



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
- 12 Expenses, Personnel & Departments
- 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

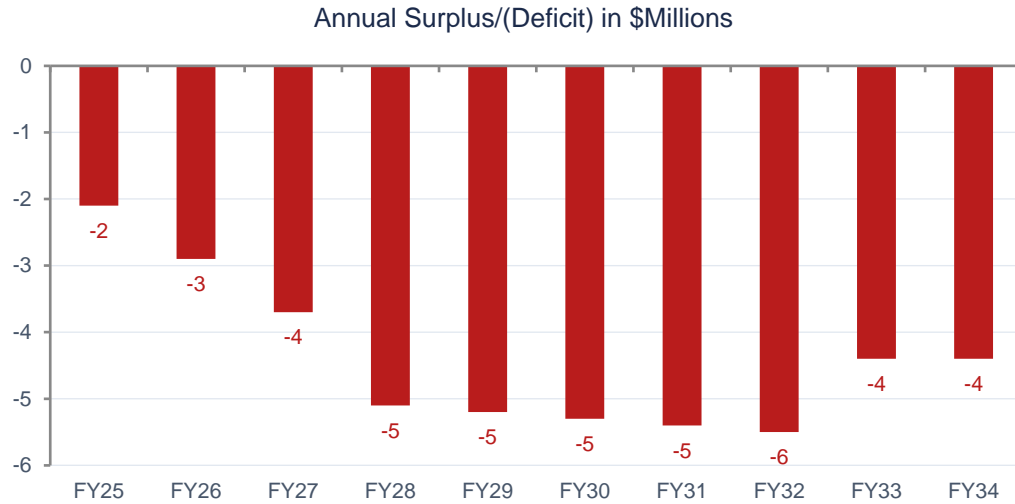
- Casino revenue 59% of General Fund (Fund 100)
- PFM projects \$44.1M cumulative 10-yr deficit
- Expense growth outpaces revenue growth
- CalPERS UAL rising (\$5.8M to \$6.0M biennial)
- Insurance costs tripled since 2020

## 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**

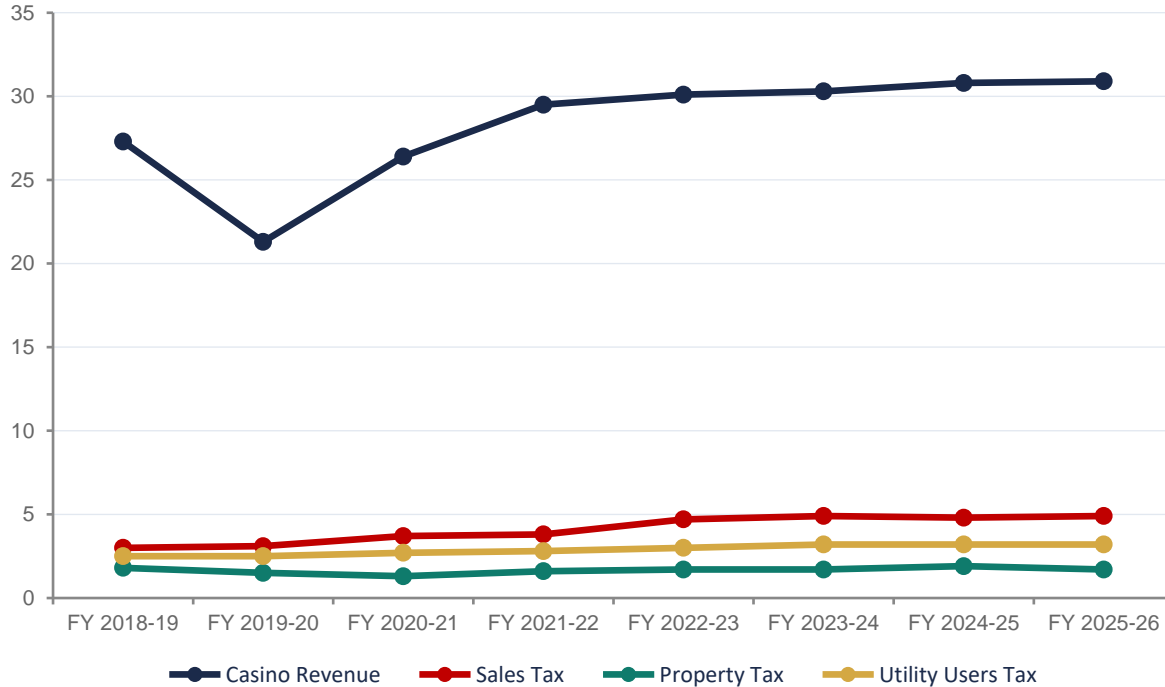
CalPERS UAL  
by FY2034

## 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<br>01/20/2026 | Balance<br>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<br>Adopted | General<br>Funds  | Spec Rev<br>Funds | FY 2026-27<br>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<br>Proposed | General<br>Funds  | Spec Rev<br>Funds | FY 2027-28<br>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>          |                  |             |

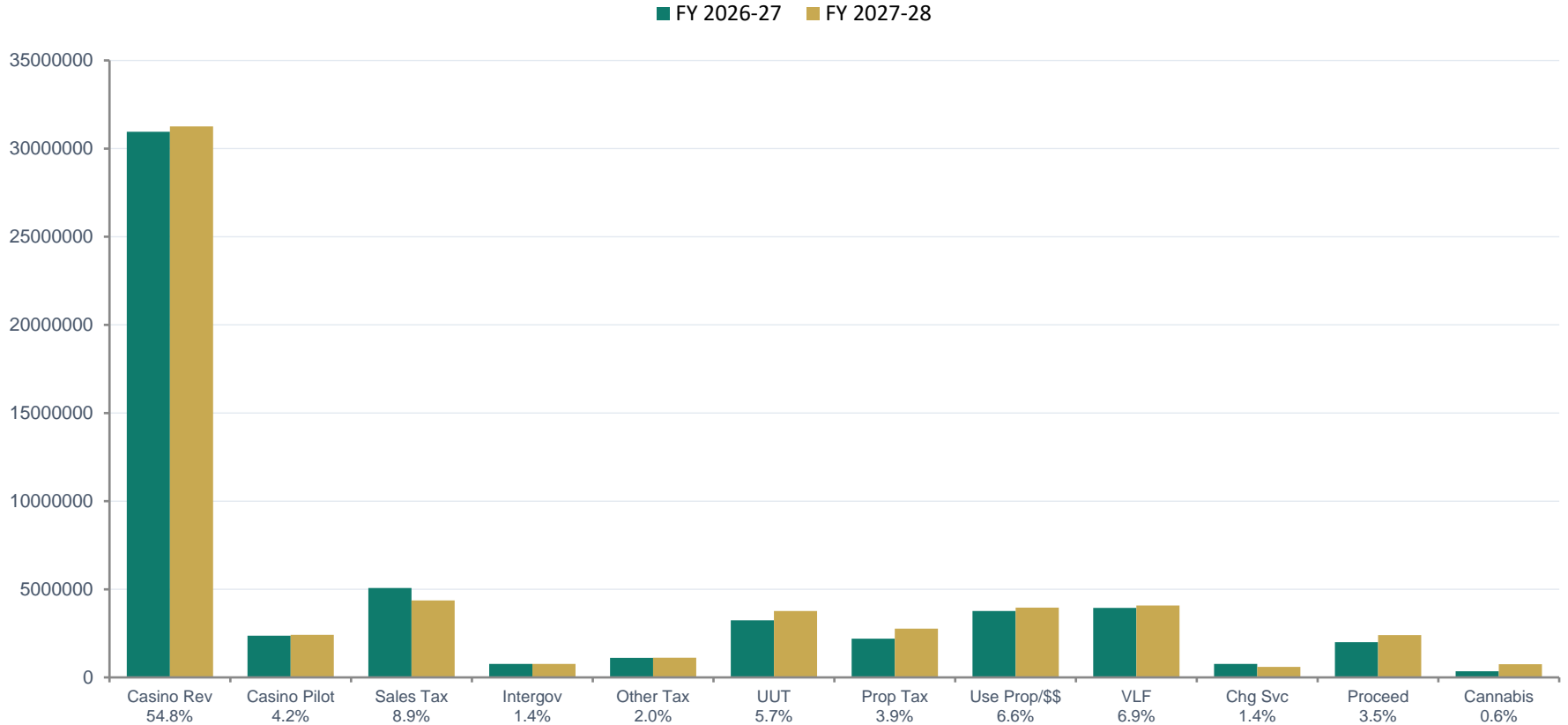
# Baseline Revenue Details — FY 2026-27

| 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> |

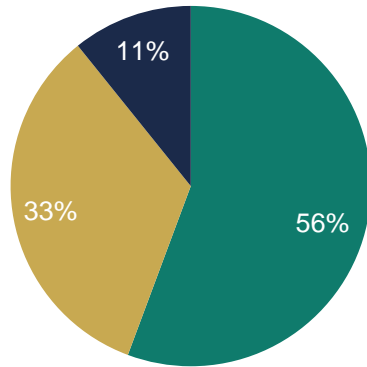
# Revenue by Type – General Fund (Fund 100)



# Expenses Summary — All Funds

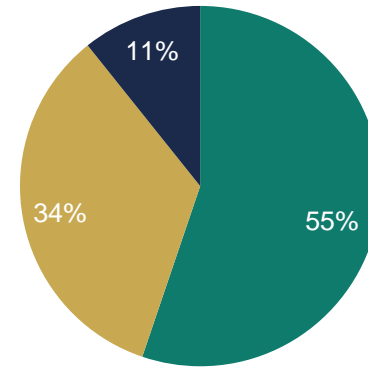
|                       | FY 2025-26<br>Adopted | FY 2026-27<br>Proposed | Change           | FY 2027-28<br>Proposed | Change           |
|-----------------------|-----------------------|------------------------|------------------|------------------------|------------------|
| Personnel (incl. UAL) | 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<br>Adopted | FY 2026-27<br>Proposed | Change           | FY 2027-28<br>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<br>Fund 315 |           | 2018 JPFA<br>Fund 469 |           | 2022 Rev Bonds<br>Fund 420 |             | CIP<br>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<br>Adopted | FY 2026-27<br>Proposed | FY26-FY27<br>Change | FY 2027-28<br>Proposed | FY27-FY28<br>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;<br>Effective Jan. 16, 2026                           |
| • New Commercial Cannabis Retailers (3)                 | \$2,200,000                      | In-process;<br>(2 of 3 CUPs approved as of March 2026)                  |
| • New Half-Cent (1/2) Sales Tax Measure                 | \$2,000,000                      | Council decides July 2026;<br>Nov. 2026 Ballot (subject to voters)      |
| • New PD HQ Training Center Revenue                     | \$200,000 - \$400,000            | Under Construction;<br>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<br/>(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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