



STAFF REPORT

AGENDA NO: 10a

MEETING DATE: June 16, 2025

To: Honorable Mayor and City Council

Date: June 16, 2025

From: Lisa K. Goldman, City Manager – (650) 558-7243
Helen Yu-Scott, Finance Director – (650) 558-7222

Subject: Public Hearing and Adoption of Resolutions (1) Approving Personnel Classification and Position Changes; (2) Adopting the FY 2025-26 Operating and Capital Budgets and Authorizing the Finance Director to Assign Uses of Fund Balance Amounts; (3) Approving the Gann Appropriation Limit

RECOMMENDATION

Staff recommends that the City Council hold a public hearing on the Proposed Budget and Capital Program for fiscal year 2025-26 and adopt three resolutions in the following order:

- a. Resolution of the City Council of the City of Burlingame Approving Personnel Classification and Position Changes.
- b. Resolution of the City Council of the City of Burlingame Adopting Operating and Capital Improvement Budgets for the City of Burlingame for Fiscal Year 2025-26 and Authorizing the Finance Director/Treasurer to Assign Uses to Fund Balance Amounts.
- c. Resolution of the City Council of the City of Burlingame Establishing the Fiscal Year 2025-26 Appropriation Limit for the City of Burlingame Pursuant to Article XIII B of the California Constitution.

BACKGROUND

The City Council held a budget study session on Wednesday, May 21, 2025, to review the City's initial operating and capital budgets for the upcoming fiscal year 2025-26. While keeping an eye on both long-term liabilities and initiatives, the short-term focus will continue to be on providing quality municipal services and maintaining and selectively expanding full-time staff to keep up with demand. In presenting the initial budget for the upcoming fiscal year, staff emphasized this delicate balance between short-term and long-term funding needs. The City Council did not direct any specific changes to the FY 2025-26 budget as presented at the study session, except to increase the budget allocation for Community Service Organizations from \$75,000 to \$80,000.

DISCUSSION

Subsequently, more information regarding the City's sales and use tax became available. As a result, the FY 2025-26 proposed revenue budget was revised to show a decrease in these

revenues. The five-year forecast was updated to reflect these changes. Once adjusted, the General Fund Summary projects a \$3.6 million deficit in fund balance, which is an increase from the \$2.7 million reported at the May 21, 2025, budget study session. The resulting budget for the City's General Fund is shown below:

CITY OF BURLINGAME, CA			
GENERAL FUND OPERATING SUMMARY			
	FY23-24 Actuals	FY24-25 Revised Budget	FY25-26 Proposed Budget
Total Revenue	\$ 89,497,161	\$ 90,239,947	\$ 92,513,152
Expenditures			
Departmental Expenditures	(76,766,690)	(84,382,017)	(85,837,852)
Transfers to Debt Services	(3,622,687)	(3,650,192)	(3,121,839)
Transfers to Capital Project Fund	(8,564,000)	(12,657,040)	(9,961,920)
Other Transfer In (Out)	1,870,940	2,388,180	2,765,930
Total Expenditures	(87,082,437)	(98,301,069)	(96,155,681)
Net Operating Surplus (Deficit)	2,414,724	(8,061,122)	(3,642,529)
Change in General Fund Balance	\$ 2,414,724	\$ (8,061,122)	\$ (3,642,529)

The City's General Fund Balance at the end of fiscal year 2025-26 is projected to be approximately \$45.7 million, a drop of more than \$3.6 million from the projected balance as of June 30, 2025.

CITY OF BURLINGAME, CA		
CHANGES TO GENERAL FUND BALANCE		
	FY 2024-25 Revised Budget	FY 2025-26 Proposed Budget
Beginning Fund Balance (audited)	\$ 57,407,807	\$ 49,346,685
Projected Revenues & Expenditures		
Projected revenues	90,239,947	92,513,152
Projected departmental expenditures	(84,382,017)	(85,837,852)
Subtotal, Revenues Net of Expenditures	5,857,930	6,675,300
Transfer to Debt Service	(3,650,192)	(3,121,839)
Transfer to Capital Project Fund	(12,657,040)	(9,961,920)
Other Transfers In (Out) of General Fund	2,388,180	2,765,930
Ending Fund Balance (Projected)	\$ 49,346,685	\$ 45,704,155

The proposed budget for the 2025-26 fiscal year reflects an increase in the Economic Stability Reserve of more than \$0.5 million, resulting from an overall anticipated improvement in General Fund revenue from the prior year. The \$45.7 million projected fund balance reflects the target amounts prescribed in the City's General Fund Reserve Policy, plus approximately \$0.7 million in unassigned fund balance, available for appropriation at the City Council's discretion as shown below:

CITY OF BURLINGAME, CA GENERAL FUND BALANCE ASSIGNMENTS			
	FY23-24 Actuals	FY24-25 Revised Budget	FY25-26 Proposed Budget
Economic Stability Reserve	\$ 20,074,000	\$ 21,658,000	\$ 22,203,000
Catastrophic Reserve	2,000,000	2,000,000	2,000,000
Contingency Reserve	500,000	500,000	500,000
Subtotal, Assigned Fund Balance	22,574,000	24,158,000	24,703,000
Add: Restricted for Pension Trust Fund (PARS)	20,300,835	20,300,835	20,300,835
Add: Unassigned Fund Balance	14,532,972	4,887,850	700,320
Total, Ending Fund Balance	\$ 57,407,807	\$ 49,346,685	\$ 45,704,155

Note that budgetary (expenditure) savings are always experienced with each fiscal year-end close, as departmental spending cannot exceed the adjusted budget for each major category of expenditure. Staff vacancies also contribute to "savings" – favorable variances in personnel budgets. Budgetary savings, usually 3-4 percent of departmental spending in the General Fund, will serve to increase the amount of unassigned fund balance with the closure of the City's books for the current fiscal year. Even in difficult economic times, it is prudent for the City to fund infrastructure and post-employment benefits to the extent possible once General Fund Reserves have been fully funded in accordance with the City's policy. A strong reserve position will allow the City to weather the remainder of the current fiscal year and is anticipated to provide sufficient funding to maintain a high level of municipal services in the upcoming fiscal year. However, the revised General Fund balance projected at the end of the 2025-26 fiscal year will not provide a sufficient unassigned fund balance to take advantage of any opportunities that may arise to further improve the City's long-term sustainability.

Finally, as frequent updates of revenue projections are anticipated throughout the fiscal year, staff will continue to inform the Council and the public of new information and estimates as they become available, maintaining a close watch on the City's long-term fiscal health.

In addition to the General Fund operating budget, staff reviewed all City funds for any necessary revisions to account for discrepancies and/or the availability of updated information. No further adjustments are needed at this time.

The FY 2025-26 budget totals that are recommended for adoption are as follows:

CITY OF BURLINGAME, CA		
BUDGET SUMMARY BY FUND		
	FY24-25 Revised Budget	FY25-26 Proposed Budget
General Fund	\$ 84,382,017	\$ 85,837,852
Capital Projects	37,327,040	27,159,920
Financing Authority	6,238,418	5,713,867
Water Enterprise	17,758,057	19,035,654
Sewer Enterprise	13,011,830	13,422,339
Parking Enterprise	1,254,469	1,390,530
Solid Waste Enterprise	830,775	974,011
Landfill Fund	347,417	381,322
Building Enterprise	4,069,801	4,606,935
Special Revenue Funds	340,457	856,500
Internal Service Funds	560,249	2,773,236
Total	\$166,120,530	\$ 162,152,166

Overall, the City's budget decreased by approximately \$4.0 million, or nearly 2.4 percent, in the new fiscal year when compared with the current-year *revised* budget. The reduction is primarily attributable to a nearly \$10.2 million decrease in the Capital Improvement Program, offset by increases in the General Fund (almost \$1.5 million), Enterprise Funds (over \$2.5 million), and Internal Services Funds (\$2.2 million).

To avoid duplication of appropriations, the budgets shown exclude interfund transfers. The City's internal service funds are shown net of the charges to other funds/departments and are included as "other funds" in the chart above.

ARTICLE XIII(B) APPROPRIATION LIMIT (GANN LIMIT)

The City's appropriations limit for this budget cycle was prepared in accordance with uniform guidelines. The appropriations limit imposed by state regulations creates a restriction on the amount of "proceeds of taxes" that can be appropriated by the City in any fiscal year. The limit is based on actual appropriations during the 1978-79 fiscal year, as it increased each year using the growth of population and inflation indexes.

For fiscal year 2025-26, the appropriation limit of \$115,890,966 is significantly greater than the \$61,609,290 of proposed City expenditures that are subject to the limit for this year. Therefore, the City is well within its appropriation limit.

STATEMENT NO. 54 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD: FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

GASB Statement 54 was intended to improve the usefulness of governmental fund balance information by providing the users of financial information with clearly defined categories of fund balance and the constraints placed on the City's fund balances. Enterprise or business-type funds are not affected. GASB 54 requires governmental fund balances to be reported using five categories that take into consideration the makeup and intended use of the various fund balances. The hierarchy of the five possible classifications of fund balance is:

- **Non-spendable**
 - **Restricted**
 - **Committed**
 - **Assigned**
 - **Unassigned**
- } **Unrestricted
(Reserves)**

Reserves are obviously a critical element of careful, conservative financial management, ensuring the City is positioned to effectively respond to catastrophic or unanticipated emergencies, including natural disasters. To establish appropriate reserve levels, the City adopted a risk-based General Fund Reserve Policy, which is reviewed at least annually in conjunction with budget adoption. Recognizing the City's various economically sensitive revenues, a very high Economic Stability Reserve (24 percent of General Fund revenues) was established. The reserve strategy for catastrophic events calls for a General Fund Catastrophic Reserve of \$2 million. The following assignments of the City's General Fund fund balances are shown here with the estimated amounts to be assigned as of the end of fiscal year 2025-26:

Economic Stability Reserve: Available to protect and preserve City services from dramatic drops in General Fund revenues that are highly sensitive to economic conditions, mainly sales taxes and transient occupancy taxes; the recommended reserve level was established at 24 percent of the fund's budgeted revenues. This equates to more than \$22.2 million for the year ending June 30, 2026.

Catastrophic Reserve: Available to initiate funding of repairs and reconstruction of City buildings and facilities that may be damaged by natural disasters or acts of war and terrorism; the reserve level is \$2 million – about 2.2 percent of projected revenues in the FY 2025-26 budget.

Contingency Reserve: Available to cover unexpected expenses that may arise during the course of the fiscal year that were not considered during budget planning (\$500,000).

The City Council provides direction on the assignment of fund balance and the amounts to be assigned with the adoption of each fiscal year's budget. The budget adoption resolution gives the Finance Director the authority to assign these uses to General Fund fund balance together with the amounts of each assignment in accordance with Council policies and direction.

The City's risk-based reserve policy also describes acceptable uses of reserves, establishes who is authorized to use the reserves, and provides guidance as to replenishing reserves (back to target levels) when necessary. Note that, although the City's reserves are adequate as a hedge for unexpected losses from events such as natural disasters and economic downturns, a separate Capital Investment Reserve was established within the City's Capital Project Fund to fund both a long list of specifically identified capital needs as well as unknown capital outlays required in the

future. To the extent capital projects remain unfunded, they represent a type of long-term liability to the City. The Capital Investment Reserve was first funded with a mid-year transfer of \$3 million from the City's General Fund in fiscal year 2014-15. The City Council approved a policy in 2017 that identified future sources and uses of this reserve within the Capital Projects Fund. The estimated reserve balance as of June 30, 2025, was nearly \$16.8 million. These funds are largely earmarked for the City's anticipated "matching" funds (\$10.8 million) for the Broadway Grade Separation project and the \$6.0 million estimated to complete the funding needed for the El Camino Real Utilities Undergrounding project.

FISCAL IMPACT

The General Fund budget for the 2025-26 fiscal year projects revenues of \$92,513,152, with expenditures and net transfers totaling \$96,155,681. The General Fund fund balance is estimated to be approximately \$45.7 million at the end of fiscal year 2025-26. Estimated increases or decreases to other major fund balances are shown on pages 55-56 of the 2025-26 Budget document.

Exhibits:

- Resolution of the City Council of the City of Burlingame Approving Personnel Classification and Position Changes
- Resolution of the City Council of the City of Burlingame Adopting Operating and Capital Improvement Budgets for the City of Burlingame for Fiscal Year 2025-26 and Giving the Finance Director/Treasurer the Authority to Assign Uses to Fund Balance Amounts
- Resolution of the City Council of the City of Burlingame Establishing the Fiscal Year 2025-26 Appropriation Limit for the City of Burlingame Pursuant to Article XIII B of the California Constitution
- City of Burlingame Proposed Budget for the 2025-26 Fiscal Year
- General Fund Five-Year Forecast