



STAFF REPORT

AGENDA NO: 9a

MEETING DATE: March 11, 2026

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To: Honorable Mayor and City Council

Date: March 11, 2026

From: Helen Yu-Scott, Finance Director – (650) 558-7222

Subject: Adoption of a Resolution Amending the FY 2025-26 Operating and Capital Budgets to Reflect the Recommended Mid-year Adjustments

RECOMMENDATION

Staff recommends that the City Council accept the FY 2025-26 Mid-Year Financial Summary and Five-Year Financial Forecast and adopt the attached resolution amending the FY 2025-26 operating and capital budgets to reflect the recommended mid-year adjustments.

BACKGROUND

This report summarizes the City's mid-year fiscal status by analyzing anticipated revenues and expenditures compared to the current adjusted budget for the 2025-26 fiscal year. To the extent possible, trends or emerging items not included in the City's adopted operating budget were identified, and their budgetary impacts were assessed. Staff then developed a revised economic outlook for the City and amended the projections for the City's key revenue sources.

Although the mid-year review focuses on the City's General Fund, this report also provides an update for other funds where fiscal changes are noted. The changes in the attached budget resolution are recommended so that the current budget will not only provide the proper funding needed to carry out the programs and activities anticipated through June 30, 2026, but will also more accurately reflect the City's financial condition as it enters the FY 2026-27 budget process.

Considering current economic conditions and the most recent operating analysis, staff updated the assumptions and projections incorporated in the City's five-year financial forecast for the General Fund. This long-term forecast establishes an appraisal of fiscal sustainability beyond the current budget cycle, providing important context to the annual budget process.

DISCUSSION

Economic Conditions

The economic outlook depends on a range of policy decisions and key economic indicators. As inflation continues to ease following recent interest rate cuts, the Federal Reserve is likely to remain cautious and data-driven, adjusting rates only if economic conditions change significantly. Meanwhile, cooling housing and labor markets, along with consumer concerns about prices and tariff policies, are contributing to a more cautious spending environment. Geopolitical tensions,

fiscal deficits, trade policy impacts, and structural shifts in technology and demographics continue to pose potential risks to the outlook. Looking ahead, staff will closely monitor economic trends and policy developments, particularly as the effects of tariffs, deregulation, and fiscal policies evolve.

The City's budgets were developed with a relatively conservative approach. In conjunction with the General Fund Reserve Policy, this conservative, long-term approach to the City's budgets has allowed the City to effectively navigate previous economic downturns. Although the City's preliminary revenue forecast shows continued growth over the next few years, it is important to acknowledge the significant economic uncertainties that could impact the community.

General Fund – Operating Fund

General Fund – Revenues

The following table shows the mid-year assessment of fiscal year 2025-26 General Fund revenues. There are three columns for the 2025-26 fiscal year: The "FY 25-26 Current Budget" column shows the revenue budget that the City Council adopted last June combined with budget amendments approved by the City Council since then. The "FY 25-26 New Projection" column shows the most current projection for the fiscal year, while the "FY 25-26 Budget Amendment" column summarizes proposed revenue amendments to the FY 2025-26 budget for the City Council's approval as part of this Mid-Year Report.

CITY OF BURLINGAME, CA SUMMARY OF GENERAL FUND REVENUES						
	FY23-24	FY24-25	FY25-26	FY25-26	FY25-26	Adjustment
	Actuals	Actuals	Current Budget	New Projection	Budget Amendment	Up (Down) %
Property Tax	\$ 31,562,129	\$ 34,450,697	\$ 35,946,490	\$ 36,046,490	\$ 100,000	0.3%
Sales and Use Tax	17,627,886	17,385,516	17,062,890	16,656,890	(406,000)	-2.4%
Transient Occupancy Tax	19,288,603	20,168,534	22,821,000	21,821,000	(1,000,000)	-4.4%
Other Taxes						
Franchise Tax	1,861,477	1,963,719	1,934,600	1,934,600	0	0.0%
Business Licenses	1,909,822	1,887,378	1,885,000	1,885,000	0	0.0%
Real Property Transfer Tax	393,906	385,072	400,000	400,000	0	0.0%
State HOPTR	61,373	62,421	64,000	64,000	0	0.0%
Licenses & Permits	86,761	86,202	94,600	94,600	0	0.0%
Fines, Forfeitures and Penalties	721,765	874,106	668,000	493,000	(175,000)	-26.2%
Use of Money & Property	271,931	299,710	1,507,000	1,732,000	225,000	14.9%
Charges for Services	9,154,970	8,228,052	7,777,572	8,655,072	877,500	11.3%
Other Revenue	419,730	633,904	137,000	607,000	470,000	343.1%
State Subventions	272,746	579,957	215,000	358,000	143,000	66.5%
Interest Income	5,864,063	6,696,234	2,000,000	3,000,000	1,000,000	50.0%
Total, General Fund Revenue	\$ 89,497,161	\$ 93,701,502	\$ 92,513,152	\$ 93,747,652	\$ 1,234,500	1.3%

The amended forecast for the City's largest revenue sources (Property Tax, TOT, and Sales Tax) is based not only on the previous year's receipts but also on the status of the local economy, as reflected in cash receipts for the current fiscal year. The recommended adjustments amount to a 0.6 percent increase in General Fund revenues compared to the adopted FY 2025-26 budget.

Property Taxes – Historically, the San Francisco Bay Area housing sector has been a sustaining factor in the local economy throughout the most difficult economic downturns. Although the housing market is cooling due to high interest rates, property tax is expected to remain one of the City's most stable revenue streams in future years.

Property tax rolls are established prior to the beginning of the fiscal year. In FY 2025-26, Burlingame's roll value (land and improvements) increased by 3.4 percent, including a 2.0 percent inflation factor applied to all property assessments. As shown in the chart below, the majority of the City's property tax revenues (nearly 71 percent) come from secured property taxes, which are established by the tax rolls and diminished only through refunds on successful appeals to the County Assessor's Office.

CITY OF BURLINGAME, CA PROPERTY TAXES						
	FY23-24 Actuals	FY24-25 Actuals	FY25-26 Current Budget	FY25-26 New Projection	FY25-26 Budget Amendment	Adjustment Up (Down) %
Current Secured Property Tax	\$ 22,303,732	\$ 24,101,003	\$ 25,002,090	\$ 25,002,090	\$0	0.0%
Secured Supp. Property Tax	588,030	\$ 380,794	275,000	275,000	0	0.0%
Current Unsecured Property Tax	957,178	\$ 1,049,226	1,039,330	1,039,330	0	0.0%
Property Tax in Lieu of VLF	3,575,109	\$ 4,602,652	5,822,000	4,922,000	(900,000)	-15.5%
ERAF Refund	3,771,416	\$ 3,949,546	3,400,000	4,400,000	1,000,000	29.4%
Unitary Tax	381,868	\$ 409,900	408,070	408,070	0	0.0%
Total, Property Taxes	\$ 31,577,334	\$ 34,493,120	\$ 35,946,490	\$ 36,046,490	\$ 100,000	0.3%

Overall, staff estimates a 0.3% increase in property tax revenue, or \$0.1 million more than the adopted budget. All property tax revenue categories are in line with the original budget projections, except Excess ERAF (Educational Revenue Augmentation Fund) and Property Tax in Lieu of VLF (Vehicle License Fee).

Projections for Excess ERAF refunds have varied considerably over the years. Higher property tax revenues resulted in more funds from local agencies being held back for the ERAF and fewer demands for education funding being made on these funds. The total anticipated ERAF refunds (\$4.4 million) are included in the fiscal year 2025-26 property tax projection.

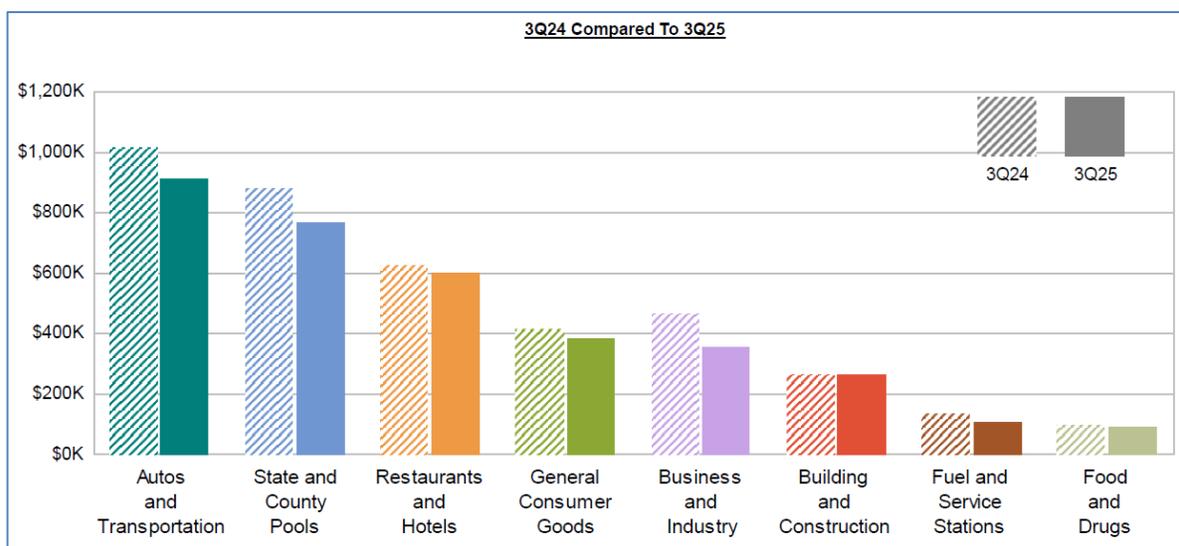
Property Tax in Lieu of VLF is also allocated based on growth in the County's secured property tax roll, but it is funded from the countywide ERAF and from the property tax revenues of non-basic-aid school districts. (The State backfills any monies taken from the non-basic aid school districts.) Most school districts in San Mateo County are classified as basic aid, i.e., the property taxes within the district are sufficient to fund the schools without funding from the County's ERAF. A decrease in the number of non-basic aid school districts in the county resulted in fewer available property tax revenues to fund VLF. As there is no statutory mechanism for the State to reimburse cities and counties for this shortage in full, the County is working with its legislative advocates to request that the shortfall amounts be appropriated in the State's future budget. (The County and all San Mateo County cities have also filed a lawsuit against the State to recoup these revenues.) This fiscal year, the City received a partial payment of \$1.5 million, which is 2/3 of the original FY 2023-24 VLF

shortfall funding amount. Based on year-to-date data, staff recommends adjusting the VLF budget downward by \$0.9 million.

Sales and Use Taxes – The table below shows the City's sales and use tax revenues over the past five years and a projection for the current fiscal year. The "Sales & Use Tax" category includes sales tax receipts from Bradley Burns (local 1%) allocations administered by the California Department of Tax and Fee Administration (CDTFA). The addition of the City's Measure I tax, effective April 1, 2018, further bolstered this revenue line item. Although Measure I revenues and expenditures are tracked internally in a separate sub-fund, they are included as General Fund transactions for financial reporting purposes.

CITY OF BURLINGAME, CA HISTORICAL SALES AND USE TAXES (amount expressed in millions)								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Est.
Sales & Use Tax	\$ 15.14	\$ 12.35	\$ 12.95	\$ 14.39	\$ 13.80	\$ 14.14	\$ 14.04	\$ 13.31
Public Safety Fund-Sales Tax	0.17	0.17	0.17	0.19	0.22	0.20	0.21	0.21
Measure I (0.25% Sales Tax)	2.51	2.28	2.54	2.99	3.12	3.28	3.14	3.14
Totals	\$ 17.82	\$ 14.80	\$ 15.66	\$ 17.57	\$ 17.14	\$ 17.62	\$ 17.39	\$ 16.66
Year-over-year changes %	39.0%	-17.0%	5.8%	12.2%	-2.4%	2.8%	-1.3%	-4.2%

Because of the time lag in reporting and submitting sales tax to the CDTFA, only one quarter's data (the third calendar quarter of 2025) is available from which to project the City's FY 2025-26 sales tax revenues. A review of Burlingame's third-quarter data for 2025 (taxes remitted to the CDTFA in October – December 2025) indicates that Burlingame's gross receipts from July through September were down 19.3% compared to the third quarter sales period in 2024. After adjusting for reporting modifications, actual sales fell 10.2%. New-vehicle receipts declined due to a taxpayer reporting change, which pulled auto-transportation revenue down. Weaker jewelry store sales and declines in other retail sectors contributed to the revenue drop. The fluctuating price of crude oil negatively affected fuel-service station receipts. The City's share of the countywide use tax pool declined, resulting in lower revenues. A surge in building materials purchases and contractor activity offset losses in plumbing/electrical supply receipts, netting a slight increase in building construction. With gains from e-commerce, electrical equipment, and local vehicle sales, Measure I posted better results.



The new projection for these revenues in fiscal year 2025-26 is \$16.7 million, a \$406,000 reduction from the adopted budget. This adjustment results from a sales tax audit performed by the City’s sales tax consultant.

Transient Occupancy Taxes (TOT) – Historically, TOT revenues constituted Burlingame's largest General Fund revenue source. At nearly \$29.4 million, TOT accounted for approximately 34.8% of all General Fund revenue in fiscal year 2018-19, dropping to \$20.4 million in fiscal year 2019-20. For fiscal year 2020-21, the total TOT revenue collected was about \$5.7 million, 80.5% lower than the pre-pandemic level. The actual receipts for fiscal years 2021-22, 2022-23, 2023-24, and 2024-25 were \$12.4 million, \$18.3 million, \$19.3 million, and \$20.2 million, respectively.

	Year to Date - December 2025 vs December 2024											
	Occ %		ADR		RevPAR		Percent Change from YTD 2024					
	2025	2024	2025	2024	2025	2024	Occ	ADR	RevPAR	Room Rev	Room Avail	Room Sold
BEL/RWC/SC+	72.0	70.2	160.18	154.61	115.32	108.50	2.6	3.6	6.3	6.3	0.0	2.6
MP/EPA+	60.4	59.7	431.22	408.36	260.50	243.94	1.1	5.6	6.8	7.1	0.3	1.4
BRI/SSF/SB+	70.7	67.9	142.33	137.44	100.60	93.36	4.1	3.6	7.8	6.9	-0.8	3.2
Coast Side +	64.7	60.2	356.45	333.97	230.78	201.05	7.5	6.7	14.8	14.8	0.0	7.5
BUR/MIL/SFO+	78.6	77.5	185.79	178.67	146.12	138.42	1.5	4.0	5.6	5.5	-0.0	1.5
SM/FC+	76.4	70.2	168.35	168.68	128.57	118.34	8.9	-0.2	8.6	-1.1	-9.0	-0.9
City of Mountain View, CA+	68.4	67.0	219.23	211.08	149.93	141.43	2.1	3.9	6.0	4.7	-1.2	0.8

For the first six months of fiscal year 2025-26, TOT revenues were 5.5% higher than the same period in the prior year. The table above compares the year-to-date hotel data for Burlingame/Millbrae/SFO in December 2025 vs. December 2024. The average occupancy rate year-to-date through December 2025 was 78.6% (vs. 77.5% through December 2024), and the average room rate was \$185.79 (vs. \$178.67 through December 2024). The AI industry appears to be a driver of business travel.

Based on prior-year experience and year-to-date revenues, however, staff recommends a \$1.0 million downward adjustment to TOT revenues for the current fiscal year. The adjustment will bring

the FY 2025-26 projection to \$21.8 million, which is about 74.3% of the revenue received from this source in FY 2018-19, the last full pre-pandemic year.

Fines, Forfeitures and Penalties – This category consists largely of revenue from parking citations and vehicle code violation fines. The Police Department has refined its current-year projections to reflect a lower volume of parking citations, offset by a slight increase in vehicle code violation fines, and recommends a budget decrease of \$175,000 to \$493,000.

Use of Money & Property – General Fund revenue in this category consists largely of long-term leases. Because the City received an easement payment of \$225,000 during the fiscal year, staff recommends increasing the budget for this category by \$225,000.

Charges for Services – As seen in the chart below, most departments generate some revenue in this category. With a revised budget of nearly \$8.7 million, these receipts account for approximately 9.3 percent of Burlingame's total General Fund revenues.

CITY OF BURLINGAME, CA						
CHARGES FOR SERVICES BY DEPARTMENT						
By Department	FY23-24	FY24-25	FY25-26	FY25-26	FY25-26	Adjustment Up (Down) %
	Actuals	Actuals	Current Budget	New Projection	Budget Amendment	
Police	\$ 649,069	\$ 748,471	\$ 63,000	\$ 424,000	\$ 361,000	573.0%
Parks	106,381	198,332	286,000	345,500	59,500	20.8%
Recreation	4,416,700	4,703,176	4,200,000	4,500,000	300,000	7.1%
Aquatics	113,381	387,394	316,900	399,900	83,000	26.2%
Planning	1,053,598	806,330	538,000	538,000	0	0.0%
Public Works	1,930,205	527,102	1,599,000	1,673,000	74,000	4.6%
Library	808,086	782,642	774,672	774,672	0	0.0%
Other	52,006	2,190	0	0	0	0.0%
Total, Departmental Fees	\$ 9,154,970	\$ 8,228,052	\$ 7,777,572	\$ 8,655,072	\$ 877,500	11.3%

A significant adjustment is recommended to the General Fund revenue projections for the Police Department. The adjustment is an increase in reimbursement revenue of \$0.4 million, representing the “special police services” provided by the department in FY 2025-26 to maintain additional public safety presence near the downtown Apple Store and Kerns Jewelry store. The City charges full cost recovery for these services; the largest offset to this revenue budget is an increase in overtime costs in the Police Department.

Receipts from recreational services in fiscal year 2025-26 were about \$4.7 million, indicating continued demand for recreation program offerings. In fact, the new Community Center has attracted a significant number of visitors since its grand opening in June 2022. Based on year-to-date numbers, an upward budget adjustment of \$0.3 million for recreation fee revenue is recommended for the current fiscal year. Staff also recommends increasing the Parks Division’s fees for services, the Aquatics revenue, and the Public Works reimbursement projections by about \$60,000, \$83,000, and \$74,000, respectively, to reflect payments collected in the current fiscal year.

Investment Income – The City has contracts with PFM Asset Management, LLC. for outside investment advisory services. PFM assists with the annual review of the City’s ongoing cash flows and investment goals and recommends revisions in the investment policy as needed. The market value of the portfolio as of December 31, 2025, was nearly \$269.5 million, consisting of a \$134.2 million managed pool of top-rated securities, \$74.6 million in the State Local Agency Investment Fund (LAIF), and \$59.6 million in the California Asset Management Program (CAMP). The City’s aggregate investments averaged a yield to maturity of nearly 4.0 percent. Based on expected cash balances, staff proposes a \$1.0 million increase for this budget line.

General Fund - Expenditures

The following table shows the mid-year assessment of FY 2025-26 General Fund expenditures by critical service area:

CITY OF BURLINGAME, CA SUMMARY OF GENERAL FUND EXPENDITURES						
	FY24-25 Actuals	FY25-26 Adopted Budget	FY25-26 Current Budget	FY25-26 New Projection	FY25-26 Budget Amendment	Adjustment Up (Down) %
<u>By General Fund Program</u>						
General Government	\$ 8,044,119	\$ 8,645,014	\$ 9,366,176	\$ 9,386,228	\$ 20,052	0.2%
Public Safety	\$ 36,934,578	39,800,978	40,103,027	40,530,027	427,000	1.1%
Public Works	\$ 9,063,842	10,743,596	10,853,812	10,853,812	0	0.0%
Community Development	\$ 2,805,373	2,904,009	3,257,929	3,257,929	0	0.0%
Leisure & Culture	\$ 22,698,153	23,744,256	25,644,610	25,644,610	0	0.0%
Total Expenditures	\$ 79,546,065	\$ 85,837,852	\$ 89,225,555	\$ 89,672,607	\$ 447,052	0.5%

There are four columns for fiscal year 2025-26. The “FY25-26 Adopted Budget” column shows the budget that the City Council adopted in June 2025, and the "FY25-26 Current Budget" column shows any budget amendments approved by the City Council since the adoption. The third FY 2025-26 column shows the new mid-year projection for each program area’s current-year expenditures. The fourth FY 2025-26 column shows the resulting proposed amendments to the FY 2025-26 adjusted budget to reflect additional resources required (or anticipated operational savings) by departments for the remainder of the fiscal year. For comparison, the table also includes the General Fund’s actual expenditure performance for fiscal year 2024-25. The General Fund experienced budgetary savings (positive expenditure variances) in fiscal year 2024-25, resulting in \$4.8 million (roughly 5.7 percent) less in expenditures than budgeted. Since local government expenditure budgets (appropriations) serve as the legal level of budgetary control, some level of savings will be realized in any fiscal year. Although departmental budgets were analyzed for underfunded operating needs *and* anticipated budgetary savings, the focus was on ensuring budget adequacy for General Fund operations for the remainder of the fiscal year.

The following table shows the FY 2025-26 mid-year assessment of departmental (operating) General Fund expenditures:

CITY OF BURLINGAME, CA SUMMARY OF GENERAL FUND EXPENDITURES						
	FY24-25 Actuals	FY25-26 Adopted Budget	FY25-26 Current Budget	FY25-26 New Projection	FY25-26 Budget Amendment	Adjustment Up (Down) %
By General Fund Program						
General Government	\$ 8,044,119	\$ 8,645,014	\$ 9,366,176	\$ 9,386,228	\$ 20,052	0.2%
Public Safety						
Central County Fire	16,127,844	16,875,797	16,875,797	16,875,797	0	0.0%
Police & Dispatch	20,806,734	22,925,181	23,227,230	23,654,230	427,000	1.8%
Public Works	9,063,842	10,743,596	10,853,812	10,853,812	0	0.0%
Community Development	2,805,373	2,904,009	3,257,929	3,257,929	0	0.0%
Leisure & Culture						
Aquatic Center	664,593	735,000	871,662	871,662	0	0.0%
Library	6,658,580	7,178,035	7,178,035	7,178,035	0	0.0%
Parks & Recreation	15,374,979	15,831,221	17,594,913	17,594,913	0	0.0%
Total Expenditures	\$ 79,546,065	\$ 85,837,852	\$ 89,225,555	\$ 89,672,607	\$ 447,052	0.5%

Although some of the proposed mid-year budget amendments are offset within each department or division, they are described in detail below to illustrate changes in operations that were not anticipated when the FY 2025-26 budget was adopted.

CITY OF BURLINGAME, CA SUMMARY OF GENERAL FUND EXPENDITURES						
	FY24-25 Actuals	FY25-26 Adopted Budget	FY25-26 Current Budget	FY25-26 New Projection	FY25-26 Budget Amendment	Adjustment Up (Down) %
By Expense Categories						
Salaries & Wages	\$ 23,318,457	\$ 24,927,867	\$ 25,109,975	\$ 25,641,732	\$ 531,757	2.1%
Benefits	15,612,479	17,513,720	17,567,746	17,572,179	4,433	0.0%
Operating Costs	30,734,380	32,756,433	35,908,003	35,698,865	(209,138)	-0.6%
Internal Services	9,585,405	10,304,692	10,304,692	10,304,692	0	0.0%
Capital Outlay	295,344	335,140	335,140	455,140	120,000	35.8%
Total Expenditures	\$ 79,546,065	\$ 85,837,852	\$ 89,225,555	\$ 89,672,607	\$ 447,052	0.5%

Total General Fund expenditures increased 1.7 percent (nearly \$1.5 million) in the FY 2025-26 adopted budget compared with the prior year's adjusted budget. The increase in the operating budget was primarily due to higher wages and benefits for full-time, part-time, and seasonal employees, as well as increased pension costs. With this mid-year analysis, an increase in the operating expenditures budget (over \$0.4 million) is recommended for the FY 2025-26 General Fund appropriations; the majority of the increases are offset by reimbursements or additional service revenues.

General Fund Personnel Costs

In terms of this mid-year review, a \$536,000 amendment is needed in salaries/wages and benefits for the following items:

- A \$20,000 budget increase was requested to cover the unbudgeted salaries and benefits increase for the City Attorney’s office.

- The Police Department's overtime budget is offset by reimbursement revenue from the Apple Store and Kerns Jewelry store security detail - \$362,000.
- The Recreation Division's part-time wages are offset by recreational services revenue - \$131,000

General Fund Non-personnel Appropriation Adjustments

Police, Public Works, and Parks & Recreation Department – Departments were able to find savings from miscellaneous operating budget line items to cover unanticipated capital needs, resulting in a net savings of \$89,000 between operating costs and capital outlay line items.

Unanticipated Capital Outlay – Staff needs to add funding for the purchase of two electric utility vehicles for Parks (\$80,000) and a cost-sharing server replacement project for the Police Department (\$40,000).

General Fund Operating Summary

The following schedule summarizes the mid-year adjustments' impact on the General Fund:

CITY OF BURLINGAME, CA GENERAL FUND OPERATING SUMMARY					
	FY23-24 Actuals	FY24-25 Actuals	FY25-26 Current Budget	FY25-26 New Projection	FY25-26 Budget Amendment
Total Revenue	\$ 89,497,161	\$ 93,701,502	\$ 92,513,152	\$ 93,747,652	\$ 1,234,500
Expenditures					
Departmental Expenditures	(76,766,690)	(79,546,065)	(89,225,555)	(89,672,607)	(447,052)
Transfers to Debt Services	(3,622,687)	(3,650,192)	(3,121,839)	(3,121,839)	0
Transfers to Capital Project Fund	(8,564,000)	(12,657,040)	(10,101,920)	(10,101,920)	0
Other Transfer In (Out)	1,870,940	2,388,180	2,765,930	2,765,930	0
Total Expenditures	(87,082,437)	(93,465,117)	(99,683,384)	(100,130,436)	(447,052)
Net Operating Surplus (Deficit)	2,414,724	236,385	(7,170,232)	(6,382,784)	787,448
Change in General Fund Balance	\$ 2,414,724	\$ 236,385	\$ (7,170,232)	\$ (6,382,784)	\$ 787,448

Once adjusted by the recommended amendments in this report, the General Fund's projected deficit (negative net operating revenues) for the fiscal year 2025-26 is nearly \$6.4 million. This is explained further in the Other Funds section below.

General Fund Balance

Once all the mid-year adjustments are factored in, the General Fund shows a projected total fund balance of \$51.3 million at the end of the 2025-26 fiscal year.

CITY OF BURLINGAME, CA CHANGES TO GENERAL FUND BALANCE			
	FY 2024-25 Actual	FY 2025-26 Current Budget	FY 2025-26 New Projection
Beginning Fund Balance (audited)	\$ 57,407,807	\$ 57,644,192	\$ 57,644,192
Projected Revenues & Expenditures			
Projected revenues	93,701,502	92,513,152	93,747,652
Projected departmental expenditures	(79,546,065)	(89,225,555)	(89,672,607)
Subtotal, Revenues Net of Expenditures	14,155,437	3,287,597	4,075,045
Transfer to Debt Service	(3,650,192)	(3,121,839)	(3,121,839)
Transfer to Capital Project Fund	(12,657,040)	(10,101,920)	(10,101,920)
Other Transfers In (Out) of General Fund	2,388,180	2,765,930	2,765,930
Ending Fund Balance (Projected)	\$ 57,644,192	\$ 50,473,959	\$ 51,261,407

Note that at the time the FY 2025-26 budget (current-year budget) was adopted on June 16, 2025, the ending General Fund balance was projected to be \$45.7 million, based on the estimated FY 2024-25 ending fund balance of \$49.3 million and a \$3.6 million net operating deficit. However, after the City closed its books for FY 2024-25 in September 2025, the General Fund finished the fiscal year with a surplus of over \$0.2 million, which was driven by higher-than-anticipated revenue and significant savings in departmental expenditures. This resulted in a higher fund balance of \$57.6 million, which became the beginning fund balance for FY 2025-26.

As shown below, the unassigned fund balance is anticipated to increase by \$3.3 million. The Economic Stability Reserve will increase by about \$296,000 due to increased revenues, in accordance with the City's General Fund Reserve Policy. The restricted fund balance, reflecting General Fund contributions to the § 115 Pension Trust Fund, will remain the same as the FY 2024-25 actuals, since no contribution was proposed for FY 2025-26.

CITY OF BURLINGAME, CA GENERAL FUND BALANCE ASSIGNMENTS				
	FY23-24 Actuals	FY24-25 Actuals	FY25-26 Adopted Budget	FY25-26 New Projection
Economic Stability Reserve	\$ 20,300,835	\$ 21,658,000	\$ 22,203,000	\$ 22,499,000
Catastrophic Reserve	2,000,000	2,000,000	2,000,000	2,000,000
Contingency Reserve	500,000	500,000	500,000	500,000
Subtotal, Assigned Fund Balance	22,800,835	24,158,000	24,703,000	24,999,000
Add: Restricted for Pension Trust Fund (PARS)	20,300,835	22,310,544	20,300,835	22,310,544
Add: Unassigned Fund Balance	14,306,137	11,175,648	700,320	3,951,863
Total, Ending Fund Balance	\$ 57,407,807	\$ 57,644,192	\$ 45,704,155	\$ 51,261,407

As of June 30, 2026, the General Fund's projected fund balance of \$51.3 million represents 57.2 percent of the General Fund's operating expenditures of \$89.7 million. Because \$22.3 million is restricted for pension benefits through the § 115 Trust Fund, a better measure of coverage is the unrestricted fund balance of nearly \$29.0 million, which equates to 32.3 percent of the fund's operating expenditures. The City's General Fund Reserve Policy and resulting reserve targets were based on assessing the City's revenue volatility, infrastructure risks, and the possibility of extreme events. As such, the Council's reserve management strategies reflect the best practices in public finance. Once funded in accordance with the policy, the City's reserves (approximately \$25.0 million) comprise the largest portion of the General Fund's ending fund balance, equal to 26.7 percent of projected General Fund revenues for the year. The reserve policy calls for an Economic Stability Reserve of 24 percent of budgeted revenues, a Catastrophic Reserve of \$2 million, and a \$500,000 Contingency Reserve. This leaves an unassigned fund balance of nearly \$4.0 million.

General Fund Reserve Policy and Capital Investment Reserve – The City Council approved a General Fund Reserve Policy early in 2015 that recognized the need for adequate reserves to guard against future economic downturns. The policy dictates an annual review and adjustment in the Economic Stability Reserve. In addition, in recognition of Burlingame's significant unfunded capital planning/facility needs and the continued impact of these needs on the City's financial flexibility, the Council also approved the establishment of a Capital Investment Reserve within the Capital Improvement Projects (CIP) Fund. The purpose of the Capital Investment Reserve was to offset the further accumulation of unfunded liabilities arising from aging facilities. The reserve was initially funded with a General Fund transfer of \$3 million, reflecting the fund's operating surplus in fiscal year 2013-14. Until the onset of the pandemic, the City continued to fund the Capital Investment Reserve with each annual operating budget in the base amount of \$3 million.

CITY OF BURLINGAME, CA	
CHANGES TO CAPITAL INVESTMENT RESERVE	
Beginning Balance Established 3/31/15 (FY14-15)	<u>\$ 3,000,000</u>
Budget Transfer from General Fund in FY 2015-16	3,000,000
Add'l Budget Transfer from General Fund in FY 2015-16 (mid-year)	5,000,000
Decrease in Catastrophic Reserve Fund (mid-year)	<u>2,500,000</u>
Ending Balance 6/30/16	\$ 13,500,000
Budgeted Transfer from General Fund in FY 2016-17	3,000,000
Add'l Budget Transfer from General Fund in FY 2016-17 (mid-year)	4,000,000
Ending Balance 6/30/17	\$ 20,500,000
Budget Transfer from General Fund in FY 2017-18	3,000,000
Add'l Budget Transfer From General Fund in FY 2017-18 (mid year)	<u>2,300,000</u>
Ending Balance 6/30/18	\$ 25,800,000
Budget Transfer from General Fund in FY 2018-19	<u>3,000,000</u>
Ending Balance 6/30/19	\$ 28,800,000
Budget Transfer from General Fund in FY 2019-20	6,500,000
Transfer to fund New Community Center Project in FY2019-20	<u>(10,644,000)</u>
Ending Balance 6/30/20	\$ 24,656,000
Purchase of Rule 20-A Credits (Saratoga)	(1,208,330)
Purchase of Rule 20-A Credits (Shasta County)	<u>(2,250,000)</u>
Budgeted Balance at 6/30/21	\$ 21,197,670
Transfer to fund Broadway Grade Separation Project in FY2023-24	(600,000)
Transfer to fund Broadway Grade Separation Project in FY2024-25	<u>(3,830,000)</u>
Budgeted Balance at 6/30/26 (Projected)	\$ 16,767,670

Unlike other amounts reflected in the Capital Projects Fund's fund balance, Capital Investment Reserve funding will not be appropriated for a specific project. Instead, the reserve accumulates for capital projects to be initiated when the timing is optimal and sufficient other funding is identified.

Generally, recommendations for funding this reserve are executed with each budget adoption and again with the annual mid-year analysis. As the City is not anticipating a surplus in the current fiscal year, the budget contains no additional funding for the Capital Investment Reserve.

Other Funds

Although the General Fund is the City's primary operating fund, the City utilizes various enterprise, capital, internal services, and special revenue funds to account for governmental and business-like activities. The Finance Department staff reviewed all City funds for this mid-year analysis.

The chart below shows a summary of the impact on all funds as a result of this mid-year analysis:

CITY OF BURLINGAME, CA BUDGET SUMMARY BY FUND			
	FY25-26 Current Budget	FY25-26 New Projection	FY25-26 Budget Amendment
General Fund	\$ 89,225,555	\$ 89,672,607	\$ 447,052
Capital Projects	27,299,920	27,399,920	100,000
Financing Authority	5,713,867	5,713,867	0
Water Enterprise	19,035,654	19,035,654	0
Sewer Enterprise	13,422,339	13,422,339	0
Parking Enterprise	2,141,976	2,250,007	108,031
Solid Waste Enterprise	974,011	974,011	0
Landfill Fund	381,322	381,322	0
Building Enterprise	4,606,935	4,606,935	0
Special Revenue Funds	856,500	856,500	0
Internal Service Funds	3,182,306	3,202,351	20,045
Total	\$166,840,385	\$167,515,513	\$ 675,128

Capital Projects Fund – In October 2025, the City engaged Group 4 Architecture to provide audio-visual technology and design improvements for the Main Library's Lane Community Room for an amount not to exceed \$47,700. The Burlingame Library Foundation will fund this project in totality, with an initial funding of \$100,000. Staff requests to include this \$100,000 grant funding and the appropriation of the expenditures in the City's Facility Capital Improvement program to track the project activities. Staff will bring the item back to the Council and request additional spending authority once the construction contract is ready for award.

Parking Enterprise Fund – The City entered into an agreement with MacKay Meters to replace the existing IPS parking meters in May 2025. The agreement did not include the costs of removing and installing the meter poles. Subsequently, the City requested bids for the removal and

installation of the parking meter poles for this project; the lowest-qualified vendor's quote was \$108,031, which included a 15% contingency. Staff requests to increase the Parking Enterprise Fund's Capital Outlay line-item budget by \$108,031 to cover costs.

Internal Services Funds – A combined increase of about \$20,000 is requested for the Employment Insurance and Liability Insurance Funds, based on the salary allocation formula, to cover the unbudgeted salary and benefits increase for the City Attorney's office.

General Fund Five-Year Financial Forecast

The five-year financial forecast is intended to provide the City Council and the public with an updated assessment of the City's operating fund fiscal health considering the latest economic developments. It includes a historical perspective on revenues and expenditures as well as projections through FY 2030-31. The forecast assists the Council and City management in understanding the City's ability to fund the current level of services and in determining whether it is likely to be sustainable under the existing City revenue structure.

The five-year forecast attached to this report as Attachment A was developed using the FY 2025-26 budget, and incorporating the recommended adjustments in this report, as a starting point for estimating revenues and expenses in future operating budgets.

To evaluate the ongoing impact of each updated General Fund projection described in the City's five-year forecast, it is important to consider which adjustments reflect one-time events and which represent a fundamental change in the City's revenue or expenditure structure. One-time revenues cannot be relied upon to augment ongoing services, just as non-recurring costs will not drain the General Fund on a continuing basis. Therefore, no sale of General Fund assets or one-time subsidies is assumed in the five-year forecast.

Revenues associated with the Measure I $\frac{1}{4}$ % transaction/sales tax are included in the City's five-year forecast, as are the offsetting expenditures identified in the Measure I spending plan. Measure I revenues and expenditures are accounted for in a sub-fund of the City's General Fund to provide maximum transparency regarding the use of these resources. Still, they are always included when reporting General Fund activities.

The five-year forecast was prepared carefully, considering each revenue and expenditure category. These analyses roll up to the summary forecast shown in **Attachment A**. General Fund revenues are monitored closely. In the past, projections were based upon a rolling forecast model that combined actual results with smoothed, multi-year historical data. Forecast assumptions rely heavily on information from third-party experts, published industry indices, and/or data collected from City departments. Adjustments are also made for known and/or assumed financial factors, such as economic and legislative changes at the national, state, and local levels. This analytical strategy allows a different growth assumption to be applied for every account within a revenue or expenditure category.

The City of Burlingame offers its permanent employees a defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS) and Other Post-Employment Benefits (OPEB) retiree medical benefits. Retirement costs continue to rise, and the City

established a § 115 pension trust fund with the Public Agency Retirement Services (PARS) and an OPEB trust account with the California Employers' Retiree Benefits Trust (CERBT) to smooth the impact of pension rate increases and retiree medical costs on future operating budgets.

Salaries and wages were broadly projected at levels that assume all existing labor agreements are adhered to until expiration. The City's most recent labor contracts, while reflecting concern about rising employee benefit costs, also acknowledge the Bay Area's higher cost of living. The long-term forecast reflects salary and wage growth in anticipation of cost-of-living adjustments and step increases.

Beginning with the 2016-17 fiscal year budget, staff recommended that the budgeted transfer from the General Fund to the Capital Projects Fund be established based on the City's capital needs for the upcoming fiscal year, as opposed to a portion of TOT revenues, to the extent there is staff capacity in the organization to accomplish the identified projects. The current year's transfer was maintained at \$10.1 million to mitigate the draw on General Fund reserves. The five-year forecast also shows a transfer of approximately \$5.7 million for FY 2026-27 capital projects, which is still subject to review. The transfer for capital projects is the least certain variable in the General Fund five-year forecast.

Although the broad assumptions underlying the five-year forecast are conservatively realistic, any risk factors could result in a less optimistic forecast, including ineffective monetary policy by the Federal government, another major retrenchment of consumer spending, escalating inflation, war, or an emergency event. Conversely, improved revenues from implementing business development strategies or simply pent-up demand for travel and personal services may lead to stronger revenues and surpluses in the future. No single approach is assumed to succeed (and included in the five-year forecast) until the result is imminent. Staff has provided the most realistic budgetary projections using the most recent data. Analysis of the General Fund and City operations will continue through the fiscal year 2026-27 budget development, and there will undoubtedly be revisions to this five-year forecast.

Longer-term financial planning is not limited to the General Fund. The City's other operating funds are also examined for unfunded liabilities and future vulnerabilities, and adjustments are made as needed. To the extent these funds are not self-sustaining, they can indicate a drag on the City's General Fund operations. To avoid such a condition, long-term plans are updated frequently, and any changes in the outlook of these funds are brought to the City Council's attention through the budget, mid-year analysis, and other financial reporting processes currently in place.

FISCAL IMPACT

Authorization of the budget amendments described in this report updates the previous allocation of City resources for the 2025-26 fiscal year, reflecting changes in economic conditions and the City's current operations and fiscal year-to-date performance. The City Council may consider revisions to the mid-year adjustment in the attached budget resolution and/or additional amendments to the FY 2025-26 budget. The overall goal is to provide the most accurate picture of the 2025-26 fiscal year's standings in preparation for the FY 2026-27 budget and to assist decision-makers in planning for the City's long-term needs.

Exhibit:

- Mid-Year Budget Amendments Resolution

City of Burlingame
FY 2025-26 Mid-year Report
Attachment A – General Fund Five-Year Forecast

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Revenue Categories	New Projection	Forecast	Forecast	Forecast	Forecast	Forecast
Property Taxes	36,046,490	37,980,910	39,622,460	41,290,440	43,038,480	44,870,460
Sales Tax (including Measure I)	16,656,890	16,675,595	17,187,925	17,694,546	18,235,421	18,835,386
Transient Occupancy Tax	21,821,000	22,912,000	24,058,000	25,261,000	26,524,000	27,850,000
Other Taxes - Franchise Tax	1,934,600	1,983,000	2,032,000	2,083,000	2,135,000	2,188,000
Other Taxes - Business Licenses	1,885,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Other Taxes - Transfer Tax	400,000	408,000	416,000	424,000	432,000	441,000
Other Taxes - State HOPTR	64,000	64,000	64,000	64,000	64,000	64,000
Licenses & Permits	94,600	96,000	97,000	98,000	99,000	100,000
Fines, Forfeitures & Penalties	493,000	503,000	513,000	523,000	533,000	544,000
Use of Money & Property	1,732,000	2,006,000	2,031,000	2,058,000	2,086,000	2,115,000
Charges for Services	8,655,072	9,001,000	9,361,000	9,735,000	10,124,000	10,529,000
Other Revenue	607,000	137,000	137,000	137,000	137,000	137,000
State Subventions	358,000	361,580	365,196	368,848	372,536	376,262
Interest Income	3,000,000	3,060,000	3,121,000	3,183,000	3,247,000	3,312,000
Total Revenues	93,747,652	96,988,085	100,805,581	104,719,834	108,827,437	113,162,108
Expenditure Categories						
Salaries & Wages	(25,641,732)	(26,455,000)	(27,230,000)	(28,213,000)	(29,236,000)	(30,299,000)
Benefits	(17,572,179)	(18,652,209)	(19,311,969)	(20,199,969)	(20,730,969)	(21,253,969)
Operating Costs	(35,698,865)	(36,603,000)	(37,906,000)	(40,127,000)	(42,260,000)	(44,289,000)
Internal Services	(10,304,692)	(10,581,000)	(10,866,000)	(11,158,000)	(11,587,000)	(12,034,000)
Capital Outlay	(455,140)	(469,000)	(483,000)	(497,000)	(512,000)	(527,000)
Total Expenditures	(89,672,607)	(92,760,209)	(95,796,969)	(100,194,969)	(104,325,969)	(108,402,969)
Revenues Over (Under) Expenditures	4,075,045	4,227,876	5,008,612	4,524,865	4,501,468	4,759,139
Transfer In (Out)						
Transfer to CIP Project Funds	(10,101,920)	(5,650,000)	(12,925,000)	(13,170,000)	(9,870,000)	(12,600,000)
Transfer to Debt Service Fund	(3,121,839)	(3,104,850)	(3,104,150)	(3,111,530)	(3,120,450)	(3,125,680)
Transfers In (Out) - other funds	2,765,930	2,256,192	2,058,944	2,134,092	2,205,903	2,182,318
Net Surplus / (Deficit)	(6,382,784)	(2,270,782)	(8,961,594)	(9,622,574)	(6,283,078)	(8,784,223)
FUND BALANCE	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
General Fund Beginning Bal.	57,644,192	51,261,407	48,990,625	40,029,031	30,406,458	24,123,379
General Fund Ending Bal.	51,261,407	48,990,625	40,029,031	30,406,458	24,123,379	15,339,156
Assigned Balance:	24,999,000	25,777,000	26,693,000	27,633,000	28,619,000	29,659,000
Econ. Stability Reserve @ 24% of	22,499,000	23,277,000	24,193,000	25,133,000	26,119,000	27,159,000
Catastrophic Reserve (\$2 mil.)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Contingency Reserve (\$500,000)	500,000	500,000	500,000	500,000	500,000	500,000
PARS restricted cash	22,310,544	22,310,544	22,310,544	22,310,544	22,310,544	22,310,544
Unassigned Fund Balance	3,951,863	903,081	(8,974,513)	(19,537,086)	(26,806,165)	(36,630,388)

Attachment A – General Fund Five-Year Forecast (Continued)

