



# 2025-2026 Mid-Year Budget Review

City Council Meeting – February 10, 2026; Item 3.3

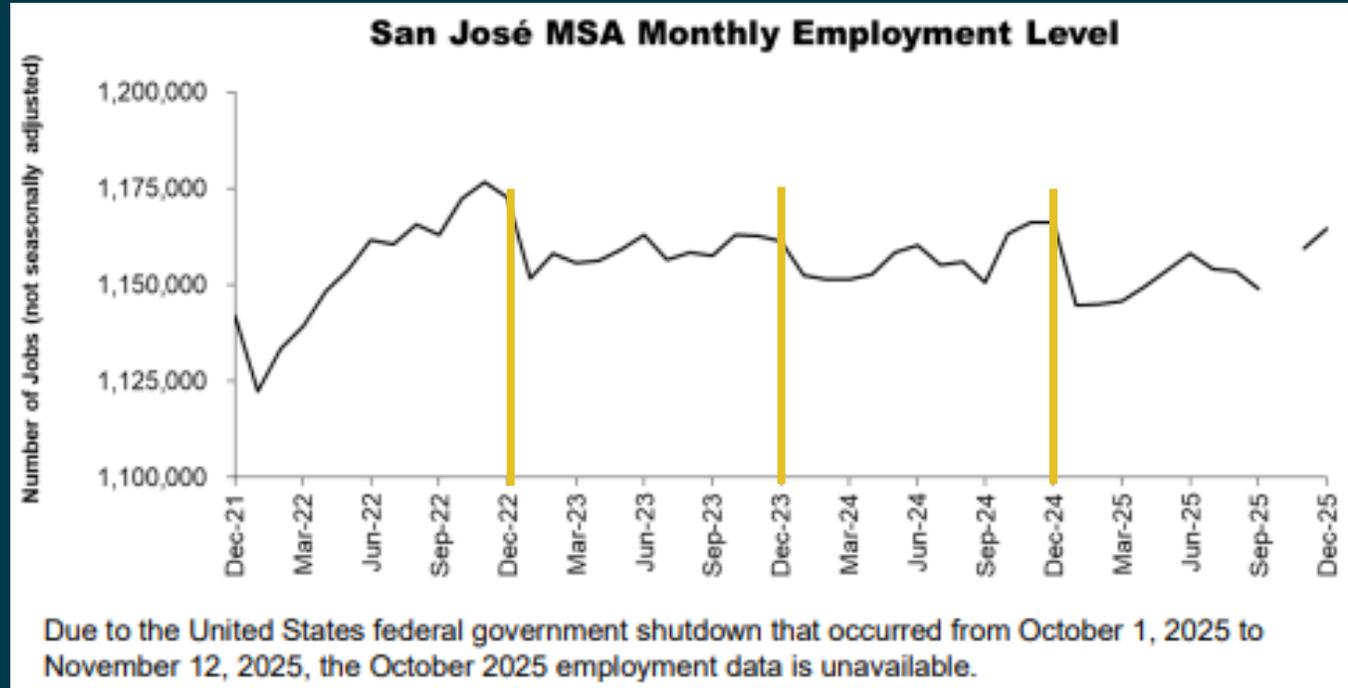
# 2025-2026 Mid-Year Budget Review Overview

Through the first half of 2025-2026, operating and capital funds are generally performing as expected, with a few exceptions

Economic conditions still generally align with previous expectations, but are not conducive to significant revenue growth

Budget adjustments are recommended in various operating and capital funds

# Economic Conditions



## Local economy remains sluggish

- Job growth is stagnant
- Office vacancies remain high; commercial sector is relatively weak and weighing down property valuation
- Residential real estate prices and sales have slightly decreased; days on market have slightly increased
- Private development activity is up from last year, but not considered strong
- Airport passenger levels are down 11% from the prior fiscal year

# General Fund Assessment

Revenues are anticipated to end the year approximately \$15 - \$20 million below budgeted levels, which is primarily due to lower than anticipated Property Tax and Utility Tax revenues

Expenditures are currently tracking to end the year with minimal savings

Cost saving actions totaling \$16.6 million are included in this report to partially offset anticipated revenue shortfall (\$15.4 million) and address other required expenditures adjustments (\$1.2 million)

Cost controls, implemented in December 2025, will be maintained throughout the remainder of 2025-2026 to achieve further savings

# General Fund Recommended Budget Adjustments

## Recommended 2025-2026 General Fund Adjustments (\$ in Millions)

	Source	Use
Required Technical/Rebalancing Actions	(\$15.34)	(\$15.26)
Grants/Reimbursements/Fee Activities	\$3.81	\$3.81
Clean-Up Actions	\$0.08	\$0
<u>Total Recommended Budget Adjustments</u>	<u>(\$11.45)</u>	<u>(\$11.45)</u>

# General Fund Recommended Budget Adjustments Highlights

## Required Technical/Rebalancing Actions (\$ in Millions)

	Source	Use
Property Tax	(\$14.00)	
Utility Tax	(\$1.35)	
Workers' Compensation Claims - Police		\$1.00
Workers' Compensation State License		(\$0.56)
Bay Area Phlebotomy Lab Services		\$0.25
Police Redistricting Software Integration		\$0.15

# General Fund Recommended Budget Adjustments Highlights

## Required Technical/Rebalancing Actions (\$ in Millions)

	Source	Use
<b>2025-2026 Cost Reductions</b>		<b>(\$16.61)</b>
Salaries and Benefits Reserve		(\$5.67)
Suspension of New Services Not Yet Started		(\$4.91)
- <i>Police Training Center FF&amp;E (\$2.60)</i>		
- <i>Emergency Medical Services Field Coordination (\$0.70)</i>		
- <i>Fire Station 32 (\$0.67)</i>		
- <i>Disaster Preparedness &amp; Emergency Response Modeling Software (\$0.58)</i>		
- <i>Police Training Center Maintenance and Operations (\$0.25)</i>		
- <i>Emma Prusch Park Electrical and Infrastructure Upgrades (\$0.10)</i>		
Project/Program Savings		(\$2.37)
Non-Personal/Equipment Reductions		(\$2.24)
Personal Services Reductions		(\$1.42)

# Status of Selected Capital Funds

## Construction and Conveyance Tax Funds: ↓

- Stagnant real estate activity is leading to slowed revenue growth

## Building and Structure / Construction Excise Tax Funds:

### Construction Valuation

- Commercial ↓
- Industrial ↑
- Residential ↑

Building & Structure ↑

Construction Excise ↑

Actual Annual Collections and 2025-2026 Estimate



# Special/Capital Funds Recommended Budget Adjustments

- Clean-Up Actions
  - Fund Balance Reconciliations
  - Rebudget Adjustments
  - Technical Adjustments (e.g., Net-Zero Transfers/Reallocations)
- Recommended Adjustments
  - Recognize Grants and Reimbursements
  - Update Cost/Revenue Estimates and Project Timing

# Looking Forward: 2026-2027 Budget Process

## **March 2026**

2026-2027 City Manager's Budget Request and 2027-2031 Five-Year Forecast Released

## **March 2026**

City Council Review and Approval of Mayor's March Budget Message

## **April/May 2026**

2026-2027 Proposed Capital Budget Mid-Biennial Update/2026-2027 Proposed Operating Budget/2026-2027 Fees and Charges Released

City Council Budget Study Sessions, Initial Budget Public Hearing and Community Budget Meetings

## **June 2026**

Final Budget Public Hearing

Mayor's June Budget Message & Final Review of Budgets

2026-2027 Capital/Operating Budgets and Fees & Charges Approval



# 2025-2026 Mid-Year Budget Review

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*Financial Status Coordinator*

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*Assistant Budget Director*

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*Operating Budget Coordinator*

Claudia Chang  
*Deputy Budget Director*

Jennifer Tell  
*Capital Budget Coordinator*