

FY 2026-2028 Biennial Budget

Finance Department

City Council
June 23, 2026

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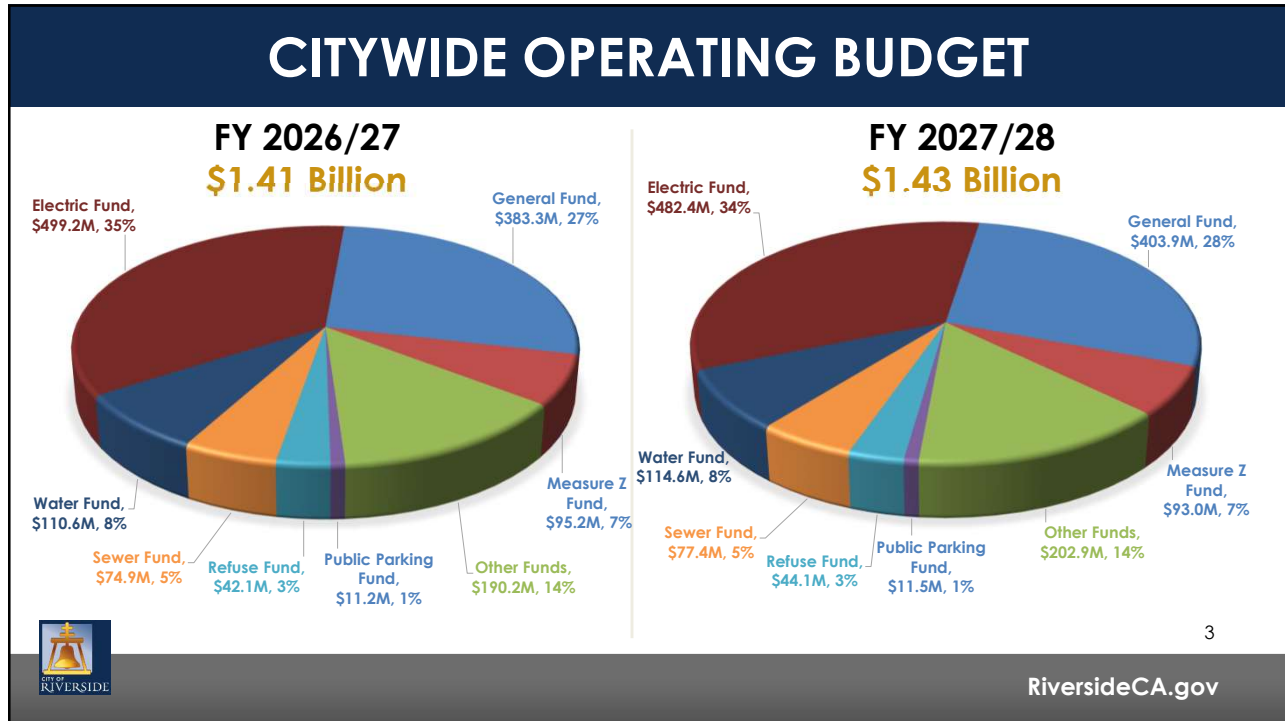
CITYWIDE OPERATING BUDGET



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CITYWIDE PERSONNEL

Fund	Adopted FY 2025/26	Proposed FY 2026/27	Proposed FY 2027/28
General Fund	1,588.76	1,578.26 ↓ (-10.50)	1,582.26 ↑ (4.00)
Measure Z	173.25	173.25	173.25
Development	3.00	3.00	3.00
Grants and Restricted	6.00	4.00 ↓ (-2.00)	4.00
CDBG-Community Development	4.00	4.00	4.00
NPDES Storm Drain	2.00	2.00	2.00
Housing Authority	7.00	6.00 ↓ (-1.00)	6.00
Electric	473.00	468.00 ↓ (-5.00)	468.00
Water	165.00	165.00	165.00
Airport	8.00	8.00	8.00

Fund	Adopted FY 2025/26	Proposed FY 2026/27	Proposed FY 2027/28
Refuse	67.00	67.00	67.00
Sewer	121.00	122.00 ↑ (1.00)	122.00
Special Transit	36.00	42.00 ↑ (6.00)	42.00
Public Parking	23.00	23.00	23.00
Workers Compensation Trust	5.00	5.00	5.00
Liability Insurance Trust	10.00	23.50 ↑ (13.50)	23.50
Central Stores	9.00	9.00	9.00
Central Garage	39.00	39.00	39.00
Total	2,740.01	2,742.01 ↑ (2.00)	2,746.01 ↑ (4.00)

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GENERAL FUND AND MEASURE Z



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FISCAL HEALTH AND OUTLOOK

Potential multi-year deficits due to rising costs/slower revenue growth

Significant uncertainty of future fiscal outlook remains

Recommend proactive measures to balance potential multi-year deficits

Overall, the City maintains a strong position with record reserve levels



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GENERAL FUND & MEASURE Z RESERVE BALANCES

General Fund	
Policy Reserves	Balance (in millions)
Emergency Reserve (15%)	\$57.32
Contingency Reserve (5%)	19.11
Total	\$76.43
Other Reserves	
Reserved for Section 115 Trust Contributions	\$18.23
Infrastructure Reserve	3.59
Technology Reserve	5.00
Water GFT Escrow	25.82
Section 115 Trust	100.32
Unassigned	9.56
Total	\$162.52
Total Reserves	\$238.95

Measure Z	
	Balance (in millions)
Fund Balance*	\$24.34
Policy Reserve	5.00
Total	\$29.34

*Projected FY 2025/26 year-end fund balance



WHY THE CITY IS FACING A GENERAL FUND DEFICIT

Revenues (Significant Changes from Previous Adopted Biennial Budget) In thousands		
Category	FY 2026/27	FY 2027/28
Property Tax	\$(297)	\$(2,186)
Sales Tax	(1,334)	(1,213)
Utility Users Tax	(1,680)	(1,765)
Franchise Fees	(1,101)	(1,217)
Licenses and Non-Developer Permits	(2,778)	(3,043)
Other Financing Sources	(1,650)	(1,650)
Various Other Adjustments	739	2,021
Total Revenue Changes	\$(8,102)	\$(9,052)

Expenditures (Significant Changes from Previous Adopted Biennial Budget) In thousands		
Category	FY 2026/27	FY 2027/28
Payroll, Health, Benefits	\$4,124	\$9,385
CalPERS UAL	6,025	6,072
Workers Comp/General Liability Trust	3,247	2,872
Charges to/From & CAP	4,748	3,728
Special Fund Subsidies	(1,908)	(1,627)
Critical Needs (non personnel)	4,586	6,465
Other Baseline Adjustments	(1,818)	(1,935)
Total Expenditure Changes	\$19,025	\$24,982

Projected Deficit		
	FY 2026/27	FY 2027/28
Total	\$(27,127)	\$(34,034)



WHY THE CITY IS FACING A MEASURE Z DEFICIT

(Significant Changes from Previous Adopted Biennial Budget) In thousands		
Category	FY 2026/27	FY 2027/28
Revenues		
Transaction and Use Tax	\$(5,450)	\$(5,865)
Interest	200	200
Total Revenues	\$(5,250)	\$(5,665)
Expenditures		
Payroll, Health, Benefits	\$2,709	\$3,944
CalPERS UAL	780	804
New Programs/Critical Needs	1,115	1,983
Total Expenditures	\$4,604	\$6,731
Projected Deficit	\$(9,854)	\$(12,396)








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BALANCED BUDGET FRAMEWORK

-  Protect core services
-  Strategically phase in reductions
-  Maximize one-time solutions
-  Minimize use of reserves
-  Maintain long-term fiscal sustainability



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ADJUSTING TO A BALANCED BUDGET

Deficit Reduction Measures (In thousands)		
General Fund		
Category	FY 2026/27	FY 2027/28
Cost Reductions	\$8,007	\$10,742
Use of Unassigned Fund Balance	5,599	3,963
General Liability Trust Fund Contribution True up	2,356	-
Fees and Charges CPI increase	862	1,191
Section 115 Trust/Set Aside	10,303	18,138
Total General Fund	\$27,127	\$34,034
Measure Z		
Category	FY 2026/27	FY 2027/28
Cost Reductions	\$9,935	\$11,533
Total Measure Z	\$9,935	\$11,533



Combined General Fund Budget – FY 2026/27

Measure Z is tracked separately but is a part of the General Fund.

General Fund Budget by Department Type

Combined

TOTAL

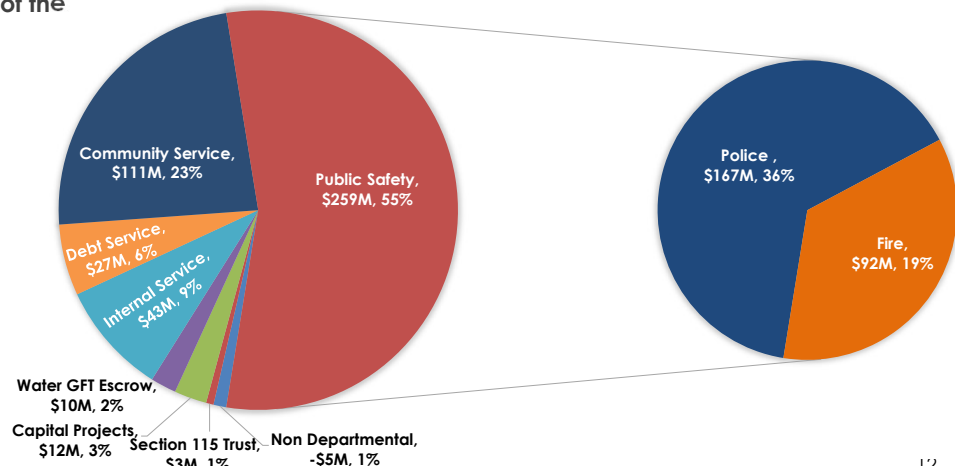
\$460M

General Fund

\$383M

Measure Z*

\$77M



* Excludes service support transfer from Measure Z to General Fund

Combined General Fund Budget – FY 2027/28

Measure Z is tracked separately but is a part of the General Fund.

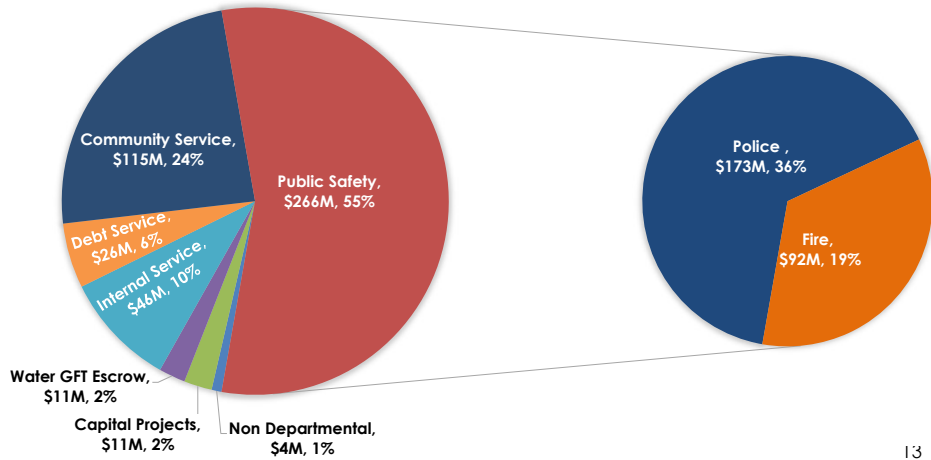
General Fund Budget by Department Type

Combined

TOTAL
\$479M

General Fund
\$404M

Measure Z*
\$75M



* Excludes service support transfer from Measure Z to General Fund

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GENERAL FUND OVERVIEW

2026-2028 Proposed Biennial Budget
(In thousands)

	FY 2026/27 Proposed	FY 2027/28 Proposed	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
Revenue/Transfers In	\$ 383,327	\$ 403,909	\$ 420,260	\$ 432,549	\$ 445,090
Expenditure/Transfers Out	(383,327)	(403,909)	(420,260)	(432,549)	(445,090)
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -



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GENERAL FUND REVENUES

General Fund (in thousands)					
Revenue Category	FY 2025/26 Adopted Budget	FY 2026/27 Proposed Budget	FY 2027/28 Proposed Budget	% Change	
				FY27	FY28
Property Taxes	\$96,473	\$101,784	\$105,000	5.5%	3.2%
Sales Tax	94,092	98,409	101,719	4.6%	3.4%
Cannabis Tax	1,000	1,000	1,000	0.0%	0.0%
Utility Users Tax	37,121	37,345	38,647	0.6%	3.5%
Transient Occupancy Tax	8,927	9,271	9,464	3.9%	2.1%
Franchise Fees	7,160	6,450	6,697	-9.9%	3.8%
Licenses & Non-Developer Permits	11,106	11,175	11,383	0.6%	1.9%
Non-Development Charges for Services	12,214	12,757	13,117	4.4%	2.8%
Development Fees & Charges	9,735	8,490	8,734	-12.8%	2.9%
General Fund Transfer	56,199	60,378	64,701	7.4%	7.2%
Measure Z Transfer	25,633	18,266	18,266	-28.7%	0.0%
Section 115 Set Aside/Trust	12,003	7,919	14,393	-34.0%	81.7%
Other Revenues & Transfers In	10,495	10,085	10,794	-3.9%	7.0%
Total Revenues & Transfers In	\$382,157	\$383,327	\$403,910	0.3%	5.4%



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GENERAL FUND EXPENDITURES

General Fund (in thousands)					
Expenditure Category	FY 2025/26 Adopted Budget	FY 2026/27 Proposed Budget	FY 2027/28 Proposed Budget	% Change	
				FY27	FY28
Personnel	\$277,141	\$286,361	\$303,286	3.3%	5.9%
Vacancy Factor	(15,891)	(15,287)	(16,055)	-3.8%	5.0%
Cal PERS UAL-Safety	12,999	16,630	18,013	27.9%	8.3%
Cal PERS UAL-Misc	6,582	8,874	10,460	34.8%	17.9%
Non-Personnel	79,496	67,482	71,599	-15.1%	6.1%
Special Projects	10,492	11,130	11,583	6.1%	4.1%
Minor Capital Outlay	908	411	421	-54.7%	2.4%
Debt Service	22,048	22,496	23,069	2.0%	2.5%
Charges To/From	(21,125)	(20,398)	(21,512)	-3.4%	5.5%
Cost Allocation Plan	(22,831)	(19,590)	(20,564)	-14.2%	5.0%
Section 115 Trust Transfer	9,000	2,853	-	-68.3%	-100%
Water GFT Escrow	9,183	9,826	10,624	7.0%	8.1%
Other Funds Subsidy	14,157	12,539	12,985	-11.4%	3.6%
Total Expenditures & Transfers Out	\$382,157	\$383,327	\$403,910	0.3%	5.4%



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GENERAL FUND EXPENDITURES BY DEPARTMENT

General Fund (in millions)					
Expenditure Category	FY 25/26 Adopted Budget	FY 26/27 Proposed Budget	FY 27/28 Proposed Budget	% Change	
				FY27	FY28
Mayor	\$1.21	\$1.37	\$1.45	12.4%	6.4%
City Council	2.14	2.45	2.60	14.7%	6.2%
City Manager	5.43	5.12	5.31	-5.6%	3.7%
City Clerk	2.21	2.39	2.81	8.3%	17.6%
Office of City Attorney	6.37	5.48	5.78	-14.0%	5.5%
Marketing and Comms	3.01	2.75	2.82	-8.5%	2.4%
Office of Inspector Gnrl	-	0.71	0.82	-	14.3%
Human Resources	6.44	6.07	6.43	-5.7%	5.8%
General Services	5.72	5.93	6.23	3.6%	5.1%
Finance	10.19	10.94	11.73	7.3%	7.2%
Innovation and Tech	15.17	16.63	17.52	9.6%	5.4%
Housing and Human Svcs	2.92	2.93	3.14	0.1%	7.3%
Community Development	18.93	18.54	19.90	-2.1%	7.3%

General Fund (in millions)					
Expenditure Category	FY 25/26 Adopted Budget	FY 26/27 Proposed Budget	FY 27/28 Proposed Budget	% Change	
				FY27	FY28
Police	125.64	134.76	138.34	7.3%	2.7%
Fire	72.71	79.35	80.75	9.1%	1.8%
Public Works	25.21	24.61	25.38	-2.4%	3.1%
Library	11.75	11.60	12.32	-1.3%	6.3%
Parks, Rec, Com Svcs	35.41	35.42	36.28	0.0%	2.4%
Museum	2.69	2.78	4.40	3.1%	58.7%
Non-Deptl	42.66	23.29	29.86	-45.4%	28.2%
Cost Allocation Pln	(22.83)	(19.59)	(20.56)	-14.2%	5.0%
Water GFT	9.18	9.83	10.62	7.0%	8.1%
Total Expenditures & Transfers Out	\$382.16	\$383.33	\$403.91	0.3%	5.4%



MEASURE Z OVERVIEW

(in millions)	FY 2025/26 Revised	FY 2026/27 Proposed	FY 2027/28 Proposed	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
Revenue	\$ 83.88	\$ 84.55	\$ 86.98	\$ 90.42	\$ 94.45	\$ 99.12
Expenditures	(103.95)	(95.20)	(93.01)	(95.66)	(96.65)	(99.02)
Net Change in Fund Balance	\$ (20.08)	\$ (10.65)	\$ (6.03)	\$ (5.23)	\$ (2.20)	\$ 0.10
Beginning Available Balance	\$ 44.41	\$ 24.34	\$ 13.69	\$ 7.66	\$ 2.43	\$ 0.22
Net Change in Fund Balance	(20.08)	(10.65)	(6.03)	(5.23)	(2.20)	0.10
Ending Available Balance	\$ 24.34	\$ 13.69	\$ 7.66	\$ 2.43	\$ 0.22	\$ 0.32



The Measure Z Policy Reserve of \$5M is maintained outside of the Spending Plan.

MEASURE Z EXPENDITURES

Measure Z (in thousands)					
Expenditure Category	FY 2025/26 Adopted Budget	FY 2026/27 Proposed Budget	FY 2027/28 Proposed Budget	% Change	
				FY 27	FY 28
Personnel	\$27,390	\$30,736	\$32,412	12.2%	5.5%
Cal PERS UAL-Safety	2,064	2,776	3,020	34.5%	8.8%
Cal PERS UAL-Misc	397	547	649	37.5%	18.7%
Non Personnel	9,468	7,276	6,855	-23.2%	-5.8%
Special Projects	10,133	6,943	6,860	-31.5%	-1.2%
Minor Capital Outlay	1,637	1,654	1,211	1.0%	-26.8%
Capital Outlay	15,975	12,300	11,300	-23.0%	-8.1%
Debt Service	14,806	14,702	12,436	-0.7%	-15.4%
Transfer to General Fund	25,633	18,266	18,266	-28.7%	0.0%
Total Expenditures & Transfers Out	\$107,503	\$95,200	\$93,009	-11.4%	-2.3%



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MEASURE Z EXPENDITURES BY DEPARTMENT

Measure Z (in thousands)					
Expenditure Category	FY 25/26 Adopted Budget	FY 26/27 Proposed Budget	FY 27/28 Proposed Budget	% Change	
				FY27	FY28
Police	\$31,471	\$32,668	\$35,087	3.8%	7.4%
Fire	11,192	12,199	11,669	9.0%	-4.3%
Service Support Transfer	25,633	18,266	18,266	-27%	-
Public Works	16,325	11,350	10,850	-30.5%	-4.4%
Housing and Human Svcs	6,162	5,989	4,728	-2.8%	-21.1%
Museum	2,248	2,888	2,886	28.5%	-0.1%
Library	2,737	2,737	2,734	-	-0.1%
Parks, Rec, Com Svcs	3,258	2,697	2,165	-17.2%	-19.7%
General Services	3,642	2,704	2,542	-25.8%	6.0%
Innovation and Tech	2,305	1,238	1,251	-46.3%	1.0%
Office of City Attorney	423	440	465	4.0%	5.8%
Human Resources	188	188	198	-0.1%	5.4%
City Manager	220	140	147	-34.1%	4.7%
Finance	27	22	22	-16.3%	0.3%
Non-Departmental	1,673	1,673	-	-	-
Total Expenditures & Transfers Out	\$107,503	\$95,200	\$93,009	-11.4%	-2.3%



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ENTERPRISE FUNDS



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PROPOSED OPERATING BUDGETS

MAJOR ENTERPRISE FUNDS – OPERATING			
(in millions)	Incoming Resources	Outgoing Resources	Surplus / (Deficit)
FY 2026/27			
Electric	\$ 510,495,612	\$ 499,199,021	\$ 11,296,591
Water	121,799,508	110,605,623	11,193,865
Refuse	40,029,481	42,102,463	(2,072,982)
Sewer	74,256,685	74,936,059	(679,374)
Public Parking	11,929,649	11,248,515	681,134
Total	\$ 758,510,935	\$ 738,091,681	\$ 20,419,254
FY 2027/28			
Electric	\$ 514,414,635	\$ 482,360,098	\$ 32,054,537
Water	123,685,641	114,596,376	9,089,265
Refuse	42,297,332	44,119,773	(1,822,441)
Sewer	74,983,400	77,426,644	(2,443,244)
Public Parking	12,079,592	11,532,430	547,162
Total	\$ 767,460,600	\$ 730,035,321	\$ 37,425,279


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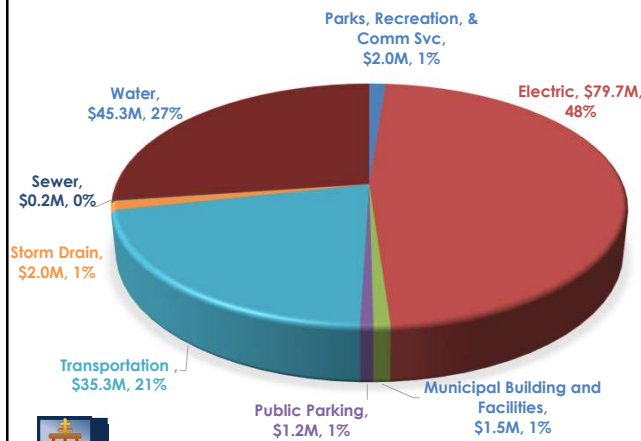
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Capital Budget

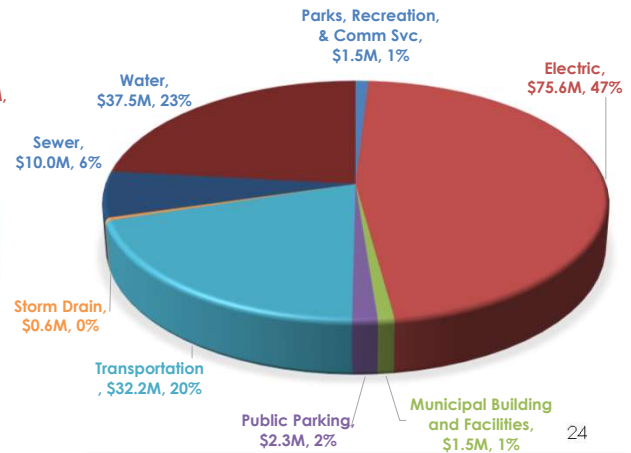


PROPOSED BIENNIAL CAPITAL BUDGET

FY 2026/27
\$167.06 Million



FY 2027/28
\$161.18 Million



RECOMMENDATIONS

That the City Council:

1. Conduct a public hearing on the proposed Fiscal Year 2026-2028 Biennial Budget and proposed Fiscal Year 2026-2028 Capital Improvement Plan; and
2. With at least five affirmative votes, adopt a resolution approving the Proposed Annual Budget for Fiscal 2026-2027 totaling \$1,573,871,838 and for Fiscal Year 2027-2028 totaling \$1,591,086,507; and
3. Delegate investment authority to the City's Chief Financial Officer/Treasurer for a period of one year beginning July 1, 2026, and ending June 30, 2027.



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