



CITY OF SAN PABLO

**CITY COUNCIL MEETING –  
PUBLIC BUDGET HEARING**  
FY 2026-27 & FY 2027-28

Public Budget Hearing: June 1, 2026

# AGENDA

- 1 Budget Process & Calendar
- 2 CM Fiscal Risk Warnings & Long-Term Forecast
- 3 10-Year Baseline Projection
- 4 Fiscal Austerity vs. Fiscal Discipline Approach
- 5 FRRP Operating Reserve Balances
- 6 Projected Deficits BEFORE Balancing
- 7 Budget Balancing Measures Applied
- 8 One-Time Reserves to Close Deficits
- 9 Impact on City Programs & Services
- 10 Biennial Budget Overview (All Funds)
- 11 Revenue Details & Comparison
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- 13 CIP, Debt & GF Subsidies
- 14 CM Guidelines, New Proposals & Staff Recs

# Budget Process & Calendar

REVISED 02/17/2026 — ZERO-BASE BUDGETING



## Personnel Budget

- 5-Year Employee Labor MOUs (2022-2027)
- Health Insurance Premium Escalation
- CalPERS UAL Increases (\$5.8M-\$6.0M)
- OPEB Retiree Healthcare New Funding

## Services & Supplies

- Zero-Based Budgeting Model (ClearGov)
- Departmental Cost Containment
- Insurance Cost Escalation Addressed
- Technology & Infrastructure Investment

Key Milestones: Apr 20 — CC Sets Hearing | Jun 1 — Public Hearing | Jun 15 — Adoption | Jun 29-30 — Entered in Springbrook

# City Manager Budget Messages: Fiscal Risk Warnings

*For several years, the City Manager has consistently cautioned the City Council about the financial risks associated with using one-time Operating Reserves to fund ongoing annual expenses. These warnings indicate that relying on temporary funding sources to cover recurring operational costs is not a sustainable fiscal strategy.*

- |          |   |                            |
|----------|---|----------------------------|
| <b>1</b> | <b>FY 2017-21 Adopted Quadrennial Budget Cycle</b>          | <b>FISCAL RISK WARNING</b> |
| <b>2</b> | <b>FY 2021-22 Adopted Budget (COVID-19 Recovery)</b>        | <b>FISCAL RISK WARNING</b> |
| <b>3</b> | <b>FY 2022-23 &amp; FY 2023-24 Adopted Biennial Budget</b>  | <b>FISCAL RISK WARNING</b> |
| <b>4</b> | <b>FY 2024-25 &amp; FY 2025-26 Adopted Biennial Budget</b>  | <b>FISCAL RISK WARNING</b> |
| <b>5</b> | <b>FY 2026-27 &amp; FY 2027-28 PROPOSED BIENNIAL BUDGET</b> | <b>FISCAL RISK WARNING</b> |

# Long-Term Forecast & Economic Outlook

*PFM Multi-Year Financial Plan (December 2023)*



## STRENGTHS

- Strong General Fund Reserves (\$51.8M total)
- Reserves exceed local peer cities (150% of GF)
- Proactive Leadership & Fiscal Discipline
- New Cannabis Revenue Stream (\$350K-\$750K)
- Proceeds from Strategic Property Sales



## CHALLENGES

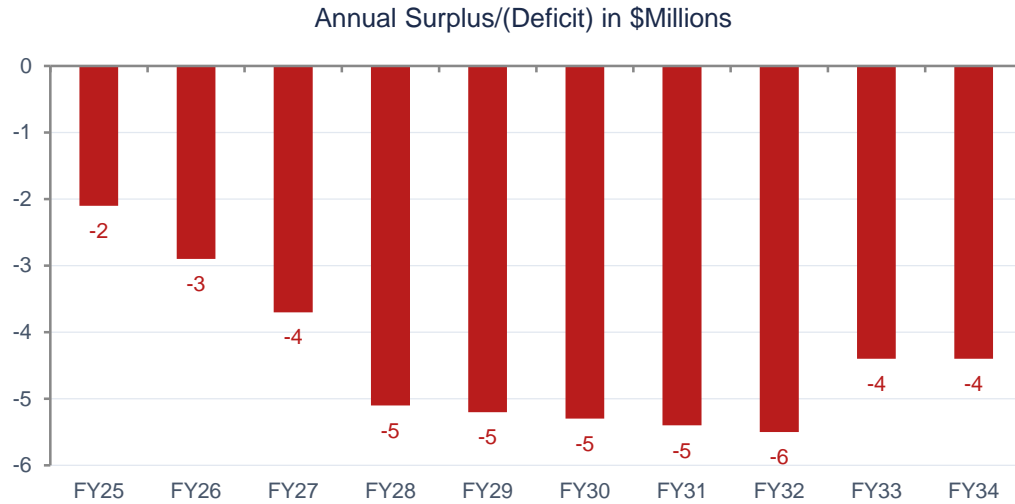
- Casino revenue 59% of General Fund (Fund 100)
- PFM projects \$44.1M cumulative 10-yr deficit
- Expense growth outpaces revenue growth
- CalPERS UAL rising (\$5.8M to \$6.0M biennial)
- Insurance costs tripled since 2020

## CASINO REVENUE CONTEXT:

- **Casino revenue represents 59% of General Fund (Fund 100) baseline revenue (\$33.3M of \$56.2M in FY 2026-27).**
- Casino revenue has fluctuated significantly since 2020, including a 20% (\$7M) COVID decline in FY2020, followed by recovery.
- Total Casino cumulative shortfall over the last three fiscal years since FY 2022-23 (\$2,448,437), underscoring the City's primary fiscal risk.

# PFM 10-Year Baseline Projection (December 2023)

Source: PFM Multi-Year Financial Plan, December 2023



**\$44.1M**

Cumulative  
10-Year Deficit

**FY2032**

Fund Balance  
Depleted By

**0.6%/yr**

Casino Revenue  
Growth Rate

**\$11.6M**

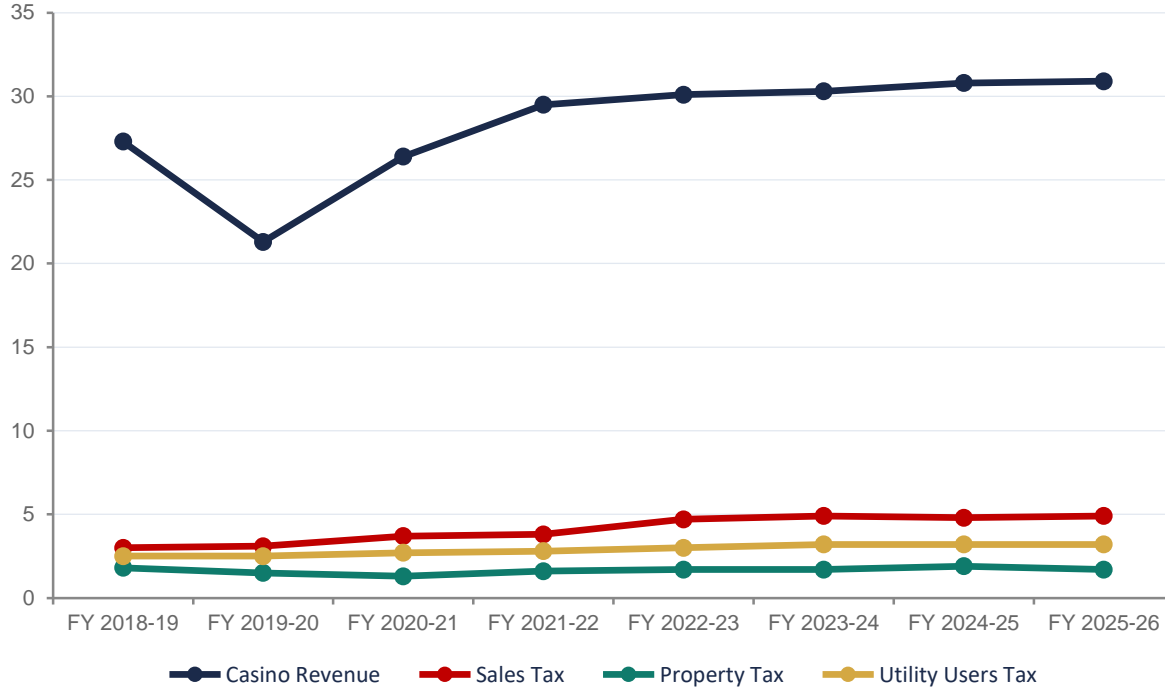
CalPERS UAL  
by FY2034

## Key Drivers of the Structural Deficit (PFM Analysis)

- Casino revenue projected at 0.6%/yr vs. historic 5.6% CAGR; any stagnation severely impacts the budget
- Casino revenue may be impacted by proposed by other regional Casino Threats (Vallejo, CA)
- Expenditure growth (1.8%/yr) consistently outpaces revenue growth (1.5%/yr) driven by pensions, healthcare, and transfers
- CalPERS costs projected to grow from \$6.3M (FY2023) to \$11.6M (FY2034) — reaching 19% of the total budget

# Major Revenue Sources

Casino, Sales Tax, Property Tax and Utility Users Tax — FY 2018-19 through FY 2025-26



**\$30.9M**

Casino Revenue  
FY 2025-26

**\$5.2M**

Sales Tax  
FY 2025-26

**\$1.7M**

Property Tax  
FY 2025-26

**\$3.2M**

Utility Users Tax  
FY 2025-26

**REVENUE TREND:** Casino revenue dominates at \$31M (59% of GF), but growth has slowed to 0.6%/yr since FY 2022-23. Sales Tax and Property Tax remain stable but modest. Total four major sources represent 72% of General Fund revenue.

# Casino Revenue Actuals (FY 2023-2026\*\*)

Payment Schedule Comparison — Actuals vs. Adopted Budget

Payment Schedule	FY 2023	FY 2024	FY 2025	FY 2026
<i>July – August</i>	\$5,038,836	\$5,002,965	\$5,163,342	\$5,344,164
<i>September – October</i>	\$7,396,670	\$7,455,076	\$7,529,478	\$7,487,926
<i>December – February</i>	\$7,501,638	\$7,510,831	\$7,591,513	\$7,591,513
<i>March – May</i>	\$7,698,296	\$7,812,344	\$8,087,281	\$8,087,281
<i>June</i>	\$2,509,128	\$2,475,756	\$2,467,389	\$2,467,389
<b>Actuals:</b>	<b>\$30,144,568</b>	<b>\$30,256,972</b>	<b>\$30,839,005</b>	<b>\$30,978,275</b>
<b>Adopted Budget</b>	<b>\$30,500,000</b>	<b>\$31,500,000</b>	<b>\$31,689,000</b>	<b>\$31,879,000</b>
<b>Variance</b>	<b>(\$355,432)</b>	<b>(\$1,243,028)</b>	<b>(\$849,995)</b>	<b>(\$900,859)**</b>

**CUMULATIVE SHORTFALL:** Total Casino revenue shortfall over the last four fiscal years (FY 2023–2026): **(\$3,349,314)** — underscoring the City’s primary fiscal risk.

\*\*Projected Year-end Casino Revenue Shortfall

4-Year Avg Shortfall: **(\$837,329)**

# Fiscal Austerity vs. Fiscal Discipline Approach

## FISCAL AUSTERITY

"SLASH & BURN" — DRACONIAN APPROACH

- DRACONIAN:** INDISCRIMINATE "ACROSS THE BOARD" CUTS IN ALL CITY DEPARTMENTS
  - ❖ *Common practice to meet a maximum expense threshold*
- ALL CUTS:** CUTS TO ALL CONTRACTS, SERVICES/SUPPLIES, PROGRAMS AND FTE STAFFING LEVELS
  - ❖ *Significant cuts in ALL Departments without strategic prioritization*
- IMMEDIATE:** IMMEDIATE IMPACTS TO THE PUBLIC, REDUCED PROGRAM AND SERVICE DELIVERY
  - ❖ *Results in severe impacts to staff morale, recruitment & retention*

RESULT: Short-term, reactive, and potentially counter-productive. Can reduce demand, slow growth, increase unemployment, and damage public trust.

## FISCAL DISCIPLINE

"SLOW BURN" — PRACTICAL & STRATEGIC APPROACH

- TIER I REDUCTIONS:** FREEZE NON-BUDGETED FTE VACANCIES
  - ❖ *Ongoing City practice since FY 2024-25)*
- TIER II REDUCTIONS:** USE OF ONE-TIME OPERATING RESERVES FOR ANNUAL OPERATING & CAPITAL EXPENSES
  - ❖ *Ongoing City practice; \$7M depleted since FY 2022-23*
- TIER III REDUCTIONS:** REDUCE/REVISE NON-ESSENTIAL CONTRACTS, PROFESSIONAL SERVICES, CAPITAL OUTLAY & OTHER SPENDING
  - ❖ *New City practice to meet current budget reduction*
- TIER IV REDUCTION:** REDUCE OR LAYOFF EXISTING FTE POSITIONS
  - ❖ *USED AS LAST RESORT OPTION*


RESULT: Long-term, preventive, and strategic. Growth-compatible with counter-cyclical flexibility. This budget reflects disciplined and measured fiscal management.


# FRRP Operating Reserve Balances

As of June 1, 2026

#	Fund	Reserve Name	%	Source	Balance 01/20/2026	Balance 04/08/2026
1	150	Catastrophic Reserve	50%	Op Budget	\$28,160,289	\$28,160,289
2	170	Budget Stabilization Reserve	5%	Op Budget	\$2,816,029	\$2,816,029
3	190	CM Contingency Reserve	1%	Op Budget	\$563,206	\$131,396
4	130	Bldg/Facilities/Parks Maint.	3%	Op Budget	\$3,383,822	\$0
5	140	Asset & Vehicle Replacement	2%	Op Budget	\$1,932,127	\$1,126,412
6	110	General Fund Designated Reserve	10%	Fund Bal	\$6,922,779	\$5,249,202
7	103	Sales Tax Revenue Sustainability	10%	Fund Bal	\$1,836,566	\$1,565,724
8	104	General Liability Sustainability	5%	Fund Bal	\$918,283	\$379,454
9	105	Pension (CalPERS) Liability	5%	Fund Bal	\$918,283	\$421,928
10	180	Casino Revenue Sustainability	Discr.	Fund Bal	\$12,855,957	\$11,955,071
		<b>TOTAL RESERVES</b>			<b>\$60,307,341</b>	<b>\$51,805,503</b>

Total Variance: **(\$8,501,838)**

 Op Budget = % of Annual Total Operating Funds Budget

 Fund Bal = % of net change in year-end audited fund balance (after ACFR)

# Major Budget Changes – Key Drivers

## COST INCREASES

### CalPERS UAL

+\$1.03M (FY27) 22% increase

### OPEB Retiree Healthcare

+\$717K (FY27) New funding line

### Insurance (Prop/Fire)

+\$948K (FY27) Continued escalation

### Utilities

+\$205K (FY27) Rate increases

### Software/Network

+\$479K (FY27) Tech modernization

### Prof. Svcs Multi-Dept

+\$4.2M (FY27) Centralized contracts

## SAVINGS & NEW REVENUE

### Cannabis Revenue

+\$350K (FY27) Growing to \$750K

### Proceeds from Sale

+\$2.0M (FY27) Asset disposition

### Use of Property & Money

+\$2.7M (FY27) Earned interest properly allocated

### Medical Benefits

-\$486K (FY27) Actual costs vs. blanket Kaiser rate

### IT Cost Optimization

-\$264K (FY27) Consolidation

### Dept S&S Containment

Various Zero-based budgeting reductions

# Original Budget Forecast — December 2025

BEFORE BUDGET BALANCING MEASURES, REVENUE ADJUSTMENTS, OR COST REDUCTIONS

## FY 2026-27

Total Revenue:	\$71,766,250
Total Expenditures:	\$73,934,670

**SHORTFALL: (\$2,168,420)**

## FY 2027-28

Total Revenue:	\$74,079,618
Total Expenditures:	\$76,300,158

**SHORTFALL: (\$2,220,539)**

**Biennial Total Original Shortfall:**

**(\$4,388,960)**

### Key drivers from December 2025 budget forecast:

- CalPERS UAL +\$1.03M (FY27), +\$1.26M (FY28) — 22% increase over prior year
- OPEB Retiree Healthcare +\$717K (FY27) — new funding line not previously budgeted
- General liability insurance +\$948K — costs tripled since 2020
- Casino revenue growth constrained to +0.6%/yr since FY 2022-23; New Casino Threat (Vallejo, CA) to impact future Casino Revenue growth

# Proposed DRAFT Budget — March 2026

AFTER BUDGET BALANCING MEASURES, REVENUE ADJUSTMENTS, AND COST REDUCTIONS

## FY 2026-27

Total Revenue: \$72,417,492

Total Expenditures: \$73,230,466

**SHORTFALL: (\$812,975)**

Improvement: +\$1,355,445

## FY 2027-28

Total Revenue: \$74,625,290

Total Expenditures: \$75,839,355

**SHORTFALL: (\$1,214,065)**

Improvement: +\$1,006,474

Biennial Proposed Shortfall:

**(\$2,027,040)**

**Total Improvement:  
+\$2,361,919**

### Budget balancing measures applied:

- Zero-based budgeting cost reductions across all departments
- New cannabis revenue (+\$350K FY27, +\$750K FY28) and proceeds from property sales (+\$2.0M/\$2.4M)
- Earned interest properly allocated (+\$2.7M); Medical benefits corrected to actual costs (-\$486K)
- IT consolidation (-\$264K); Remaining deficits closed with Services & Supplies/Contract Reductions and One-time FRRP reserves

# Budget Balancing Measures to Reduce Deficits

## CITY-WIDE REVENUE ADJUSTMENTS & COST REDUCTIONS

### FY 2026-27

PRE-BALANCING DEFICIT: **(\$2,168,420)**

#### Balancing Measures Applied:

- Zero-based budgeting cost reductions
- New cannabis revenue (+\$350K)
- Proceeds from property sales (+\$2.0M)
- Earned interest properly allocated (+\$2.7M)
- Departmental Services & Supplies/Contract Services reductions
- IT consolidation & optimization (-\$264K)
- Medical benefits corrected to actual costs (-\$486K)

REMAINING DEFICIT: **(\$812,975)**

### FY 2027-28

PRE-BALANCING DEFICIT: **(\$2,220,539)**

#### Balancing Measures Applied:

- Continued zero-based budgeting
- Cannabis revenue growth (+\$750K)
- Proceeds from property sales (+\$2.4M)
- Continued earned interest allocation
- Ongoing Departmental Services & Supplies/Contract Services reductions
- Continued actual-cost medical benefits
- Technology cost optimization

REMAINING DEFICIT: **(\$1,214,065)**

# One-Time Operating Reserves to Eliminate Remaining Deficits

PER FISCAL RESILIENCY RESERVE POLICY (FRRP No. 5)

## FY 2026-27

REMAINING DEFICIT: **(\$812,975)**

- GFDR Fund 110: **\$250,000**
- Sales Tax Fund 103: **\$250,000**
- Casino Sustainability Fund 180: **\$312,975**

Operating Reserves Sub-Total: **\$812,975**

**BUDGET BALANCED: \$0**

## FY 2027-28

REMAINING DEFICIT: **(\$1,214,065)**

- GFDR Fund 110: **\$250,000**
- Sales Tax Fund 103: **\$250,000**
- Casino Sustainability Fund 180: **\$714,065**

Operating Reserves Sub-Total: **\$1,214,065**

**BUDGET BALANCED: \$0**

### OPERATING RESERVE FUND USAGE:

- GFDR Fund 110 (\$250K each year) + Sales Tax Reserve Fund 103 (\$250K each year): One-time expenses per FRRP; requires BFLSC + Council approval
- Casino Revenue Sustainability Fund 180 (\$1,027,040): Discretionary; requires BFLSC + Council approval
- Total biennial reserve usage combined: \$2,027,040 — consistent with PFM recommendation for strategic reserve deployment

# Percentage of Cost Reductions vs. One-time Funding USED TO ELIMINATE FORECASTED DEFICITS FOR PROPOSED BUDGET

• Original Forecasted Deficit (December 2025):	<b>(\$4,388,960)</b>	
• Less Tier I-III Cost Reductions (March 2026):	<b>\$2,361,919</b>	<b>53.8%</b>
• <u>Use of One-time Operating Reserves (March 2026):</u>	<b>\$2,027,040</b>	<b>46.2%</b>
<b>FORECASTED DEFICITS ELIMINATED / BUDGET BALANCED:</b>	<b>\$0</b>	<b>100.0%</b>

# Summary of Reductions to City Programs & Service Delivery

## IMPACT OF COST REDUCTIONS FROM BUDGET BALANCING MEASURES

### POLICE DEPARTMENT

**-\$767,000**

- Part-time and overtime personnel containment
- Contracted services reduction (-\$767K vs. prior year)

### CITY-WIDE REDUCTIONS

**-\$750,000**

- IT consolidation & optimization (-\$264K)
- Medical benefits corrected to actual costs (-\$486K)

### PUBLIC WORKS

**-\$150,000**

- Reductions to program costs & supplies
- Reduction to professional services (Engineering & Admin)
- Absorbing new facility maintenance costs from Community Services

### COMMUNITY SERVICES

**-\$550,000**

- 30% part-time salary reduction (\$300K)
- Elimination of secondary preschool program site
- Teen Lounge reduced from 5 to 4 days/week
- Summer camp reduced from 9 to 8 weeks

#### **DUE TO WCCUSD FISCAL CUTBACKS & UNCERTAINTY:**

- 20% S&S reduction in Recreation/Seniors/YSCP
- 25% cut to Beacon Community Schools Initiative/YSCP (\$250K)

### COMMUNITY DEVELOPMENT

**-\$80,000**

- Zeroed Interwest & TRB contract lines (\$45K)
- Reduced 4 Leaf contract inspector budget (\$35K)

**TIER III BUDGET REDUCTIONS: NECESSARY TO PROVIDE BALANCED AND STRATEGIC APPROACH TO REDUCING OPERATING COSTS TO REMAIN IN ALIGNMENT WITH AVAILABLE GF REVENUE INCOME .**

# Biennial Budget Overview — FY 2026-27

## ALL FUNDS BUDGET SUMMARY

	FY 2025-26 Adopted	General Funds	Spec Rev Funds	FY 2026-27 Total	Variance	% Chg
<b>Baseline Revenue</b>	<b>58,904,893</b>	<b>56,761,822</b>	<b>7,744,216</b>	<b>64,506,038</b>	<b>5,601,145</b>	<b>9.5%</b>
Transfers In	7,655,407	163,925	7,732,276	7,896,201	240,794	3.1%
From Available Fund Bal.	3,415,335	0	15,252	15,252	(3,400,083)	-100%
<b>Total Revenue Sources</b>	<b>69,975,635</b>	<b>56,925,747</b>	<b>15,491,744</b>	<b>72,417,492</b>	<b>2,441,857</b>	<b>3.5%</b>
<b>Personnel (incl. UAL)</b>	<b>39,117,547</b>	<b>35,420,422</b>	<b>5,354,147</b>	<b>40,774,570</b>	<b>1,657,023</b>	<b>4.2%</b>
Services & Supplies	21,626,768	17,247,449	7,312,246	24,559,695	2,932,927	13.6%
Transfers Out	7,655,407	7,732,276	163,925	7,896,201	240,794	3.1%
<b>Total Uses of Resources</b>	<b>68,399,722</b>	<b>60,400,148</b>	<b>12,830,319</b>	<b>73,230,466</b>	<b>4,830,744</b>	<b>7.0%</b>
<b>Surplus/(Shortfall)</b>	<b>1,575,913</b>			<b>(812,975)</b>		
<b>Reserve Allocation:</b>						
GFDR Fund 110				250,000		
Sales Tax Fund 103				250,000		
Casino Sustain. Fund 180				312,975		
<b>Balanced:</b>				<b>\$0</b>		

# Biennial Budget Overview — FY 2027-28

## ALL FUNDS BUDGET SUMMARY

	FY 2026-27 Proposed	General Funds	Spec Rev Funds	FY 2027-28 Total	Variance	% Chg
<b>Baseline Revenue</b>	<b>64,506,038</b>	<b>58,475,920</b>	<b>7,976,260</b>	<b>66,452,180</b>	<b>1,946,142</b>	<b>3.0%</b>
Transfers In	7,896,201	163,925	7,979,293	8,143,218	247,017	3.1%
From Available Fund Bal.	15,252	0	29,892	29,892	14,640	96%
<b>Total Revenue Sources</b>	<b>72,417,492</b>	<b>58,639,845</b>	<b>15,985,445</b>	<b>74,625,290</b>	<b>2,207,798</b>	<b>3.0%</b>
<b>Personnel (incl. UAL)</b>	<b>40,774,570</b>	<b>36,369,221</b>	<b>5,500,153</b>	<b>41,869,373</b>	<b>1,094,804</b>	<b>2.7%</b>
Services & Supplies	24,559,695	18,175,828	7,651,110	25,826,938	1,267,243	5.2%
Transfers Out	7,896,201	7,979,119	163,925	8,143,044	246,843	3.1%
<b>Total Uses of Resources</b>	<b>73,230,466</b>	<b>62,524,168</b>	<b>13,315,188</b>	<b>75,839,355</b>	<b>2,608,889</b>	<b>3.6%</b>
<b>Surplus/(Shortfall)</b>	<b>(812,975)</b>			<b>(1,214,065)</b>		
<b>Reserve Allocation:</b>						
GFDR Fund 110				250,000		
Sales Tax Fund 103				250,000		
Casino Sustain. Fund 180				714,065		
<b>Balanced:</b>				<b>\$0</b>		

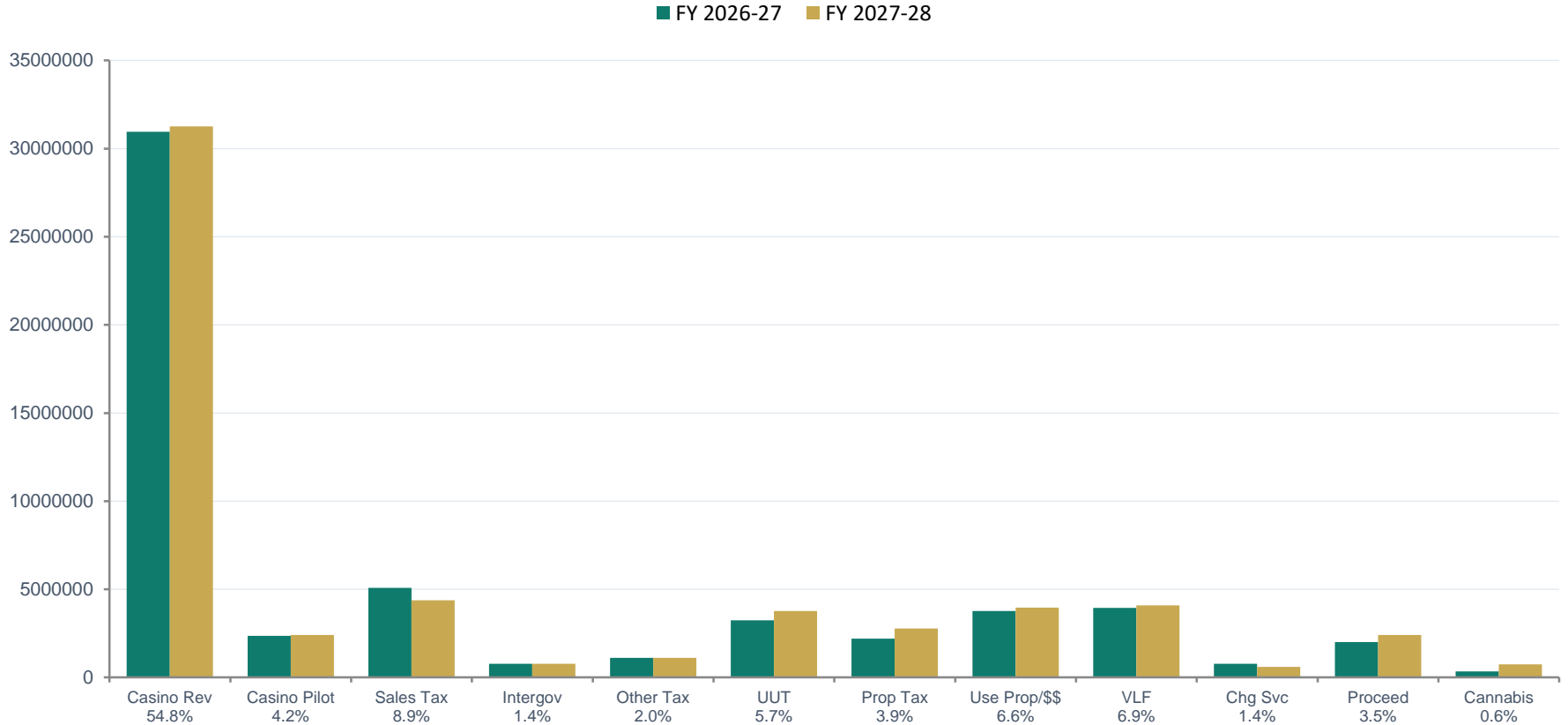
# Baseline Revenue Details — FY 2026-27

Revenue Source	FY 2025-26 Adopted	General Funds	Spec Rev Funds	FY 2026-27 Total	Variance	%
Casino Pilot	2,318,968	2,365,348	—	2,365,348	46,379	2%
Casino Revenue	31,879,134	30,951,565	—	30,951,565	(927,569)	-3%
Cannabis Revenue	0	350,000	—	350,000	350,000	NEW
Fines and Fees	250,000	190,000	—	190,000	(60,000)	-24%
Intergovernmental	2,364,450	768,350	1,940,061	2,708,411	343,961	15%
Other Taxes	1,463,750	1,108,757	—	1,108,757	(354,993)	-24%
Property Taxes	3,096,200	2,200,665	1,931,882	4,132,547	1,036,347	33%
Proceeds from Sale	0	2,000,000	—	2,000,000	2,000,000	NEW
Sales Tax	7,242,725	5,075,747	2,151,925	7,227,672	(15,053)	-0.2%
Use of Prop. & Money	1,307,000	3,767,416	238,348	4,005,764	2,698,764	206%
Utility Users Tax	3,075,000	3,240,061	—	3,240,061	165,061	5%
VLF In-Lieu	3,754,665	3,941,913	—	3,941,913	187,248	5%
Charges for Services	1,308,000	767,000	1,055,500	1,822,500	514,500	39%
Miscellaneous	845,000	35,000	426,500	461,500	(383,500)	-45%
<b>Total Revenue</b>	<b>58,904,893</b>	<b>56,761,822</b>	<b>7,744,216</b>	<b>64,506,038</b>	<b>5,601,145</b>	<b>9.5%</b>

# Baseline Revenue Details — FY 2027-28

Revenue Source	FY 2026-27 Proposed	General Funds	Spec Rev Funds	FY 2027-28 Total	Variance	%
Casino Pilot	2,365,348	2,412,655	—	2,412,655	47,307	2%
Casino Revenue	30,951,565	31,261,080	—	31,261,080	309,515	1%
Cannabis Revenue	350,000	750,000	—	750,000	400,000	114%
Fines and Fees	190,000	190,000	—	190,000	0	0%
Intergovernmental	2,708,411	770,350	1,958,975	2,729,325	20,914	1%
Other Taxes	1,108,757	1,116,355	—	1,116,355	7,598	1%
Property Taxes	4,132,547	2,769,842	2,104,882	4,874,724	742,177	18%
Proceeds from Sale	2,000,000	2,400,000	—	2,400,000	400,000	20%
Sales Tax	7,227,672	4,369,407	2,176,925	6,546,332	(681,340)	-9.4%
Use of Prop. & Money	4,005,764	3,960,976	248,478	4,209,454	203,690	5%
Utility Users Tax	3,240,061	3,766,085	—	3,766,085	526,024	16%
VLF In-Lieu	3,941,913	4,084,170	—	4,084,170	142,257	4%
Charges for Services	1,822,500	595,000	1,055,500	1,650,500	(172,000)	-9%
Miscellaneous	461,500	30,000	431,500	461,500	0	0%
<b>Total Revenue</b>	<b>64,506,038</b>	<b>58,475,920</b>	<b>7,976,260</b>	<b>66,452,180</b>	<b>1,946,142</b>	<b>3.0%</b>

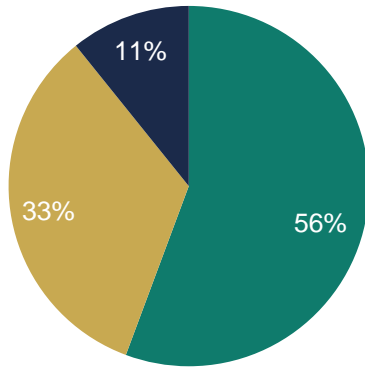
# Revenue by Type – General Fund (Fund 100)



# Expenses Summary — All Funds

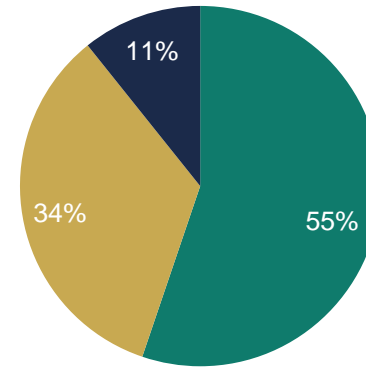
	FY 2025-26 Adopted	FY 2026-27 Proposed	Change	FY 2027-28 Proposed	Change
Personnel (incl. UAL)	39,117,547	40,774,570	1,657,023	41,869,373	1,094,804
Services & Supplies	21,626,768	24,559,695	2,932,927	25,826,938	1,267,243
Transfers Out	7,655,407	7,896,201	240,794	8,143,044	246,843
<b>Total</b>	<b>68,399,722</b>	<b>73,230,466</b>	<b>4,830,744</b>	<b>75,839,355</b>	<b>2,608,889</b>

FY 2026-27



■ Personnel (\$40.8M) ■ S&S (\$24.5M) ■ Transfers (\$7.9M)

FY 2027-28



■ Personnel (\$41.9M) ■ S&S (\$25.8M) ■ Transfers (\$8.1M)

# Personnel Costs Breakdown

	FY 2025-26 Adopted	FY 2026-27 Proposed	Change	FY 2027-28 Proposed	Change
Salaries/Wages	26,538,561	26,785,448	246,887	27,517,420	731,972
Benefits (excl. UAL/OPEB)	7,797,856	7,459,332	(338,524)	7,559,085	99,754
CalPERS UAL	4,781,130	5,812,788	1,031,658	6,040,016	227,228
OPEB Retiree Healthcare	0	717,002	717,002	752,852	35,850
<b>Total Personnel</b>	<b>39,117,547</b>	<b>40,774,570</b>	<b>1,657,023</b>	<b>41,869,373</b>	<b>1,094,804</b>

**\$5.81M**

CalPERS UAL  
FY 2026-27

**\$6.04M**

CalPERS UAL  
FY 2027-28

**\$717K**

OPEB New  
FY 2026-27

**59%**

Personnel as  
% of Budget

# Services & Supplies by Department

#	Department	FY25-26 Adopt	FY26-27 Prop	Variance	FY27-28 Prop	Variance
1110	City Council	4,027,043	179,915	(3,847,128)	178,815	(1,100)
1210	City Attorney	112,650	150,000	37,350	165,000	15,000
1310	City Manager	554,872	338,241	(216,631)	347,766	9,525
1320	Economic Dev	124,763	119,313	(5,450)	119,313	0
1330	City Clerk	0	75,536	75,536	78,021	2,485
1340	Human Resources	0	181,802	181,802	181,474	(328)
1420	Finance/Admin	299,535	433,504	133,969	468,205	34,701
1430	Multi-Dept Gen Gov	4,381,052	10,523,383	6,142,332	11,219,404	696,021
1510	I.T.	339,436	75,064	(264,372)	31,440	(43,624)
1755	Dev Services	427,800	371,670	(56,130)	368,050	(3,620)
2110	Police	4,620,240	4,653,400	33,160	4,953,350	299,950
3310	PW Engineering	308,734	461,370	152,636	460,044	(1,326)
3410	PW-Bldg Maint	503,020	792,857	289,837	793,714	857
3710	PW-Street Maint	577,381	693,404	116,023	703,822	10,418
5110	YSCP	1,125,977	892,602	(233,375)	899,896	7,294
5210	Recreation	499,790	451,350	(48,440)	463,247	11,897
	<b>Total S&amp;S</b>	<b>17,902,292</b>	<b>20,393,410</b>	<b>2,491,118</b>	<b>21,431,560</b>	<b>1,038,150</b>

# CIP & Debt Service Summary

2015 LRB Fund 315		2018 JPFA Fund 469		2022 Rev Bonds Fund 420		CIP Fund 320	
FY 26-27	\$136,320	FY 26-27	\$807,600	FY 26-27	\$1,781,000	FY 26-27	\$1,000,000
FY 27-28	\$136,320	FY 27-28	\$807,600	FY 27-28	\$1,784,000	FY 27-28	\$1,000,000

Total Debt Service + CIP:

**FY 2026-27: \$3,724,920**

**FY 2027-28: \$3,727,920**

## **DEBT SERVICE ISSUES OF CONCERN: **\*\*CRITICAL ISSUE\*\*****

- City's Credit Rating (AA-) must be maintained **AT ALL COSTS** to ensure debt refinancing occurs in next 1-3 years;
- City's annual debt service must be refinanced once interest-rates drop; City must position itself to take advantage of bond markets;
- Reliance on One-time Operating Reserves to balance operating costs increases City's costs of issuance and bond insurance requirements
- Declining Casino Revenues increases City's costs of issuance, bond insurance requirements and credit worthiness from rating agencies

# General Fund Subsidies to Special Revenue Funds

## TRANSFERS OUT FROM FUND 100 TO SPECIAL REVENUE FUNDS

Fund	Fund Name	FY 2025-26 Adopted	FY 2026-27 Proposed	FY26-FY27 Change	FY 2027-28 Proposed	FY27-FY28 Change
200	Gas Tax	\$432,460	\$819,324	\$386,864	\$848,581	\$29,257
201	Measure K	\$760,455	\$1,007,887	\$247,432	\$1,085,860	\$77,973
212	Development Services	\$838,417	\$1,101,825	\$263,408	\$1,169,340	\$67,515
237	Street Lighting & Landscaping	\$1,028,309	\$1,078,321	\$50,012	\$1,147,592	\$69,271
	<b>Total GF Subsidies</b>	<b>\$3,059,641</b>	<b>\$4,007,356</b>	<b>\$947,715</b>	<b>\$4,251,373</b>	<b>\$244,017</b>

**Total Biennial GF Subsidies:**

**\$8,258,729** (+\$2,139,447 over prior biennium)

### FUND-SPECIFIC CONTEXT: GF SUBSIDIES IMPACTS

- Gas Tax (200): Revenue trends are decreasing state-wide
- Measure K (201): Emergency Medical Services/ConFire service contracts increasing (5-year Contract)
- Dev Services (212): Revenues impacted by City's decreased development capacity
- Street Lighting (237): LLAD property assessments last amended in 1997 (\$840,000/yr.); Expenses subsidized by General Fund

# City Manager Financial Guidelines (Adopted Dec. 2023)

- 1 Maintain STATUS-QUO on all City programs until new revenue sources identified
- 2 Explore new efficiencies using emerging technologies to minimize operating costs
- 3 Promote capital, economic, housing & technology infrastructure investment
- 4 Exercise fiscal discipline; spend WITHIN appropriated GF revenue levels
- 5 Managed restraint on use of Unassigned Reserves for operating expenses
- 6 Pursue long-term employee labor MOU agreements for multi-year planning
- 7 Eliminate or reduce all GF operating subsidies; promote full-cost recovery
- 8 Avoid creating GF structural deficits/shortfalls
- 9 Be prudent and strategic in managing new FTE staffing investments until revenue capacity increases
- 10 Create NEW revenue opportunities to meet operational requirements & debt obligations

# **Additional City Manager Financial Guidelines: (June 2026)**

NEWLY PROPOSED FOR NEXT BUDGET CYCLE (FY 2028-29 & FUTURE YEARS)

12

## **Explore implementation of a Priority-Based Budgeting (PBB) Model:**

**Focus spending on community priorities (i.e. public safety, illegal dumping, parks, and road repairs);. Rank programs by how well they support top-priorities adopted by the City Council; direct funds to highest-priority programs while reducing or redesigning lower-value services to improve cost efficiencies.**

13

## **Explore Tier-IV Budget Reductions (3rd-party Independent Analysis):**

**If Casino revenue continues to decline, conduct comparative organizational analysis of FTE staffing and structural models with similar-sized cities (subject to collective bargaining and labor requirements)**

- Phase I: Administrative City Departments**
- Phase II: Police Department**

# CITY COUNCIL ADOPTED POLICY #405.2 ADHERENCE: New programs and FTE investments (STATUS QUO – ON-HOLD)

## POLICY #405.2: ADOPTED BY CITY COUNCIL ON 12/19/24 (Reso #2024-149)

Adopt a new fiscal discipline and financial practice to minimize new general fund spending on any new program or service without a new, fiscal impact analysis conducted by city staff, including funding options, while maintaining existing city service delivery and budgeted FTE staffing levels in the adopted FY 2024-25 class and comp plan until June 30, 2027, or until the City generates a total of +\$1,000,000 in new, net increase in annual general fund revenue capacity.

### Note: For New Spending Programs added to GF Operating Budget:

- (1) Must first modify or rescind Council Adopted Policy #405.2; and
- (2) Any new spending program must be adopted in FY 2025-27 Council Priority Workplan; and
- (3) Must require a *Fiscal Impact Analysis* before funding appropriation via Resolution; and
- (4) Reconsider at Mid-Year Budget Cycle (Post-November 2026) when new revenue sources materialize

# NEW GF REVENUE SOURCES + MEASURE S TAX SHIFT:

In process for potential implementation in FY 2027-28 until Casino Revenue Rebounds

NEW GF REVENUE SOURCES	POTENTIAL ANNUAL REVENUE (EST.)	NOTES
• New Master Fee Schedule Update	\$200,000 - \$400,000	Adopted Nov. 2025; Effective Jan. 16, 2026
• New Commercial Cannabis Retailers (3)	\$2,200,000	In-process; (2 of 3 CUPs approved as of March 2026)
• New Half-Cent (1/2) Sales Tax Measure	\$2,000,000	Council decides July 2026; Nov. 2026 Ballot (subject to voters)
• New PD HQ Training Center Revenue	\$200,000 - \$400,000	Under Construction; Full Operation during FY 2026-27
<b>POTENTIAL REVENUE INCREASE:</b>	<b>\$4,000,000 - \$5,000,000</b>	
<b>LESS MEASURE S SALES TAX SHIFT (10/01/2027):</b>	<b>(\$1,000,000)</b>	(\$1M) Revenue Loss (1/2 to 1/4 cent); (Adopted by voters in Nov. 2020)
<b>NET GF REVENUE INCREASE:</b>	<b>\$3,000,000 - \$4,000,000</b>	

# Next Steps: Following June 1, 2026 Council Action

1

Prepare **BUDGET ENABLING RESOLUTIONS** for the FY 2026-27 & FY 2027-28 Biennial Operating Budget & Capital Improvement Program (CIP) Budget for the scheduled **Council Adoption** on June 15, 2026

2

Following the Public Budget Hearing this evening, City Council will direct Budget Enabling Resolutions to be prepared for formal adoption on June 15, 2026 via Consent Calendar action.

3

Once Resolutions are adopted, new FY 2026 -2028 Biennial GF Operating Budget & CIP Budget becomes **effective July 1, 2026.**

# Questions?

CITY OF SAN PABLO

FY 2026-27 & FY 2027-28 Proposed Biennial Budget

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