



STAFF REPORT

AGENDA NO: 6a
MEETING DATE: May 19, 2026

To: Honorable Mayor and City Council

Date: May 19, 2026

From: Lisa K. Goldman, City Manager – (650) 558-7243
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Subject: Study Session: Fiscal Year 2026-27 Budget

RECOMMENDATION

The purpose of this report is to give an overview of the development of the 2026-27 fiscal year budget and receive Council comments and direction. No Council action is required.

BACKGROUND

Development of the fiscal year 2026-27 budget has been underway since January, and the final budget document is beginning to take shape. Before finalizing the proposed budget for City Council approval at a public hearing in June, staff wishes to provide this budget overview for Council comments and direction.

Economic Conditions – Current information and analysis of the economic forces that are likely to impact the City's operations in the upcoming fiscal year continue to influence the development of the annual budget. The economic evaluation that informed this initial budget for the 2026-27 fiscal year was presented with the FY 2025-26 mid-year report. Uncertainty around the economic outlook has increased further over the last few months. Inflation remains elevated, in part reflecting the recent increase in global energy prices tied to the conflict in the Middle East. The U.S. economy is navigating a complex landscape characterized by inflationary pressures, shifting consumer behavior, and significant fiscal and monetary policy developments. In response to these challenges, staff has adopted a cautious approach in developing the FY 2026-27 budget.

General Fund

For fiscal year 2026-27, staff projects approximately \$96.1 million in total General Fund revenues – a 2.5 percent increase from projections for the current year. All General Fund revenues are discussed in more detail in this report. Each revenue line was refined to reflect existing and anticipated changes in economic assumptions.

Departmental expenditure budgets remain tight. In establishing departmental budgets for the upcoming fiscal year, emphasis was placed on the desire to maintain current service levels, particularly in public safety, to preclude any increase in unfunded liabilities, and to move forward

to address the City’s current and future unfunded needs. However, staff is also keenly aware of the volatile nature of the current economic climate and remains prepared to adjust to changing revenues as well as the changing needs of the community. As a result, the initial expenditure budgets for the 2026-27 fiscal year continue to reflect budgetary restraint on the part of all departmental operations.

General Fund - Revenues

The following table, which shows the current forecast for fiscal year 2026-27 General Fund revenues, displays last fiscal year’s actuals and compares the current-year’s revised budget with the proposed budget for fiscal year 2026-27.

CITY OF BURLINGAME, CA SUMMARY OF GENERAL FUND REVENUES						
	FY24-25 Actuals	FY25-26 Adopted Budget	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
Property Tax	\$ 34,450,697	\$ 35,946,490	\$ 36,046,490	\$ 37,680,770	\$ 1,634,280	4.5%
Sales and Use Tax	17,385,516	17,062,890	16,656,890	16,893,300	236,410	1.4%
Transient Occupancy Tax	20,168,534	22,821,000	21,821,000	23,002,000	1,181,000	5.4%
Other Taxes						
Franchise Tax	1,963,719	1,934,600	1,934,600	2,035,000	100,400	5.2%
Business Licenses	1,887,378	1,885,000	1,885,000	1,910,000	25,000	1.3%
Real Property Transfer Tax	385,072	400,000	400,000	400,000	-	0.0%
State HOPTR	62,421	64,000	64,000	64,000	-	0.0%
Licenses & Permits	86,202	94,600	94,600	94,600	-	0.0%
Fines, Forfeitures and Penalties	874,106	668,000	493,000	683,000	190,000	38.5%
Use of Money & Property	299,710	1,507,000	1,732,000	1,757,800	25,800	1.5%
Charges for Services	8,228,052	7,777,572	8,655,072	7,816,080	(838,992)	-9.7%
Other Revenue	633,904	137,000	607,000	137,000	(470,000)	-77.4%
State Subventions	579,957	215,000	358,000	344,700	(13,300)	-3.7%
Interest Income	6,696,234	2,000,000	3,000,000	3,300,000	300,000	10.0%
Total, General Fund Revenue	\$ 93,701,502	\$ 92,513,152	\$ 93,747,652	\$ 96,118,250	\$ 2,370,598	2.5%

The FY 2025-26 Revised Budget column includes the new revenue amendments proposed by staff for the current fiscal year, as presented in the mid-year report and analysis on March 11. The fiscal year 2026-27 projections reflect continued improvement over the current-year projections for many revenue sources. The increase in General Fund revenues for the upcoming fiscal year is approximately \$2.4 million, due mainly to the anticipated increases in secured property tax, sales and use tax, transient occupancy tax, and interest income.

Revenues from **property taxes** are expected to remain solid in the 2026-27 fiscal year. Property tax revenue became the General Fund's largest revenue source in fiscal year 2019-20 and represents 39.2 percent of total revenues in the upcoming fiscal year. Taxes due for fiscal year July 1, 2026, through June 30, 2027, are based on the assessed value as of January 1, 2026. Based on projections by the City's property tax consultant, HdL Coren & Cone, the secured tax shows an approximately \$1.6 million increase for the City of Burlingame over the current year's revised projection. This includes an inflation factor of 2.0 percent for all properties; the remaining

growth is attributable to higher assessed values of properties that have changed ownership over the year.

CITY OF BURLINGAME, CA PROPERTY TAXES						
	FY23-24 Actuals	FY24-25 Actuals	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
Current Secured Property Tax	\$ 22,303,732	\$ 24,101,003	\$ 25,002,090	\$ 26,621,980	\$ 1,619,890	6.5%
Secured Supp. Property Tax	588,030	380,794	275,000	400,000	125,000	45.5%
Current Unsecured Property Tax	957,178	1,049,226	1,039,330	1,060,170	20,840	2.0%
Property Tax in Lieu of VLF	3,575,109	4,602,652	4,922,000	5,090,550	168,550	3.4%
ERAF Refund	3,771,416	3,949,546	4,400,000	4,100,000	(300,000)	-6.8%
Unitary Tax	381,868	409,900	408,070	408,070	-	0.0%
Total, Property Taxes	\$ 31,577,334	\$ 34,493,120	\$ 36,046,490	\$ 37,680,770	\$ 1,634,280	4.5%

The City's **sales tax** revenue growth is expected to slow or remain flat for the upcoming fiscal year after the substantial gains in fiscal year 2020-21 and 2021-22. The proposed sales tax revenue budget for fiscal year 2026-27 is composed of a projected \$13.5 million in the Bradley Burns (local 1%) sales tax, \$0.2 million in Public Safety Fund sales tax (Prop 172 sales tax), and an estimated \$3.2 million from the City's ¼ cent Measure I transactions tax.

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.	FY 2027 Est.
Sales & Use Tax	\$ 15.14	\$ 12.35	\$ 12.95	\$ 14.39	\$ 13.80	\$ 14.14	\$ 14.04	\$ 13.31	\$ 13.52
Public Safety Fund-Sales Tax	0.17	0.17	0.17	0.19	0.22	0.20	0.21	0.21	0.22
Measure I (0.25% Sales Tax)	2.51	2.28	2.54	2.99	3.12	3.28	3.14	3.14	3.16
Totals	\$ 17.82	\$ 14.80	\$ 15.66	\$ 17.57	\$ 17.14	\$ 17.62	\$ 17.39	\$ 16.66	\$ 16.90
Year-over-year changes %	39.0%	-17.0%	5.8%	12.2%	-2.4%	2.8%	-1.3%	-4.2%	1.4%

TOT (Transient Occupancy Tax) revenue historically constituted Burlingame's largest General Fund revenue source and is usually a good indicator of current economic activity. 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.

San Mateo County Transient Occupancy Tax by Segment:

	Year to Date - March 2026 vs March 2025											
	Occ %		ADR		RevPAR		Percent Change from YTD 2025					
	2026	2025	2026	2025	2026	2025	Occ	ADR	RevPAR	Room Rev	Room Avail	Room Sold
BEL/RWC/SC+	74.0	68.7	179.29	155.32	132.74	106.68	7.8	15.4	24.4	24.5	0.1	7.9
MP/EPA+	60.2	54.8	541.29	413.31	325.71	226.32	9.9	31.0	43.9	43.9	0.0	9.9
BR/SSF/SB+	70.5	63.2	158.26	140.96	111.58	89.03	11.6	12.3	25.3	25.3	0.0	11.6
Coast Side +	63.7	56.7	402.12	341.70	256.18	193.69	12.4	17.7	32.3	32.3	0.0	12.4
BUR/MIL/SFO+	77.9	74.3	208.01	188.10	162.03	139.69	4.9	10.6	16.0	16.0	0.0	4.9
SM/FC+	80.5	72.3	183.12	171.38	147.47	123.98	11.3	6.8	18.9	18.9	0.0	11.3
City of Mountain View, CA+	67.2	62.8	241.67	219.93	162.36	138.17	6.9	9.9	17.5	16.5	-0.8	6.0

For the first nine months of fiscal year 2025-26, TOT revenues were 9.4% higher than in the prior year. The average occupancy rate year-to-date through March 2026 was 77.9% (vs. 74.3% through March 2025), and the average room rate was \$208.01 (vs. \$188.10 through March 2025). Based on the revenues received thus far and a recent market update from The San Francisco Peninsula, staff recommends a close to \$1.2 million (or approximately 5.4 percent) upward adjustment in TOT revenues for the upcoming fiscal year, for a total of \$23.0 million, or 78.3 percent of the pre-pandemic level. Although staff is recommending an increase in TOT revenue in the next fiscal year, this revenue source remains highly volatile and can be affected by declines in business and leisure travel and an uncertain economy.

Other taxes consist primarily of **franchise fees, business license tax, and real property transfer tax**, comprising slightly under 4.6 percent of the City's General Fund revenue budget for the upcoming fiscal year. The solid waste franchise fee makes up approximately 54.1 percent of all franchise fee revenues for the City.

CITY OF BURLINGAME, CA FRANCHISE TAXES						
	FY23-24 Actuals	FY24-25 Actuals	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
Gas	\$ 198,396	\$ 181,579	\$ 190,000	\$ 195,000	\$ 5,000	2.6%
Electric	382,684	448,821	390,000	440,000	50,000	12.8%
Garbage	899,581	1,004,472	1,014,600	1,100,000	85,400	8.4%
AT&T Cable TV	327,263	290,642	300,000	260,000	(40,000)	-13.3%
Wave Astound	10,764	9,707	10,000	10,000	-	0.0%
AT&T Video Service	42,790	28,498	30,000	30,000	-	0.0%
Total, Franchise Taxes	\$ 1,861,477	\$ 1,963,719	\$ 1,934,600	\$ 2,035,000	\$ 100,400	5.2%

Although gas and electric utilization/consumption and rates have also increased in recent years, changes to these line items have been conservatively budgeted with a total increase of \$55,000. Staff projects an \$85,400 increase for the solid waste franchise fee (garbage fee) to reflect the rate increase effective January 1, 2027. Staff also proposes downward adjustments to cable TV revenues, reflecting continued declines in demand for these services.

Revenues from activities in the category of **finances, forfeitures, and penalties** are expected to increase by \$190,000, or 38.5 percent, in the next year based on historical trends.

As seen in the chart below, most departments generate some receipts in the charges for services category. With a current-year revised budget of nearly \$8.7 million, charges for services account for approximately 9.2 percent of Burlingame's total General Fund revenues. The proposed fiscal year 2026-27 budget assumes roughly \$7.8 million in charges for services revenue, a reduction of over \$0.8 million, or 9.7 percent, compared to the current-year revised budget.

CITY OF BURLINGAME, CA CHARGES FOR SERVICES BY DEPARTMENT							
By Department	FY23-24 Actuals	FY24-25 Actuals	FY25-26 Adopted Budget	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
Police	\$ 649,069	\$ 748,471	\$ 63,000	\$ 424,000	\$ 68,000	\$ (356,000)	-84.0%
Parks	106,381	198,332	286,000	345,500	365,000	19,500	5.6%
Recreation	4,416,700	4,703,176	4,200,000	4,500,000	4,100,000	(400,000)	-8.9%
Aquatics	113,381	387,394	316,900	399,900	517,000	117,100	29.3%
Planning	1,053,598	806,330	538,000	538,000	638,000	100,000	18.6%
Public Works	1,930,205	527,102	1,599,000	1,673,000	1,279,000	(394,000)	-23.6%
Library	808,086	782,642	774,672	774,672	849,080	74,408	9.6%
Other	52,006	2,190	-	-	-	-	0.0%
Total, Departmental Fees	\$ 9,154,969	\$ 8,228,052	\$ 7,777,572	\$ 8,655,072	\$ 7,816,080	\$ (838,992)	-9.7%

Other Revenue – This revenue line item in the General Fund shows a \$0.5 million reduction for the upcoming fiscal year due to the removal of a one-time FEMA federal grant reimbursement.

Finally, forecasting future earnings for investments is challenging. This category combines past investments, new investments at current market rates, and available cash to invest, which fluctuates seasonally and annually. The City continues to benefit from a broad diversification strategy that reduces the portfolio's overall risk while offering better returns over the long term. **Interest income** on the City's investment portfolio is predicted to rise slightly. In the past quarter, the average yield to maturity on the City's portfolio increased from 3.89 percent to 4.04 percent (as of March 31).

The chart below shows that the proposed fiscal year 2026-27 interest income budget totals nearly \$7.6 million and reflects an approximately \$1.8 million, or 32.0 percent, increase over the 2025-26 revised budget.

CITY OF BURLINGAME, CA						
INTEREST INCOME						
	FY23-24	FY24-25	FY25-26	FY26-27	\$ Change	% Change
	Actuals*	Actuals*	Revised Budget	Proposed Budget	from Prior Year	from Prior Year
General Fund	\$4,430,060	\$5,005,609	\$3,000,000	\$3,300,000	\$300,000	10.0%
Debt Service Fund	491,034	396,862	400,000	260,000	(\$140,000)	-35.0%
Storm Drain Fund	516,887	629,165	240,000	400,000	\$160,000	66.7%
Water Enterprise Fund	837,921	833,898	430,000	530,000	\$100,000	23.3%
Sewer Enterprise Fund	849,021	1,101,603	380,000	700,000	\$320,000	84.2%
Parking Enterprise Fund	349,299	425,438	175,000	272,000	\$97,000	55.4%
Solid Waste Fund	134,250	138,351	75,000	89,000	\$14,000	18.7%
Landfill Fund	113,376	156,018	45,000	100,000	\$55,000	122.2%
Building Enterprise Fund	804,799	972,043	340,000	620,000	\$280,000	82.4%
Other funds	1,625,459	2,066,208	665,000	1,317,000	\$652,000	98.0%
Total, Interest Income	\$10,152,106	\$11,725,196	\$5,750,000	\$7,588,000	\$1,838,000	32.0%

General Fund - Expenditures

The following table shows the proposed fiscal year 2026-27 General Fund expenditures by department/area compared to the current-year *adjusted* (revised) budget. Expenditure budgets are compared with the prior fiscal year as well as with the current year (FY 2025-26). The FY 2025-26 Revised Budget column includes all budget revisions approved by the City Council since the beginning of the fiscal year.

CITY OF BURLINGAME, CA						
SUMMARY OF GENERAL FUND EXPENDITURES						
	FY24-25	FY25-26	FY25-26	FY26-27	\$ Change	% Change
	Actuals	Adopted Budget	Revised Budget	Proposed Budget	from Prior Year	from Prior Year
<u>By General Fund Program</u>						
General Government	\$ 8,044,119	\$ 8,645,014	\$ 9,386,228	\$ 9,342,450	\$ (43,778)	-0.5%
Public Safety	\$ 36,934,578	39,800,978	40,530,027	43,658,114	3,128,087	7.7%
Public Works	\$ 9,063,842	10,743,596	10,853,812	9,792,828	(1,060,984)	-9.8%
Community Development	\$ 2,805,373	2,904,009	3,257,929	2,912,250	(345,679)	-10.6%
Leisure & Culture	\$ 22,698,153	23,744,256	25,644,610	26,973,155	1,328,545	5.2%
Total Expenditures	\$ 79,546,065	\$ 85,837,852	\$ 89,672,607	\$ 92,678,797	3,006,190	3.4%

The fiscal year 2026-27 proposed budget consistently applies accounting principles and budgetary assumptions and systematically allocates the costs of funding the City's long-term liabilities. For example, retiree medical benefits are shown in the departmental budgets rather than on a "pay-as-you-go" basis. Both the normal (current-year benefits earned by active employees) and amortized (benefits earned in all prior years) costs of the retiree medical program are part of the regular operating budgets.

Shown below are the total appropriations by department or functional area:

CITY OF BURLINGAME, CA SUMMARY OF GENERAL FUND EXPENDITURES						
	FY24-25 Actuals	FY25-26 Adopted Budget	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
By General Fund Program						
General Government	\$ 8,044,119	\$ 8,645,014	\$ 9,386,228	\$ 9,342,450	\$ (43,778)	-0.5%
Public Safety						
Central County Fire	\$ 16,127,844	16,875,797	16,875,797	19,207,990	2,332,193	13.8%
Police & Dispatch	\$ 20,806,734	22,925,181	23,654,230	24,450,124	795,894	3.4%
Public Works	\$ 9,063,842	10,743,596	10,853,812	9,792,828	(1,060,984)	-9.8%
Community Development	\$ 2,805,373	2,904,009	3,257,929	2,912,250	(345,679)	-10.6%
Leisure & Culture						
Aquatic Center	\$ 664,593	735,000	871,662	800,000	(71,662)	-8.2%
Library	\$ 6,658,580	7,178,035	7,178,035	7,547,299	369,264	5.1%
Parks & Recreation	\$ 15,374,979	15,831,221	17,594,913	18,625,856	1,030,943	5.9%
Total Expenditures	\$ 79,546,065	\$ 85,837,852	\$ 89,672,607	\$ 92,678,797	3,006,190	3.4%

Below is a further breakdown of appropriations by program/division:

CITY OF BURLINGAME, CA SUMMARY OF GENERAL FUND EXPENDITURES						
	FY24-25 Actuals	FY25-26 Adopted Budget	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
By General Fund Program						
City Council	\$ 385,049	\$ 431,331	\$ 468,105	\$ 461,924	\$ (6,181)	-1.3%
City Manager	1,199,159	1,431,243	1,613,280	1,479,890	(133,390)	-8.3%
City Attorney	1,293,592	967,178	1,051,030	1,031,371	(19,659)	-1.9%
City Clerk	665,512	754,996	841,377	1,039,626	198,249	23.6%
Finance	2,979,303	3,575,199	3,659,677	3,708,619	48,943	1.3%
Human Resources	1,521,504	1,485,067	1,752,760	1,621,020	(131,740)	-7.5%
Fire & Disaster Preparednes:	16,127,844	16,875,797	16,875,797	19,207,990	2,332,193	13.8%
Police & Dispatch	20,033,809	22,087,215	22,816,264	23,599,219	782,955	3.4%
Parking Enforcement	772,925	837,966	837,966	850,905	12,939	1.5%
Public Works	9,063,842	10,743,596	10,853,812	9,792,828	(1,060,984)	-9.8%
Community Development	2,805,373	2,904,009	3,257,929	2,912,250	(345,679)	-10.6%
Recreation	6,150,779	6,073,416	6,095,977	6,284,613	188,636	3.1%
Parks	9,224,200	9,757,805	11,498,936	12,341,243	842,307	7.3%
Aquatics Center	664,593	735,000	871,662	800,000	(71,662)	-8.2%
Library	6,658,580	7,178,035	7,178,035	7,547,299	369,264	5.1%
Total Expenditures	\$ 79,546,065	\$ 85,837,852	\$ 89,672,607	\$ 92,678,797	3,006,190	3.4%

Overall, departmental expenditures are increasing by 3.4 percent in the proposed budget over the revised fiscal year 2025-26 budget. However, this percentage change is not particularly meaningful because of some one-time variances in operational spending between the two years.

As shown in the table above, the largest share of the General Fund budget (25.5 percent) is allocated to Police services such as 911 emergency response, neighborhood patrols, crime prevention, and investigation programs. Maintaining public safety while enhancing the community’s quality of life remains a top priority for the City Council and staff.

Fire and Disaster Preparedness services comprise 20.7 percent of the General Fund expenditure budget. The adopted budget for the Central County Fire Department operations for fiscal year 2026-27 reflects a 14.0 percent increase in Burlingame's share of funding.

The proposed 2026-27 General Fund budget can also be compared to the current-year revised budget by expenditure category. Much of the increase (nearly \$2.4 million) results from higher personnel costs, partially offset by reductions in contractual services and capital outlay.

CITY OF BURLINGAME, CA SUMMARY OF GENERAL FUND EXPENDITURES						
	FY24-25 Actuals	FY25-26 Adopted Budget	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
By Expense Categories						
Salaries & Wages	\$ 23,318,457	\$ 24,927,867	\$ 25,641,732	\$ 26,708,248	\$ 1,066,517	4.2%
Benefits	15,612,479	17,513,720	17,572,179	18,896,252	1,324,074	7.5%
Operating Costs	30,734,380	32,756,433	35,698,865	35,967,532	268,667	0.8%
Internal Services	9,585,405	10,304,692	10,304,692	10,976,765	672,073	6.5%
Capital Outlay	295,344	335,140	455,140	130,000	(325,140)	-71.4%
Total Expenditures	\$ 79,546,065	\$ 85,837,852	\$ 89,672,607	\$ 92,678,797	\$ 3,006,190	3.4%

Personnel Costs – A review of the proposed 2026-27 fiscal year General Fund expenditure budget by type shows that personnel costs are projected to increase by 5.5 percent (approximately \$2.4 million) compared to the current year's revised budget.

The budget for salaries and wages includes regular salary increases, calculated according to contractually agreed-upon increases for most employees, including hourly employees. Partially offsetting these increases is the cost of new employees, who are generally placed on a lower salary step than existing employees.

Since personnel costs represent a large investment in the City's current and future resources, requests for increases in Full-Time Equivalent (FTE) positions are carefully monitored to ensure they provide the best ongoing value for the City.

As part of the budget process, staff reviewed, modified, established, and reallocated positions to most effectively and efficiently serve the community. Staff is proposing the following amendments to the classification plan, with a net increase in the headcount of 2.00 FTEs:

1. Reclassify one (1.00 FTE) Planning Manager position to one (1.00 FTE) Assistant Community Development Director (**new classification**) position in the Community Development Department.

2. Reclassify one (1.00 FTE) Financial Services Manager position to one (1.00 FTE) Deputy Finance Director position in the Finance Department.
3. Add one (1.00 FTE) Senior Technology Analyst (***new classification***) position in the Finance/IT Department.
4. Increase one of the permanent part-time Librarian II positions from 0.75 FTE to one (1.00 FTE) and reduce another permanent part-time Librarian I position from 0.75 FTE to 0.50 FTE in the Library Department.
5. Reclassify one (1.00 FTE) Deputy Public Works Director position to one (1.00 FTE) Assistant Public Works Director position in the Public Works Department and realign the position between the General Fund, Water Enterprise Fund, and Sewer Enterprise Fund at a 20/40/40 split.
6. Reclassify one (1.00 FTE) Recreation Supervisor position to one (1.00 FTE) Senior Management Analyst position in the Parks and Recreation Department.
7. Reclassify one (1.00 FTE) Recreation Manager position to one (1.00 FTE) Deputy Recreation Director position in the Parks and Recreation Department.
8. Add one (1.00 FTE) Recreation Coordinator position in the Parks and Recreation Department.
9. Reclassify one (1.00 FTE) Police Clerk II position to one (1.00 FTE) Police Evidence Technician position in the Police Department.
10. Adjust the percentage allocations for the following existing positions to align more closely with the actual duties and functions performed by staff:
 - a) *Realign the Maintenance Electrician position between the General Fund, Water Enterprise Fund, and Sewer Enterprise Fund at a 20/40/40 split. (PW)*
 - b) *Move 25% of one of the Financial Services Manager positions out of the IT Internal Services Fund and back to the General Fund. (Finance)*
 - c) *Realign the Finance Director position between the General Fund and the IT Internal Services fund at a 60/40 split. (Finance)*

CITY OF BURLINGAME, CA			
PROPOSED BUDGET FISCAL YEAR 2026-27			
AUTHORIZED FULL-TIME EQUIVALENT POSITIONS			
Department	2025-26	Changes	2026-27
GENERAL FUND			
City Attorney	2.05	0.00	2.05
City Clerk	2.00	0.00	2.00
City Manager	2.65	0.00	2.65
Community Development - Planning	9.35	0.00	9.35
Finance	12.00	0.10	12.10
Human Resources	3.45	0.00	3.45
Library	23.00	0.00	23.00
Parks	24.50	0.00	24.50
Police	47.00	0.00	47.00
Police - Communications	7.00	0.00	7.00
Police - Parking Enforcement	4.00	0.00	4.00
Public Works - Engineering	14.75	0.00	14.75
Public Works - Streets & Storm Drain	8.30	0.20	8.50
Recreation	12.50	1.00	13.50
Total General Fund	172.55	1.30	173.85
ENTERPRISE & INTERNAL SERVICE FUNDS			
Water Enterprise	18.68	(0.10)	18.58
Sewer Enterprise	15.68	(0.10)	15.58
Solid Waste Enterprise	3.30	0.00	3.30
Landfill Enterprise	0.25	0.00	0.25
Parking Enterprise	2.00	0.00	2.00
Community Development - Building	10.40	0.00	10.40
Facilities Services ISF	4.67	0.00	4.67
Admin & Information Technology ISF	2.30	0.90	3.20
Fleet & Equipment Maintenance ISF	3.67	0.00	3.67
Employment ISF - CA & HR	0.20	0.00	0.20
Liability ISF - City Attorney	1.25	0.00	1.25
Workers Compensation ISF - HR	0.45	0.00	0.45
Total Enterprise & Int Svc Funds	62.85	0.70	63.55
Grand Totals, City-Wide	235.40	2.00	237.40

Community Development Department

Due to the upcoming retirement of the Planning Manager, the Community Development Director has evaluated the department’s organizational structure and recommends creating an **Assistant Community Development Director** position. The Assistant Director position would provide essential leadership support to manage key initiatives, particularly in long-range planning, housing, and economic development. This new position will assume oversight of the Planning Division and support the Housing and Economic Development projects as needed.

Finance/IT Department

The Finance Department proposes reclassifying one of the Financial Services Manager positions to the existing **Deputy Finance Director** classification. The proposal will offer growth and

employee retention opportunities within the department, provide long-term service-level sustainability, and align with the City's organizational structure and succession-planning goals.

Currently, IT Services are under the Finance Director's responsibilities. The delivery of information technology services throughout the City has historically been performed through a contracted IT Managed Services Provider. During FY 2025-26, the Council approved a full-time IT Manager position to improve on-site support, oversee the quality of services provided by the current IT Managed Services Provider and other contractors, and keep the City updated on technology to promote greater efficiency across the organization. As part of the City's long-term IT initiative, the Finance/IT Department is also requesting a **Senior Information Technology Analyst position**.

Library Department

The Library currently has two part-time benefited Librarian positions that work 30 hours per week on a regular basis. Staff recommends amending these to one full-time position at 40 hours per week, and one part-time position at 20 hours per week. Adjusting one position to full-time will enable the Department to have better staffing reliability and retention, as well as provide better Adult Services program support.

Public Works Department – Operations Division (Corp Yard)

The reclassification from Deputy Public Works Director to **Assistant Public Works Director** will more accurately reflect the position's responsibilities and accountability. In addition to overseeing core operational divisions, the Deputy Director will assume expanded responsibility for oversight of the City's wastewater treatment plant contract operator. This added responsibility increases both the technical complexity and organizational risk profile of the position.

Parks and Recreation Department – Recreation Division

The Recreation Division requests that one of the Recreation Supervisor positions be reclassified as a Senior Management Analyst position. The incumbent in the Recreation Supervisor position has gradually moved to overseeing more clerical staff, as well as working with software and maintenance vendors for the Recreation Division, rather than traditional recreation programming oversight. The incumbent also serves as the Division's primary resource/liaison for website management, IT questions, generating reports, developing programs to meet staff needs, and updating policies within their purview.

The Recreation Division also requests to reclassify the Recreation Manager to a Deputy Recreation Director position. This is a staffing recommendation to provide equity within the Parks and Recreation Department as the duties of the Recreation Manager have grown to be more in line with those of the Parks Superintendent in terms of responsibilities, day-to-day operations, and personnel oversight. The title of Deputy Recreation Director will more accurately reflect the role's responsibilities.

The Recreation Division requests to increase one part-time Recreation Coordinator position to one full-time Recreation Coordinator. The current part-time position works approximately 30 hours

per week. Due to the current service demand, there is a need to increase this position’s hours to 40 hours per week. This increase will better align staffing resources with operational needs and ensure continued efficiency across the Division.

Police Department

The Police Department is requesting changing one full-time Police Clerk II position to a Property Evidence Technician/Clerk. This position is key to properly handling and managing property and evidence within the Police Department, as well as training new employees with the proper chain-of-custody protocol. This position will also continue to perform essential Police Clerk duties to assist the public with requests and inquiries on a regular basis.

Non-Personnel Costs – This group of costs increases 1.3 percent in the proposed fiscal year 2026-27 budget compared to the current year's revised budget. Departments carefully reviewed contract services to ensure that only projects that are necessary *and* can realistically be addressed in the upcoming fiscal year are included in the budget proposal.

It should be noted that not all expenses are incurred every fiscal year. Some programs and initiatives are not repeated with each budget cycle. Certain expenditures may be anticipated in delivering services that provide a high level of cost recovery, increasing revenues at the same rate as the increased expense. This is especially true in delivering Parks and Recreation programs and development services.

General Fund Operations Summary

A summary of General Fund operations for the FY 2026-27 proposed budget is shown below:

CITY OF BURLINGAME, CA GENERAL FUND OPERATING SUMMARY					
	FY24-25 Actuals	FY25-26 Adopted Budget	FY25-26 Revised Budget	FY26-27 Proposed Budget	Change in \$
Total Revenue	\$ 93,701,502	\$ 92,513,152	\$ 93,747,652	\$ 96,118,250	\$ 2,370,598
Expenditures					
Departmental Expenditures	(79,546,065)	(85,837,852)	(89,672,607)	(92,678,797)	(3,006,190)
Transfers to Debt Services	(3,650,192)	(3,121,839)	(3,121,839)	(3,104,852)	16,987
Transfers to Capital Project Fund	(12,657,040)	(9,961,920)	(10,101,920)	(5,699,510)	4,402,410
Other Transfer In (Out)	2,388,180	2,765,930	2,765,930	2,274,587	(491,343)
Total Expenditures	(93,465,117)	(96,155,681)	(100,130,436)	(99,208,572)	921,864
Net Operating Surplus (Deficit)	236,385	(3,642,529)	(6,382,784)	(3,090,322)	3,292,462
Change in General Fund Balance	\$ 236,385	\$ (3,642,529)	\$ (6,382,784)	\$ (3,090,322)	\$ 3,292,462

As anticipated when the City Council approved the mid-year budgetary changes in March, the General Fund shows a budgetary deficit (operating expenses exceeding revenues) of nearly \$6.4 million for fiscal year 2025-26. If all revenues and expenditures mirror the revised budget for the

current fiscal year, the deficit will largely be reflected in the reduced unassigned fund balance as of June 30, 2026.

Note, however, that budgetary savings are a certainty because the expenditure budgets reflect each department's limit of spending levels. Departments are only able to expend or commit funds up to this legal level of budgetary control. Because these budgetary controls are established within each category of departmental expenditure, budgetary savings tend to average two to four percent of the annual expenditure budget. This will help decrease the deficit incurred. Although staff has attempted to keep abreast of the changing economic environment, the possibility of General Fund revenue shortfalls should also be monitored.

Even though expenditure increases were minimized to the extent practical, and General Fund revenues will continue to see an increase in the 2026-27 fiscal year, staff anticipates that another overall deficit cannot be avoided. In fact, TOT revenue is not expected to achieve anywhere near pre-pandemic levels. Overall, the City is facing an approximate \$3.1 million net deficit.

General Fund Debt Service Obligations

As can be seen in the following schedule of General Fund Debt Service Obligations, the amount of General Fund debt service (not reimbursed by other funds) for fiscal year 2026-27 will decrease by nearly \$14,000, or 0.6 percent, from the prior year. This is mainly due to a reduction in payments for the 2006 Pension Obligation Bonds for the next nine years. Note that this schedule depicts only current debt service obligations.

CITY OF BURLINGAME, CA GENERAL FUND DEBT SERVICE OBLIGATIONS				
Description	FY25-26 Adopted Budget	FY26-27 Proposed Budget	\$ Change from prior Year	% Change from prior Year
2006 Pension Obligation Bonds	\$ 564,232	\$ 547,301	\$ (16,931)	-3.0%
2012 Lease Revenue Bonds (Burl Ave Streetscape)*	548,088	549,031	943	0.2%
2019 Lease Revenue Bonds (Community Center)	1,998,000	1,997,000	(1,000)	-0.1%
Debt Administration Costs	11,520	11,520	-	0.0%
Subtotal, Principal and Interest	3,121,840	3,104,852	(16,988)	-0.5%
Contributions from Other Funds	(695,866)	(692,577)	3,289	-0.5%
Net General Fund Debt Service	\$ 2,425,974	\$ 2,412,275	\$ (13,699)	-0.6%

*100% reimbursed by the Special Assessment District and Parking Enterprise

General Fund Balance

The General Fund shows a projected total fund balance of approximately \$51.3 million at the end of the 2025-26 fiscal year. As previously stated, budgetary expenditure savings in the current fiscal year might provide a higher beginning fund balance (assuming budgeted revenues are realized) than shown in the chart below:

CITY OF BURLINGAME, CA CHANGES TO GENERAL FUND BALANCE		
	FY 2025-26 Revised Budget	FY 2026-27 Proposed Budget
Beginning Fund Balance (audited)	\$ 57,644,192	\$ 51,261,407
Projected Revenues & Expenditures		
Projected revenues	93,747,652	96,118,250
Projected departmental expenditures	(89,672,607)	(92,678,797)
Subtotal, Revenues Net of Expenditures	4,075,045	3,439,453
Transfer to Debt Service	(3,121,839)	(3,104,852)
Transfer to Capital Project Fund	(10,101,920)	(5,699,510)
Other Transfers In (Out) of General Fund	2,765,930	2,274,587
Ending Fund Balance (Projected)	\$ 51,261,407	\$ 48,171,085

As in the fiscally challenging past few years, the FY 2026-27 budget provides no funding for the Capital Investment Reserve in the City's Capital Projects Fund. Although the City has an extensive list of unfunded capital needs in facilities and infrastructure, funding the Capital Investment Reserve is not possible at this time of continued deficit projections. The \$3.1 million deficit will be covered by further use of the General Fund unassigned fund balance.

CITY OF BURLINGAME, CA GENERAL FUND BALANCE ASSIGNMENTS			
	FY24-25 Actuals	FY25-26 Revised Budget	FY26-27 Proposed Budget
Economic Stability Reserve	\$ 21,658,000	\$ 22,499,000	\$ 23,068,000
Catastrophic Reserve	2,000,000	2,000,000	2,000,000
Contingency Reserve	500,000	500,000	500,000
Subtotal, Assigned Fund Balance	24,158,000	24,999,000	25,568,000
Add: Restricted for Pension Trust Fund (PARS)	22,310,544	22,310,544	22,310,544
Add: Unassigned Fund Balance	11,175,648	3,951,863	292,541
Total, Ending Fund Balance	\$ 57,644,192	\$ 51,261,407	\$ 48,171,085

The schedule above shows how the \$3.1 million decrease in fund balance for the 2026-27 fiscal year will impact the reporting of General Fund reserve levels.

The \$2.4 million increase in General Fund revenues projected for the 2026-27 fiscal year necessitates an approximate \$0.6 million increase in the fund's Economic Stability Reserve. (In accordance with the General Fund Reserve Policy, this reserve is maintained at 24 percent of the year's projected revenues.)

As of June 30, 2027, a projected ending fund balance of approximately \$48.2 million represents 50.3 percent of the General Fund's department expenditures and debt service total of \$95.8 million for the year. Although this would usually be considered a very strong level of reserves, the City Council adopted a risk-based General Fund Reserve Policy that targets reserve levels as a percentage of General Fund budgeted revenues (before transfers). Because the policy is based on assessing the City's revenue volatility, infrastructure risks, and the possibility of extreme events, the City Council's reserve management strategies reflect best practices in public finance.

In addition, the City's fund balances include restricted amounts set aside for use only to pay unfunded pension obligations due to CalPERS. These obligations, which are significant, were valued at approximately \$87.4 million (citywide) as of the beginning of the current fiscal year. Due to the magnitude of the unfunded pension liabilities, the City established a § 115 Trust Fund with Public Agency Retirement Services (PARS) in October 2017. The trust fund is intended to grow these contributions at a higher yield than can be generated in the City's portfolio so that monies are available when the required employer contribution rates to CalPERS increase rapidly in the next five to ten years, exceeding specific threshold rates. As of March 31, 2026, the trust balance was approximately \$28.1 million.

The following schedule shows the same General Fund balance changes. It includes revenues, expenditures, funding of the reserves according to Council policy, and contributions accumulating in the § 115 Trust Fund. Again, a total change (decrease) in fund balance of \$3.1 million is indicated. Still, the fund's unassigned and unrestricted fund balance decreases by nearly \$3.7 million.

CITY OF BURLINGAME, CA GENERAL FUND BALANCE ASSIGNMENTS						
	Unassigned Fund Balance	Restricted for Pension Trust Fund (PARS)	Assigned Fund Balances			Total Fund Balance
			Economic Stability Reserve	Catastrophic Reserve	Contingency Reserve	
Beginning Balance at 7/1/2026	\$ 3,951,863	\$22,310,544	\$22,499,000	\$ 2,000,000	\$ 500,000	\$51,261,407
Changes in FY 2026-27:						
Projected Revenues	96,118,250					96,118,250
Projected Expenditures	(92,678,797)					(92,678,797)
Transfer Out to Debt Services	(3,104,852)					(3,104,852)
Transfer Out to Capital Project Fund	(5,699,510)					(5,699,510)
Other Transfers In/Out, net	2,274,587					2,274,587
Transfer to Restricted & Assigned Fund Bal.	(569,000)	-	569,000	-	-	0
Subtotal, Changes in 2026-27	(3,659,322)	-	569,000	-	-	(3,090,322)
Ending Balance at 6/30/2027 (projection)	\$ 292,541	\$22,310,544	\$23,068,000	\$ 2,000,000	\$ 500,000	\$48,171,085

Measure I Fund – Though Measure I revenues and expenditures are part of General Fund operations, these monies are accounted for in a separate sub-fund to provide greater transparency in reporting the uses of this funding source. This accounting treatment also facilitates external audit activities and allows for a straightforward review by the Measure I Oversight Committee. The budget priorities identified during the public engagement surrounding this general purpose ¼ percent transaction tax, approved by voters in November 2017, included public safety, street and sidewalk maintenance, and safe, adequate park and recreation programs and facilities. These priorities were incorporated into the Measure I Expenditure Plan that the City Council adopted in February 2018.

CITY OF BURLINGAME, CA				
MEASURE I				
	FY23-24	2024-25	2025-26	2026-27
	Actuals	Actuals	Revised Budget	Proposed Budget
Beginning Fund Balance	\$ 1,870,228	\$ 1,969,581	\$ 834,851	\$ 699,889
Revenues	3,280,648	3,142,552	3,135,000	3,158,000
Expenditures	(181,297)	(277,282)	(269,962)	(363,601)
Transfers:				
- Annual Sidewalk and resurfacing projects	(2,000,000)	(2,000,000)	(1,000,000)	(1,000,000)
- Town Square project	-	(1,000,000)	-	-
- City Hall project	-	-	(1,000,000)	(800,000)
- Community Center Debt Services	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Net Change	99,351	(1,134,731)	(134,962)	(5,601)
Ending Fund Balance	\$ 1,969,581	\$ 834,851	\$ 699,889	\$ 694,288

In the upcoming fiscal year, the Measure I Fund budget will appropriate \$1.0 million for street and sidewalk improvements, \$ 1.0 million for Community Center debt service, and \$0.8 million for the new City Hall project. In addition, Measure I will continue to fund one police officer position, as reflected in the expenditures line above.

Unfunded Needs

The City has long recognized the need to balance ongoing operations and services with a significant list of unfunded needs. These unfunded needs are reflected mainly in the City's aging facilities, many of which are utilized by the public. The City Council approved a General Fund Reserve Policy early in 2015, recognizing 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.

To the extent possible, funds have been set aside in the City's Capital Investment Reserve within the Capital Projects Fund. Because annual surpluses and one-time revenues were funding the reserve, it has long been recognized that contributions to the reserve will inevitably be reduced

or eliminated when the economy retracts. Due to the current economic environment, no additional funding for the Capital Investment Reserve is provided in the General Fund budget in the current fiscal year or for fiscal year 2026-27. The projected fund balance of \$16.8 million is earmarked for funding the remainder of the local share of the Broadway Grade Separation Project (\$10.8 million) and the El Camino Utility Undergrounding Project (\$6 million).

CITY OF BURLINGAME, CA	
CHANGES TO CAPITAL INVESTMENT RESERVE	
Beginning Balance Established 3/31/15 (FY14-15)	\$ 3,000,000
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)	2,500,000
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)	2,300,000
Ending Balance 6/30/18	\$ 25,800,000
Budget Transfer from General Fund in FY 2018-19	3,000,000
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	(10,644,000)
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)	(2,250,000)
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	(3,830,000)
Budgeted Balance at 6/30/26 (Projected)	\$ 16,767,670

Other Funds

Although the General Fund is the City's main operating fund, the City utilizes various enterprise, capital, internal service, and special revenue funds to account for governmental and business-like activities. The activities accounted for in these other funds are significant and wide-ranging. Staff analyzes all funds at least monthly to ensure they are self-sustaining and carry adequate fund balances for periods of uncertainty.

The chart below shows initial expenditure budgets for the City's larger funds for the 2026-27 fiscal year:

CITY OF BURLINGAME, CA BUDGET SUMMARY BY FUND			
	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year
General Fund	\$ 89,672,607	\$ 92,678,797	\$ 3,006,190
Capital Projects	27,399,920	46,849,510	19,449,590
Financing Authority	5,713,867	5,706,257	(7,610)
Water Enterprise	19,035,654	20,461,854	1,426,200
Sewer Enterprise	13,422,339	13,804,203	381,864
Parking Enterprise	2,250,007	1,411,424	(838,583)
Solid Waste Enterprise	974,011	976,463	2,452
Landfill Fund	381,322	384,111	2,789
Building Enterprise	4,606,935	4,776,028	169,093
Special Revenue Funds	856,500	856,500	-
Internal Service Funds	3,202,351	(127,575)	(3,329,926)
Total	\$167,515,513	\$ 187,777,572	\$ 20,262,059

Capital Projects Fund

Capital assets are expensive: from planning to construction to operations and maintenance. Therefore, maintaining capital infrastructure in a condition necessary to preserve and enhance the community's vitality and quality of life takes forethought and planning. Deferred infrastructure maintenance must be avoided for a truly sustainable budget.

Public Works has prepared a complete presentation of the 2026-27 fiscal year non-General Fund Capital Projects Program activities for this (May 19, 2026) budget study session.

CITY OF BURLINGAME CAPITAL IMPROVEMENT PROGRAM				
	General Fund	Enterprise Funds	Other Funds/Sources	FY26-27 Proposed CIP Budget
Streets CIP	\$ 1,000,000	\$ -	\$ 25,575,000	\$ 26,575,000
Parks & Trees CIP	430,000	-	-	430,000
Parking & Garages CIP	-	700,000	-	700,000
Facilities CIP	4,269,510	-	3,295,000	7,564,510
Storm Drain CIP	-	-	1,500,000	1,500,000
Water CIP	-	4,800,000	-	4,800,000
Sewer CIP	-	5,280,000	-	5,280,000
All CIP Funding Sources, FY2026-27	\$ 5,699,510	\$ 10,780,000	\$ 30,370,000	\$ 46,849,510

Although it is difficult to determine the appropriate annual investment into comprehensive maintenance programs and the Capital Investment Reserve that will provide for assets that retain a targeted condition level, the proposed CIP program is \$46.8 million for the upcoming year.

Solid Waste Fund and Landfill Funds

The main funding source for the Solid Waste Fund and Landfill Fund is the net income from solid waste operations. The funds are further credited with interest earnings and a share of the revenues from forfeited Construction and Demolition (C&D) deposits received in the Building Division. However, rising costs and aggressive waste reduction mandates from the state, which will require further resources to implement, will diminish the fund's rate stabilization reserve quickly. After an outside consultant conducted a systematic review of revenues, costs, and City fees, the City Council unanimously approved a five-year increase in solid waste rates starting January 1, 2024, to meet long-term service needs.

Water and Sewer Funds

Rate increases implemented over three years (the final rate increase of approximately 7.5 percent was effective January 1, 2019) helped the Water Fund cover the higher cost of wholesale water purchased from the San Francisco Public Utilities Commission (SFPUC). They provided continued funding for prudent capital improvements in the Water utility.

CITY OF BURLINGAME, CA CHANGES TO WATER FUND NET POSITION				
	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
Revenues & Expenses				
Revenues	19,783,962	20,235,000	451,038	2.3%
Operating Expenses (excluding depreciation)	(18,716,953)	(20,204,003)	(1,487,050)	7.9%
Subtotal, Revenues Net of Expenses	1,067,009	30,997	(1,036,012)	-97.1%
Interest Income	430,000	530,000	100,000	23.3%
Interest Expense	(318,701)	(257,851)	60,850	-19.1%
Interest Revenues (Expenses)	111,299	272,149	160,850	144.5%
Transfers - General Fund - for Debt Service	(72,701)	(70,585)	2,116	-2.9%
Transfers - General Fund - for Admin. Support	(640,400)	(696,400)	(56,000)	8.7%
Transfers - General Fund - for City Hall project	(86,328)	(27,440)	58,888	-68.2%
Transfers to Water CIP	(3,675,000)	(4,800,000)	(1,125,000)	30.6%
Net Change in Net Position	\$ (3,296,121)	\$ (5,291,279)	\$ (1,995,158)	60.5%

The proposed budget includes \$4.8 million in funding, an over \$1.1 million increase from the prior year, for capital projects/infrastructure within the Water utility. As no rate increases are currently

anticipated, projected revenues are expected to be nearly \$20.2 million. Note that capital spending is not included as an expense of the fund. At year-end, infrastructure improvements are capitalized and reported as long-term assets rather than remaining in "unrestricted net position."

CITY OF BURLINGAME, CA				
CHANGES TO SEWER FUND NET POSITION				
	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
Revenues & Expenses				
Revenues	17,206,659	17,215,000	8,341	0.0%
Operating Expenses (excluding depreciation)	(13,082,849)	(13,532,883)	(450,034)	3.4%
Subtotal, Revenues Net of Expenses	4,123,810	3,682,117	(441,693)	-10.7%
Interest Income	380,000	700,000	320,000	84.2%
Interest Expense	(339,490)	(271,320)	68,170	-20.1%
Interest Revenues (Expenses)	40,510	428,680	388,170	958.2%
Transfers - General Fund - for Debt Service	(71,977)	(69,861)	2,116	-2.9%
Transfers - General Fund - for Admin. Support	(315,100)	(342,400)	(27,300)	8.7%
Transfers - General Fund - for City Hall project	(70,912)	(22,540)	48,372	-68.2%
Transfers to Sewer CIP	(4,798,000)	(5,280,000)	(482,000)	10.0%
Net Change in Net Position	\$ (1,091,669)	\$ (1,604,004)	\$ (512,335)	46.9%

A large portion of sewer charges is based on water consumption. The City Council approved an average rate of increase of 9 percent for the three calendar years beginning January 1, 2022, to increase the fund's net investment in capital assets through improvements to the City's wastewater collection system and treatment plant. Revenues for the Sewer Fund are projected to remain flat from the prior year. Funding capital projects/infrastructure within the Sewer utility, including collection system improvements and wastewater treatment plant upkeep, will increase by \$0.5 million from the prior year. As with the Water Fund, infrastructure improvements will be capitalized at year-end and reported on the fund's balance sheet.

Parking Enterprise Fund

The Parking Enterprise Fund provides for the maintenance and upkeep of the City's parking lots and metering equipment, including maintenance and utility service for the electric vehicle (EV) charging stations in City lots.

The Parking Enterprise Fund budget reflects continued cautious optimism and includes no changes to current staffing levels. The anticipated revenues are flat for the upcoming fiscal year; \$0.7 million is planned for investment in Capital Improvement projects.

CITY OF BURLINGAME, CA CHANGES TO PARKING ENTERPRISE FUND NET POSITION				
	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
Revenues & Expenses				
Revenues	2,594,959	2,450,000	(144,959)	-5.6%
Operating Expenses	(2,250,007)	(1,411,424)	838,583	-37.3%
Subtotal, Revenues Net of Expenses	344,952	1,038,576	693,624	201.1%
Interest Income	175,000	272,000	97,000	55.4%
Interest Revenues (Expenses)	175,000	272,000	97,000	55.4%
Transfers - General Fund - for Debt Service	(241,188)	(242,131)	(943)	0.4%
Transfers - General Fund - for Admin. Support	(109,000)	(112,000)	(3,000)	2.8%
Transfers to Parking CIP	(500,000)	(700,000)	(200,000)	40.0%
Net Change in Net Position	\$ (330,236)	\$ 256,445	\$ 586,681	-177.7%

Gas Tax (HUTA) and Road Repair and Accountability Act (RRAA) of 2017

Gas Tax (HUTA) and Road Repair and Accountability Act (RRAA) of 2017 – The Gas Tax is a special revenue fund used to account for the revenue received from the State of California derived from gasoline taxes; it may only be used for street purposes as specified in the State Streets and Highways Code. As such, it has always been an important revenue source for the City's Streets Capital Improvement Program.

CITY OF BURLINGAME, CA GAS TAX ALLOCATIONS						
Description	FY23-24		FY25-26	FY26-27	\$ Change from Prior Year	% Change from Prior Year
	Actuals	Actuals	Revised Budget	Proposed Budget		
2103 State Gasoline Tax	\$ 284,297	\$ 298,508	\$ 302,320	\$ 308,470	\$ 6,150	2.0%
2105 State Gasoline Tax	189,595	194,146	201,890	206,270	4,380	2.2%
2106 State Gasoline Tax	124,834	129,031	134,340	136,670	2,330	1.7%
2107 State Gasoline Tax	256,633	257,534	271,440	275,830	4,390	1.6%
2107.5 State Gasoline Tax	6,000	6,000	6,000	6,000	-	0.0%
RMRA (SB1)	806,517	852,593	834,720	855,300	20,580	2.5%
	\$ 1,667,876	\$ 1,737,813	\$ 1,750,710	\$ 1,788,540	\$ 37,830	2.2%

The Road Repair and Accountability Act of 2017 (SB 1) enhanced Highway Users Tax (HUTA) revenue allocations so that the amount available for distribution is no longer tied strictly to taxable sales of gasoline (i.e., the per gallon price of gasoline). The estimated revenue is anticipated to increase by about \$38,000 from the prior year.

The California Department of Finance usually updates its fuel consumption and transportation fund forecast as part of the Governor's budget revision, typically released in mid-May, in preparation for a budget bill to be approved by the Legislature by June 15. These revised statewide revenue estimates are the basis of specific city and county allocation estimates. Staff hopes to have a revised revenue forecast before the City Council adopts the City's 2026-27 fiscal year budget in June.

Internal Service Funds

Internal service funds (ISFs) account for internal costs borne by all departments/programs of the City. These centrally incurred costs are allocated based on estimated usage or other metrics. Increases or decreases in an internal service fund's budget do not necessarily result in an overall increase or reduction in charges to departments or fund "recoveries."

The proposed budgets for each ISF for the 2026-27 fiscal year vary from current spending levels. The allocation of internal service funds affects each department and program differently, depending on the benefits provided. For example, even though funding projected to be necessary for the **Workers' Compensation** ISF (through internal charges to departments) has not increased significantly, allocations to some departments have been reduced. In contrast, others bear a higher percentage of the costs based on the past frequency and severity of Workers' Compensation claims.

CITY OF BURLINGAME, CA INTERNAL SERVICE FUNDS						
	FY23-24 Actuals	FY24-25 Actuals	FY25-26 Revised Budget	FY26-27 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
Admin & Info Technology ISF	\$1,597,555	\$1,744,161	\$3,088,145	\$3,069,804	(\$18,341)	-0.6%
Facilities Services ISF	2,087,378	2,173,511	2,643,430	2,781,744	138,314	5.2%
Fleet & Equipment ISF	1,498,343	1,626,354	5,207,080	1,980,414	(3,226,666)	-62.0%
OPEB Retiree Medical ISF	3,494,555	3,779,832	4,397,500	5,552,855	1,155,355	26.3%
Employment Insurance ISF	89,221	191,300	636,107	576,908	(59,199)	-9.3%
General Liability ISF	3,299,507	2,527,046	4,973,608	5,216,805	243,197	4.9%
Workers' Comp ISF	550,150	976,942	1,186,035	1,216,635	30,600	2.6%
Total	\$12,616,709	\$13,019,146	\$22,131,905	\$20,395,165	(\$1,736,740)	-7.8%

Charges to the departments are intended not only to cover current-year expenditures of ISF funds, but also to provide for positive fund balances, adequate reserves for future insurance liabilities, and/or required funding for capital (fleet) replacement. Internal Service Fund expenditures are projected to decrease 7.8 percent due to the one-time Fleet and Equipment ISF fund purchase in FY 2025-26, which will not repeat again in the coming fiscal year.

The budget book will explain in detail the fluctuations in internal service fund charges that substantially impact the departments.

General Fund Five-Year Financial Forecast

The five-year forecast was last updated in March with the fiscal year 2025-26 mid-year report. The proposed General Fund revenues and expenditures for fiscal year 2026-27 generally align with the March report except for Property Tax, Charges for Services, and Personnel costs.

The March five-year forecast anticipated a nearly \$2.3 million deficit for fiscal year 2026-27. The new proposed budget shows a \$3.1 million deficit. The revised five-year forecast reflects the most probable outcome, though substantial uncertainty remains in the out-of-year periods. The assumptions of the five-year estimates stay in place. Staff will continue to monitor economic conditions and analyze events that could impact the City's future revenue or expenditure composition. Changes that significantly alter the City's long-term projections will be brought to the City Council's attention.

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 financial reporting processes currently in place.

FISCAL IMPACT

The Economic Stability Reserve will be increased based on projected revenue, as prescribed in the City's General Fund Reserve Policy. The preliminary General Fund budget for the 2026-27 fiscal year calls for projected revenues of approximately \$96.1 million, with expenditures and net transfers out of approximately \$99.2 million. The resulting \$3.1 million operating deficit will further reduce the General Fund's unassigned fund balance.

The General Fund balance is estimated to be \$48.2 million at the end of fiscal year 2026-27, of which \$22.3 million is proposed to be held in the § 115 Pension Trust Fund.

The budgets for all other funds have been equally reviewed and analyzed in the context of long-term fiscal planning. Currently, these funds appear to be self-sustaining. Careful attention will need to be given to the delicate process of future rate-setting so that operating results do not threaten the City's long-term fiscal health. The final fiscal year 2026-27 Budget document will provide more details on these funds.

Exhibit:

- General Fund Five-Year Forecast