



# STAFF REPORT

AGENDA NO: 10a

MEETING DATE: June 15, 2026

**To:** Honorable Mayor and City Council

**Date:** June 15, 2026

**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) Amending the FY 2025-26 Operating Budget; (2) Approving Personnel Classification and Position Changes; (3) Adopting the FY 2026-27 Operating and Capital Budgets and Authorizing the Finance Director to Assign Uses to Fund Balance Amounts; and (4) Approving the Gann Appropriation Limit**

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## **RECOMMENDATION**

Staff recommends that the City Council hold a public hearing on the Proposed Budget and Capital Program for fiscal year 2026-27 and adopt four resolutions in the following order:

- a. Resolution of the City Council of the City of Burlingame amending the FY 2025-26 Operating Budget
- b. Resolution of the City Council of the City of Burlingame Approving Personnel Classification and Position Changes.
- c. Resolution of the City Council of the City of Burlingame Adopting Operating and Capital Improvement Budgets for the City of Burlingame for Fiscal Year 2026-27 and Authorizing the Finance Director/Treasurer to Assign Uses to Fund Balance Amounts.
- d. Resolution of the City Council of the City of Burlingame Establishing the Fiscal Year 2026-27 Appropriation Limit for the City of Burlingame Pursuant to Article XIII B of the California Constitution.

## **BACKGROUND**

Because an accurate financial picture of the current fiscal year is critical to the proposed budget for the upcoming 2026-27 fiscal year, staff has included in this staff report an amendment to the current-year budget to reflect various revenue, expenditure, and transfer adjustments. The City Council held a budget study session on Tuesday, May 19, 2026, to review the City's initial operating and capital budgets for the upcoming fiscal year 2026-27. 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 2026-27 budget as presented at the study session, except to include a \$175,000 allocation for the OneShoreline project.

## **DISCUSSION**

As a result, the FY 2026-27 proposed expenditure budget was revised to show an increase for this line item. The five-year forecast was updated to reflect this change. Once adjusted, the General Fund Summary projects a nearly \$3.3 million deficit in fund balance, which is an increase from the \$3.1 million reported at the May 19, 2026, budget study session. The resulting budget for the City's General Fund is shown below:

<b>CITY OF BURLINGAME, CA</b>			
<b>GENERAL FUND OPERATING SUMMARY</b>			
	<b>FY24-25</b>	<b>FY25-26</b>	<b>FY26-27</b>
	<b>Actuals</b>	<b>Revised</b>	<b>Proposed</b>
		<b>Budget</b>	<b>Budget</b>
<b>Total Revenue</b>	\$ 93,701,502	\$ 94,797,652	\$ 96,118,250
<b>Expenditures</b>			
<b>Departmental Expenditures</b>	(79,546,065)	(89,944,607)	(92,853,797)
<b>Transfers to Debt Services</b>	(3,650,192)	(3,121,839)	(3,104,852)
<b>Transfers to Capital Project Fund</b>	(12,657,040)	(10,101,920)	(5,699,510)
<b>Other Transfer In (Out)</b>	2,388,180	2,765,930	2,274,587
<b>Total Expenditures</b>	(93,465,117)	(100,402,436)	(99,383,572)
<b>Net Operating Surplus (Deficit)</b>	236,385	(5,604,784)	(3,265,322)
<b>Change in General Fund Balance</b>	<b>\$ 236,385</b>	<b>\$ (5,604,784)</b>	<b>\$ (3,265,322)</b>

The City's General Fund Balance at the end of fiscal year 2026-27 is projected to be approximately \$48.8 million, a drop of nearly \$3.3 million from the projected balance as of June 30, 2026.

<b>CITY OF BURLINGAME, CA</b>		
<b>CHANGES TO GENERAL FUND BALANCE</b>		
	<b>FY 2025-26 Revised Budget</b>	<b>FY 2026-27 Proposed Budget</b>
<b>Beginning Fund Balance (audited)</b>	\$ 57,644,192	\$ 52,039,407
<b>Projected Revenues &amp; Expenditures</b>		
Projected revenues	94,797,652	96,118,250
Projected departmental expenditures	(89,944,607)	(92,853,797)
<b>Subtotal, Revenues Net of Expenditures</b>	4,853,045	3,264,453
<b>Transfer to Debt Service</b>	(3,121,839)	(3,104,852)
<b>Transfer to Capital Project Fund</b>	(10,101,920)	(5,699,510)
<b>Other Transfers In (Out) of General Fund</b>	2,765,930	2,274,587
<b>Ending Fund Balance (Projected)</b>	<b>\$ 52,039,407</b>	<b>\$ 48,774,085</b>

After incorporating the amendment to the current year budget, the proposed budget for the 2026-27 fiscal year reflects an increase in the Economic Stability Reserve of nearly \$0.3 million, driven by an anticipated overall improvement in General Fund revenue over the prior year. The \$48.8 million projected fund balance reflects the target amounts prescribed in the City's General Fund Reserve Policy, plus approximately \$0.9 million in unassigned fund balance, available for appropriation at the City Council's discretion as shown below:

<b>CITY OF BURLINGAME, CA</b>			
<b>GENERAL FUND BALANCE ASSIGNMENTS</b>			
	<b>FY24-25 Actuals</b>	<b>FY25-26 Revised Budget</b>	<b>FY26-27 Proposed Budget</b>
<b>Economic Stability Reserve</b>	\$ 21,658,000	\$ 22,751,000	\$ 23,068,000
<b>Catastrophic Reserve</b>	2,000,000	2,000,000	2,000,000
<b>Contingency Reserve</b>	500,000	500,000	500,000
<b>Subtotal, Assigned Fund Balance</b>	24,158,000	25,251,000	25,568,000
<b>Add: Restricted for Pension Trust Fund (PARS)</b>	22,310,544	22,310,544	22,310,544
<b>Add: Unassigned Fund Balance</b>	11,175,648	4,477,863	895,541
<b>Total, Ending Fund Balance</b>	<b>\$ 57,644,192</b>	<b>\$ 52,039,407</b>	<b>\$ 48,774,085</b>

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 2026-27 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 necessary revisions to address discrepancies and incorporate updated information. More information regarding regulatory compliance services for the closed Burlingame Landfill became available, and staff increased the Landfill Enterprise Fund budget by \$50,000.

The FY 2026-27 budget totals that are recommended for adoption are as follows:

<b>CITY OF BURLINGAME, CA BUDGET SUMMARY BY FUND</b>		
	<b>FY25-26 Revised Budget</b>	<b>FY26-27 Proposed Budget</b>
<b>General Fund</b>	\$ 89,944,607	\$ 92,853,797
<b>Capital Projects</b>	27,399,920	46,849,510
<b>Financing Authority</b>	5,713,867	5,706,257
<b>Water Enterprise</b>	19,035,654	20,461,854
<b>Sewer Enterprise</b>	13,422,339	13,804,203
<b>Parking Enterprise</b>	2,250,007	1,411,424
<b>Solid Waste Enterprise</b>	974,011	976,463
<b>Landfill Fund</b>	381,322	434,111
<b>Building Enterprise</b>	4,606,935	4,776,028
<b>Special Revenue Funds</b>	856,500	856,500
<b>Internal Service Funds</b>	3,202,351	(127,575)
<b>Total</b>	<b>\$167,787,513</b>	<b>\$ 188,002,572</b>

Overall, the City’s budget increased by approximately \$20.2 million, or 12.0 percent, in the new fiscal year when compared with the current-year *revised* budget. The increase is primarily attributable to an increase of over \$19.4 million in the Capital Improvement Program, over \$2.9 million in the General Fund, and over \$1.8 million in the Water and Sewer Fund combined, offset by a reduction in the Parking Enterprise Fund (over \$0.8 million) and Internal Services Funds (\$3.3 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 2026-27, the appropriation limit of \$124,984,490 is significantly greater than the \$43,000,377 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 a critical element of careful, conservative financial management, ensuring the City is positioned to respond effectively 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 \$2.0 million General Fund Catastrophic Reserve. 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 2026-27:

*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 \$23.1 million for the year ending June 30, 2027.

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 2026-27 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 authorizes the Finance Director to assign these uses to the General Fund balance, along 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, 2026, 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 2026-27 fiscal year projects revenues of \$96,118,250, with expenditures and net transfers totaling \$99,383,572. The General Fund fund balance is estimated to be approximately \$48.8 million at the end of fiscal year 2026-27. Estimated increases or decreases to other major fund balances are shown on pages 53-54 of the 2026-27 Budget document.

### Exhibits:

- Resolution of the City Council of the City of Burlingame Amending the FY2025-26 Budget
- 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 2026-27 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 2026-27 Appropriation Limit for the City of Burlingame Pursuant to Article XIII B of the California Constitution
- City of Burlingame Proposed Budget for the 2026-27 Fiscal Year
- General Fund Five-Year Forecast