



FY 2026-27 Proposed Budget

May 13, 2026 – Budget Subcommittee Meeting

City of South San Francisco

Presented by: Christie Donnelly, Finance Director

Agenda

Key Themes / Overview

FY 2025-26 (Current Year) General Fund Projection

FY 2026-27 General Fund Proposed Budget

Summary

Anticipated Revenues & significant drivers

Anticipated Expenditures & significant drivers

Fund & Reserve Balances

FY 2026-27 Recommended Departmental Adjustments

Positions

Appropriations Adjustments – General Fund

Appropriations Adjustments – Non-General Fund

Takeaways

Requests & Questions



Key Themes & Budget Overview

Key Themes

- **Balanced Budget Preserves Current Service Levels**
- **Limited Reserve Use Addresses Near-Term VLF Impacts**
- **Prior-Year Budget Slack Reduced**
- **Revenue Uncertainty Remains, Especially Related to VLF**
- **One-Time Funds Are Not Used for Ongoing Operations**

Overview

What this Budget Is & What it Does:

- Balanced operating budget – with small (VLF-related) transfer from general fund available unassigned fund balance (i.e.; reserves)
- Addresses anticipated VLF shortfall for the Current FY
- Utilizes all available funding sources to maximize availability
- Proposes modest departmental increases
- Reduces slack identified in PY budgets
- Preserves current staffing and service levels
- Preserves all prior commitments and Council encumbrances for services and projects

What this Budget Is Not & What it Does Not Address:

- Does not address FUTURE or Not-Yet-Known Impacts due to VLF shortfall
 - Current Year base – unknown number of basic-aid schools
 - Future Year backfill – unknown action by state: budget, legal action, legislative fix
 - Inflationary impacts of VLF
- Does not address future CalPERS UAL increases due to not-yet-determined metrics
- Does not utilize one-time money/project funds to fund ONGOING operational needs

2025-26 Projected FYE

FY 2025-26 General Fund Projection (Excluding Meas W) (in millions)

	2025-26 Adopted Budget	Mid-Year 2025-26 Projected FYE	Updated 2025-26 Projected FYE
Revenues/Transfers In	\$ 140.5	\$ 154.7	\$ 158.4
<u>Expenditures/Transfers Out</u>	<u>(152.7)</u>	<u>(160.5)</u>	<u>(159.0)</u>
Net Change in Fund Balance	\$ (12.2)	\$ (5.8)	\$ (0.6)

2026-27 Proposed Budget

General Fund Revenue Updates

Revenue Updates	
Property Tax	<ul style="list-style-type: none"> • Projected 3.5% secured property tax revenue increase • Reset to increased base for unsecured property tax revenue
Property Tax - VLF	<ul style="list-style-type: none"> • Continued and rising uncertainty. • Expected Current Year payment: reduced from \$7.0M to \$5.7M. • Expected Prior Year Backfill: Zero (\$0) budgeted. • Volatile landscape - Depending upon multitude of factors (basic-aid school count, state budget decisions, legislative fix, etc.) – these numbers are likely to change, possibly even soon.
Transient Occupancy Tax (TOT)	<ul style="list-style-type: none"> • Strong recovery since the pandemic. • 6% increase over the current year's revised projection • Equals a 13% increase over the current adjusted budget. • Will continue to monitor closely.
Transfer from Measure W	<ul style="list-style-type: none"> • Measure W transfer in order to offset the increased cost needed to operate the new Aquatic Center. • Operating the pool is an essential community service • The expanded facility (Measure W -funded)increases ongoing operational costs.

General Fund Expenditure Updates

Expenditure Updates	
Base Payroll Update	<ul style="list-style-type: none">• Salary and benefits are projected to increase 3.4% over adjusted budget due to:<ul style="list-style-type: none">• 4.1% COLA, 3.7% CalPERS UAL payment, and Health Premium (3.2% for Kaiser, 9.2% for Blue Shield) increases.• A vacancy factor of \$8.0M salary savings is assumed (approx. 6.4%)
Services and Supplies Adjustment	<ul style="list-style-type: none">• Removed approx. \$2.4M from the base budget to align the base budget with demonstrated spending patterns.• This is in addition to \$6.0M in savings realized in the current FY.
Interdepartmental Charges Adjustment	<ul style="list-style-type: none">• Increase of \$2.5M across all funds (\$2.0M GF) to align budget charges with the City's actual risk-management obligations.

FY 2026-27 General Fund – Proposed Budget Summary (in millions)

Beginning Available* Fund Balance	\$ 42.5
Revenues	156.9
Less: Expenditure	162.4
Surplus/ (Deficit)	(5.5)
Use of Available Unassigned Balance	5.5
Net Surplus/(Deficit)	Balanced Budget
Ending Available Fund Balance**	\$ 40.5

*Available fund Balance is unassigned general fund balance after policy-level reserves subtracted

**20% reserve requirement decreased \$3.5M due to lower proposed revenue

FY 2026-27 – Projected General Fund Balance

FY 2026-27 Projected General Fund Balances (in millions)	
<i>FYE Restricted & Committed Total</i>	\$ 29.6
<i>FYE Reserves Total</i>	\$45.8
<i>FYE Available Unassigned Fund Balance</i>	\$ 40.5

General Fund Balance Components (in millions)



Unassigned Fund Balance



Reserves (\$45.8) and Available Unassigned Fund Balance (\$40.5) are both classified as Unassigned Fund Balance.

FY 2026-27 General Fund Unassigned Fund Balance

(progression over time) (in millions)

	2024-25 Actuals FYE	Mid-Year 2025-26 Projected FYE	Updated 2025-26 Projected FYE	2026-27 Proposed Budget
<i>Available Unassigned - Begin</i>	\$25.3	\$ 43.1	\$ 43.1	\$42.5
Revenues	167.9	\$ 154.7	158.4	156.9
Expenditures	<u>(150.1)</u>	<u>(160.5)</u>	<u>(159.0)</u>	<u>(162.4)</u>
Surplus (Deficit)	<u>\$ 17.8</u>	<u>\$ (5.8)</u>	<u>\$ (0.6)</u>	<u>\$ (5.5)</u>
<i>Available Unassigned - End</i>	\$ 43.1	\$ 37.3	\$ 42.5	\$ 40.5
Total Unassigned Balance - End	\$92.4	\$86.6	\$ 91.8	\$ 86.3
Less: Reserves	<u>(49.3)</u>	<u>(49.3)</u>	<u>(49.3)</u>	<u>(45.8)</u>
<i>Available Unassigned - End</i>	<u>\$ 43.1</u>	<u>\$ 37.3</u>	<u>\$ 42.5</u>	<u>\$ 40.5</u>

Recommended Departmental Adjustments

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Positions

Non-Personnel
Operating

Position Adjustments

Position Adjustments – Budget Neutral

Parks and Recreation

- Convert 1.0 FTE Building Maintenance Stationary Engineer to Lead Crafts Person
- Convert 1.0 FTE Arborist Technician to Parks Maintenance Supervisor

Public Works

- Convert 1.0 FTE Utility Locator to Senior Public Works Maintenance Worker

Position Adjustments – Offset through non-GF Funds

Parks and Recreation – Measure W & increased pool revenue

- Add 15.77 FTE Aquatics Positions
- Add 0.5 FTE Park Maintenance Worker - Hourly
- Add 0.5 FTE Building Maintenance Custodian

Economic and Community Development -

- Convert - 1.0 FTE Management Analyst I to Management Analyst II

Information Technology – ISF Fund: Allocated in part to GF

- Add 1.0 FTE Information Technology Manager

Position Adjustments – General Fund

City Manager's Office

- Remove – (1.0) FTE Diversity, Equity, and Inclusion Officer

Library:

- Add 1.0 FTE Librarian II (GF)
- Add 0.5 FTE Office Specialist – Hourly (GF)

Oyster Point CFD – Special Tax B (Fund 236):

- 3 Positions previously subsidized by General Fund now able to be funded by increased revenue to Fund 236
 - Parks Maintenance Worker
 - Lead Parks Maintenance Worker
 - Senior Parks Maintenance Worker

Non-Personnel Operating Adjustments

General Fund Appropriation
Adjustments - \$1.7M total

General Fund Appropriations Adjustments - \$1.7M total

1. City Attorney

- Expense: \$55k Contract Increase

2. City Clerk

- Expense: \$200k Elections

3. Economic & Community Development

- Expense: \$493k
 - \$218k EAC Operation Costs and Rent
 - \$200k Legal Fees (adjustment)
 - \$75k Consulting Fees
- Revenue: \$41k Rent

General Fund Appropriations Adjustments - \$1.7M total

4. Fire

- Expense: \$262k
 - \$105k EMS-band Radio Replacement
 - \$157k Supplies and Services – detailed on Attachment 2

5. Human Resources

- Expense: \$340k Contract Negotiations and Staffing Study

6. Library

- Expense: \$40k PLS Network Increase
- Revenue: \$89k Project Read, ASES Grant, and Fines and Fees

General Fund Appropriations Adjustments - \$1.7M total

7. Parks and Recreation

- Expense: \$310k
 - \$249k Orange Memorial Park Aquatics Center pool-related expenses
 - \$61k Utility increase for new parks
- Revenue: \$245k Aquatics Expansion

8. Police

- Revenue: \$24k Dispatch Services

9. Public Works

- Expense: \$11k Additional Services and Supplies, Meeting and Training expenses

Non-General Fund Appropriation
Adjustments - \$2.2M total

Non-GF Appropriations Adjustments - \$2.2M total

1. Economic & Community Development

- \$30k General Plan Website Maintenance
 - \$30k Developer Deposits
- \$300k Housing Service Contracts
 - \$100k Affordable Housing
 - \$200k Commercial Linkage Impact Fee

2. Fire

- \$525k Portable Radio Replacement and Fire Alerting Hardware:
 - \$410k Measure W
 - \$115k Fire Impact Fee

3. Police

- \$525k Handgun and Body-Worn/In-Car Cameras and Taser Replacement:
 - \$359k Measure W
 - \$166k Police Impact Fee

Non-GF Appropriations Adjustments - \$2.2M total

4. Public Works

- Expense: \$518k
 - \$510 Stormwater Capture Maintenance and Permit Fee Increase – Stormwater Fund
 - \$8k Safety Attire and Equipment – Sewer Fund
- Revenue: \$686k Sewer Rate Increase – Sewer Fund

5. Information Technology

- Expense: \$309k Software and Equipment
 - \$309k Internal Service Fund

6. Stormwater Fund

- Due to statutory limitations, this is currently heavily subsidized with transfers from the General Fund and Gas Tax revenues. This year, an increase of \$500k from Measure W to the Stormwater fund is proposed to cover the expenses of operating the City's new storm capture improvement.

Key Takeaways

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- **City is in relatively good financial health overall**
- **Unassigned Fund balance position establishes resiliency to withstand economic cycles**
- **Prudence requires us to discuss and plan for long-term solutions to ongoing & increasing budget deficit**
- **Budget and forecast will continue to be monitored, updated and refined throughout the year – update(s) will be presented as soon as needed**

Requested Actions of the Committee

- **Input on Use \$5.5M of General Fund Unassigned Fund Balance to balance current year General Fund budget.**
- **Input on Use of \$1.1M of Measure W operating revenue to fund increased costs of Measure-W funded Aquatic Center**
- **Any additional guidance to staff in preparation for the City Council study on May 27, 2026.**

Questions?

THANK YOU
FOR JOINING US TODAY



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