest.

The FY 2026 Other Taxes projection is being increased from \$5,453,059 to \$14,665,725. This updated projection includes a one-time adjustment of \$7,877,572 that will be transferred after the liquidation of the Berkeley Successor Agency and an additional \$570,000 in tax increment that will be received in June from the Successor Agency. Projections for FY 2027 and FY 2028 will have marginal increases of about 2%.

Ambulance Fees

Ambulance Fees revenue for the first half of FY 2026 totaled \$4,593,148, which was \$824,608 or 21.9% more than the \$3,768,540 received for the same period in FY 2025.

The \$824,608 increase in the first half of FY 2026 was due to an increase in transports of 1,108 or 6.1%, from 2,939 in FY 2025 to 4,047 in the first half of FY 2026, and an across-the-board rate increase of 11.8% in FY 2026.

Staff is projecting an increase of 8.4% in Ambulance Fees in FY 2026; and flat revenue in FY 2027 through FY 2030.

Interest Income

The sharp rise in interest rates triggered by the Fed is a double-edged sword: While the rise in interest rates negatively impacts the City's Property Transfer Taxes (through fewer property sales) and Secured Property Taxes and Vehicle In Lieu Taxes (through lower assessed values), it results in an increase in Interest Income. For FY 2024, Interest Income totaled \$15,155,999, which was \$3,038,974 more than the \$12,117,025 received in FY 2023 and \$8,461,877 received in FY 2022.

For the first half of FY 2026, Interest Income totaled \$6,849,335, which was \$885,853 or 11.5% less than the total of \$7,735,188 received for the same period in FY 2025. This decrease was primarily attributable to larger than average investment balances in the first half of FY 2025 (range of \$530.5 million-\$557.6 million) than in the first half of FY 2026 (range of \$414.8 million-\$475.3 million). The decline in the average investment balances was partially due to General Fund operating deficits in FY 2024 and FY 2025, which reduced the General Fund budget-basis fund balance. The General Fund's Available Cash Balance (i.e., Budget-Basis Fund Balance) declined from \$85.4 million on June 30, 2023, to \$30.6 million on June 30, 2025.

Staff is projecting a decline in interest income of 3.6% in FY 2026; flat growth in FY 2027; decline of 7.4% in FY 2028; and flat growth in FY 2029 and FY 2030.

Other Economic and Political Issues That Could Impact the City's General Fund Revenues

The President promised much lower inflation, lower interest rates, and booming economic growth. However, the trade policies that have been implemented deliver the opposite to citizens in the US and the world. The exception being companies involved in the building and development of huge data centers. The following are some of the economic and political issues that could have impact on the City's General Fund revenues:

- 1. Legality of Tariffs:** Among other problems created, the tariffs imposed by the President have increased inflation, lowered consumer and business spending, reduced hiring, and is keeping interest rates relatively high.

In a 6-3 ruling, the U.S. Supreme Court struck down the sweeping tariffs imposed by the President under the International Emergency Economic Powers Act. The Court said the President exceeded his authority, since Congress controls taxation and tariffs. The decision could invalidate large portions of the administration's global tariff program.

This decision may have a significant impact on the economy, inflation expectations, and help determine how much more and how quickly the Fed lowers short-term rates in the near term. It may also determine the extent of the impact on medium and long-term rates (e.g., mortgage rates). Meanwhile, the administration has signaled it will pursue alternative legal pathways to reimpose tariffs.

- 2. Selection of Chairman of the Federal Reserve Board:** The President has been aggressively seeking to undermine the Fed's independence and assert control over the institution, primarily by appointing a new Fed Chairman who will acquiesce to his demands to quickly lower short-term interest rates for political, rather than economic reasons. These efforts were slowed after key senators warned that the President's nominee would face more scrutiny, particularly after the Justice Department subpoenaed the Fed's chairman during the week of January 12, 2026. The subpoena relates to statements the Chair made regarding a renovation project at the bank's headquarters.

On January 30, 2026, the President announced that he was nominating Kevin Warsh to replace Jay Powell as Chairman of the Federal Reserve Board in May 2026. Like the case with Hasset, one of the concerns with Warsh is that he will cut interest rates to appease the President, even if lower rates are not warranted, which could result in the need to increase them later. The current issue is that Warsh's nomination has introduced significant uncertainty in the market because "he was a member of the Fed that increased rates 17 meetings in a row, which precipitated the Great Financial Crisis", Jay Hatfield, Chief Investment Officer at InfraCap wrote in a note to clients." Because Warsh has been a policy hawk his entire life, his newfound dovishness looks suspect", Dutta (Chief Economist at Renaissance Macro Research) added, which fuels uncertainty about what Warsh will do.

- 3. Interest Rate "Catch 22":** The President has urged the Fed to quickly and significantly lower interest rates. However, the effects of his tariff and budget policies prevent the Fed from lowering interest rates. Only recently, the Fed lowered interest rates slightly due to a weakening labor market.

The Federal Reserve now faces the threat of stagflation (both an economic slowdown and rising inflation at the same time). Typically, the Fed would cut rates to deal with a slowdown and raise rates to counter higher inflation. When both risks emerge simultaneously, policy options become more limited. With stagflation, the likely outcome of the President's tariff policies, the Fed is unlikely to change interest rates, until rising inflation or an economic slowdown gets seriously out of hand.

Federal Reserve officials are divided on further interest rate cuts amid persistent inflation concerns. Some officials argue that the labor market is stable, so more rate cuts are unnecessary. Others argue that the Fed risks a recession if it doesn't move quickly with rate cuts. The Fed will continue to be cautious about lowering short-term rates if there is weakness in the labor market.

Staff believe that if the Core PCE index does not move up and the labor market is showing signs of weakness, the Fed will lower the Federal Funds rate 1-2 times in 2026, by .25% each or a total of .50%.

It is also important to note that the Federal Reserve only controls short-term rates, not the medium and long-term bond market and interest rates. Those rates are impacted by economic conditions, inflation expectations, stability, uncertainty and risks. The President's policies are making all these factors lean towards higher, not lower, long term rates including mortgage rates. As long as trade policies remain volatile and unpredictable, long-term rates will tend to stay high.

One of the key objectives of the current administration is to have the 10-year Treasury Bond yield fall sharply, which would lower mortgage rates (benefitting the President and his supporters) and stimulate home purchases. The sharp sell-off in the US government bond market in April 2025 showed market concerns about the fallout of a trade war. Oil prices also fell to \$56/barrel, signaling deteriorating confidence in the strength of the US economy. Therefore, the President was forced to scale back his tariff onslaught because of a "fire sale" in the bond market which could have triggered a financial meltdown. If the President's chaotic and divisive economic and political policies don't change, interest rates and inflation will probably remain high for the foreseeable future.

4. The President's tariff policy: The President's "on-again, off-again" approach to tariff policy has created high anxiety and high uncertainty for businesses and consumers with the concerns of increasing inflation and the possibility of a recession, possibly a severe one. Consumer purchasing power is decreasing and businesses can't plan their operations properly, so they become cautious and reluctant to hire employees and purchase inventory. This will result in lower consumer and business spending and may move the US closer to a recession and stagflation.

5. US Treasury Securities May No Longer Be Seen as the Safe Haven it Has Always Been For Investors
Historically, during market crises, investors have sold stocks and purchased US Treasury bonds, pushing bond prices up and yields down. However, when tariffs were imposed in April 2025 the opposite happened, resulting in the collapse of worldwide equity markets. This time the bond market participants did not see US Treasuries as a haven of quality, it saw them as higher-risk investments that should be sold. The 30-year Treasury's yield increased 0.5% and the 10-year Treasury yield rose 0.4%, over the course of one week. China had already retaliated with 125% tariffs on US goods, and European Union states had voted to approve 25% counter-tariff measures against the US to take effect the following day.

6. The President's Attack on the Federal Reserve Board Could Cause Stock and Bond Market Sell-Off
If the President can eliminate the Fed's independence, it will revive the "sell America" trade, resulting in a US stock and bond market sell off. The Supreme Court held a hearing in January 2026 to determine the legality of the President firing Federal Reserve Board member, Lisa Cook.

7. Retaliation From The President:
The City is a sanctuary city that receives federal funding to support various City programs. Federal policies on the federal debt ceiling, Affordable Care Act, taxes, foreign trade and tariffs, immigration, climate change, clean energy, and other matters can shift dramatically from one administration to another. Periodically, such changes can affect the level of federal funding for various priorities, leading to unpredictability in near-term and future federal grant funding.

Recent executive orders, agency directives, notice of funding opportunities, and grant agreements may impose unacceptable conditions such as cooperation with federal immigration enforcement and prohibition of diversity, equity and inclusion (DEI) programs. Management cannot predict if federal grant funding in support of governmental services, whether direct grants or pass through grants from the State will continue.

8. Historical US Stability Being Impacted:
US Treasury securities for a very long time have been seen as a haven of quality that investors move to in times of crisis. Flight-to-quality or flight-to-safety is a financial market phenomenon occurring when there is a crisis and investors sell what they perceive to be higher-risk investments and purchase safer investments, primarily US Treasuries, gold and, more recently, crypto currency. This is considered a sign of fear in the marketplace, as investors seek less risk in exchange for lower profits. Because of the current administration's policy, this fact is being reevaluated, and investors are now showing skepticism about the US's safe haven reality.

9. US Reliance on Foreign Countries to Finance US Debt:
One final observation that I have, that I don't hear discussed, but could have a significant impact on the trade war, is that one third of US Debt is held by countries that the President is provoking a trade war with.

The US is currently \$38.7 trillion in debt and depends on foreign governments to finance a substantial portion of its annual budget deficits year after year. China, Europe, Canada, India, and other countries that the President has most aggressively targeted in the trade war continue to purchase U.S. Treasury securities. China alone, including Hong Kong, currently holds approximately \$1.1 trillion in U.S. Treasury bonds. Europe holds \$12.6 trillion. These countries could trigger an explosion in the US Bond market and force interest rates up substantially simply by stopping their purchases of US Treasuries or selling a portion of their portfolio of US Treasury Bonds. At the same time, the US economy could go into recession if these and other nations stopped financing US federal debt.

Conclusion

Projecting revenues many years into the future is inherently difficult to do with accuracy, as shifts in the macroeconomic climate can cause asset valuations and economic output to fluctuate in ways not able to be anticipated at the time projections are made. Staff use the best assumptions available, based on historic trends, observation of leading economic indicators, and known changes in the regulatory environment. The current US administration has unnecessarily made it more difficult to make those projections with punishing, shifting, and uncertain trade policies and significant tax reductions. The uncertainty surrounding the current macroeconomic environment, the president's pledge to punish his perceived enemies, and his conflicts of interests make it unusually difficult to determine the impact on future City revenues.

First, while the health emergency related to the COVID-19 pandemic has finally receded, and the restrictions that had constrained economic activity have been lifted, it appears that the local economy has been reshaped in ways that will not return to a pre-pandemic "normal." The increase in telecommuting that occurred in the past couple of years may not fully recede. This has affected spending activities of residents and employees of City businesses and institutions, as well as the desirability of certain locations for home purchases. The City continues to study and analyze these trends and adjust as more data comes in.

Second, as reported last year, inflation rose to unacceptably high levels, causing the Federal Reserve Board to tighten monetary policy significantly to combat inflation. As a result, the Fed raised interest rates from a range of 0%-.25% in March 2022 to a range of 5.25%-

5.50%. As a result of the weakening US labor market, the Fed has been forced to lower short-term rates somewhat, but mortgage rates have remained high. During this period the average mortgage rose from a little over 4.1% to as high as 8.0% and are currently around 6%. The high inflation and high mortgage rates continue to restrict real estate activity, consumer spending and the economy.

One positive sign from the current Administration is their goal of reducing the rate on the 10-year Treasury bond, to force mortgage rates down and stimulate the real estate market. However, the policies they are employing keep this from happening.

Third, gigantic and rising federal budget deficits (from \$1.38 trillion in FY 2022 to \$1.78 trillion in FY 2025, and \$1.911 trillion projected for FY 2028), higher than acceptable inflation rates, the Federal Reserve Board tightening the monetary supply to fight stubborn inflation, and the President's punishment of Democratic states are the biggest headwinds to economic growth in the City over the next few years. Although the Fed Chairman said the Fed will keep interest rates at a high level until its preferred inflation index (i.e., Core Personal Consumption Expenditure Index or PCE Index) declines below its target of 2% and the Fed is convinced it will remain so, it was forced to lower them because of the weakening US labor market. The Core PCE index was still at 2.8% for June 2025. The inflation rate was coming down until the president started implementing his economic policies, especially his trade policies, and now it is rising slightly. The proposed \$1.8 trillion federal budget deficit for FY 2026 will require the issuance of an additional \$1.8 trillion in Treasury Bonds to fund the deficit. The federal budget deficit for FY 2027 and beyond are projected to worsen under the current President. The Congressional Budget Office (CBO) estimates that extending all the tax cuts set to expire at the end of 2025 will add \$4.7 trillion to deficits over the next 10 years (or an average of \$470 billion/year). This additional huge supply of bonds may overwhelm demand for Treasury Bonds and put further upward pressure on long-term interest rates, including mortgage rates.

As discussed, under Secured Property Taxes and Property Transfer Taxes, the upward pressure on mortgage rates has lowered the growth rate for projected Secured Property Taxes, Vehicle In Lieu Taxes and Property Transfer Taxes. As a result, the City General Fund has, at least for the near term, lost its three primary drivers of annual growth, despite the rebound of Property Transfer Taxes and Measure P Property Transfer Taxes in FY 2025 and FY 2026. Most of the increase resulted from huge one-time property sales, rather than recurring property sales. Sales Tax revenues have been relatively flat in the last several years. As a result, the overall growth in General Fund revenue will struggle to remain positive. Fortunately for the City, this huge loss of General Fund revenue has been partially offset by significant increases in Interest Income and Ambulance Fees, but short-term rates have already started to decline, so Interest Income will also decline. The inflation trends were headed in the right direction right before this current administration took office, but that success has been reversed by the President's trade policies and federal budget deficits. If these policies don't change, mortgage interest rates will continue to remain high in the near future.

Any of these factors could necessitate further revision of the projections presented here. Staff will continue to monitor the revenues we receive and changes in the economic environment, so that we may update or revise our projections if changes in our forecasts are warranted.