



City of San Leandro

City Hall
835 East 14th Street
San Leandro, California

Staff Report

File # 26-191

Adopt a Resolution to Approve Amendments to the FY 2027 Biennial Budget

SUMMARY

The City budgets on a biennial cycle every two years. At the midpoint of each biennial, Staff reviews revenues and expenditures, recommending necessary alignment and adjustments.

The FY 2027 Mid-Cycle Budget update includes adjustments that will result in a balanced budget. During the FY 2026-27 Biennial budget process, City Council provided clear directive to ensure long-term fiscal stability. The proposed FY 2027 Adjusted Budget provides updated revenue projections and adjustments in operating expenditures, and interfund transfers.

The Resolution for amending the FY 2027 Adjusted Budget is therefore presented for City Council approval.

RECOMMENDATIONS

Staff recommend that the City Council approve the Resolution amending the FY 2027 Budget including revenue and expenditure appropriations.

BACKGROUND

The City Council adopted the biennial FY 2026 and FY 2027 General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds budgets on June 16, 2025. The approved biennial budget is the City's plan for resource allocations that guides and insures implementation of City Council policies and priorities. The budget implements the City Council's vision and direction for the broad range of services that meet the needs of the community.

During the biennial budget process, City Council provided clear direction to ensure long-term fiscal stability. During FY 2026 and FY 2027, City Council directed Staff to present a budget where expenditures (less transfers) were equal to projected revenues; and beginning in FY 2028 and beyond, all expenditures (including transfers) were to equal projected revenues. This directive resulted in eliminating the use of General Fund reserves to balance the budget each fiscal year.

For the first fiscal year of the biennium (FY 2026), Staff presented a balanced budget in accordance with Council's direction. However, the second year of the biennium (FY 2027) continued to estimate the use of General Fund reserves to balance the budget. At that time, Council granted Staff more time to identify ways to close the \$11.6 million structural deficit over the next three fiscal years and eliminate the projected use of General Fund reserves into the future. Over the course of the fiscal year, Staff identified ways to close the \$11.6 million structural deficit in a meaningful way with clear understanding of the impact on the organization and community.

Proposed adjustments for FY 2027 and beyond were initially discussed during the City Council annual retreat on March 6, 2026. Community budget engagement sessions were held on March 16 and March 17. An in-depth review of all proposed adjustments were presented to and discussed at the City Council Finance Committee meeting on March 25, at which the City Council Finance Committee came to recommendations on adjustments that comprised the recommendation presented for City Council consideration.

On April 13, a work session with City Council was held. The City Council Finance Committee's recommended proposal was presented to the full City Council for discussion and consideration. After some minor adjustments the City Council arrived at a recommendation for the FY 2027 Mid-Cycle adjustments to move forward at a future City Council meeting for adoption by Resolution.

ANALYSIS

The General Fund finances operations and pays for core services of the City that have no special or dedicated revenue sources. The proposed FY 2027 General Fund expenditure appropriation is \$150.6 million, with interfund transfer to other funds at \$8.5 million. The proposed FY 2027 General Fund revenues projection is \$153.7 million.

The proposed adjustments to the General Fund budget include net decreases in both revenue projections and expenditure appropriations. Adjusted revenue projections are estimated to decrease by \$0.7 million in FY 2027. The estimated decrease in revenue projections is primarily attributed to lower Sales Tax revenue projections. Proposed adjustments to expenditure appropriations will result in a net decrease of \$5.4 million in FY 2027. Proposed adjustments to interfund transfers to other funds will result in a net increase of \$3.6 million in FY 2027. Overall, combined total of expenditures and interfund transfers changes will result in a combined net decrease of \$1.7 million.

A detailed review of revenue and expenditure appropriation adjustments are presented below.

General Fund

General Fund Revenues:

The FY 2027 Adjusted Budget appropriates General Fund revenue totaling \$153.7 million, a net decrease of \$0.7 million. The decrease in General Fund revenue is primarily attributed to the decline in Sales Tax revenue of \$2.9 million. While updated revenue projections indicate a decline in Sales Tax in FY 2027, revenue projections are estimated to increase in Licenses and Permits, Fines and Forfeitures, Use of Money and Property, and Internal Service Fund by \$2.2 million. Included in the revenue adjustment is a projected increase in Charges for Services totaling \$0.6 million beginning in FY 2027 related to increased program offerings by the Recreation and Parks department. The FY 2027 Adjusted Budget also reflects increases in internal service fund revenue related to the newly created Rent Program. The General Fund is anticipated to receive \$0.2 million in internal service fund revenue to account for administrative services from the General Fund to support the operations of the Rent Program.

Proposed adjustments to Licenses and Permits, Fines and Forfeitures, and Use of Money and Property are the result of reviewing historical receipts and trends to align the budget with achievable revenue figures. Table 1 provides an overview of the proposed adjustments to revenues in FY 2027.

Table 1: Proposed General Fund Revenue Adjustments

	FY 2027 Adopted	FY 2027 Proposed Adjustment	Change (\$)
Property Taxes	\$35.4M	\$35.4M	
Sales & Use Taxes	\$56.5M	\$53.6M	-\$2.9M
Other Taxes	\$30.8M	\$30.8M	
Franchise Taxes	\$7.6M	\$7.7M	
Licenses & Permits	\$11.9M	\$12.2M	\$0.2M
Fines & Forfeits	\$0.4M	\$0.8M	\$0.4M
Use of Money & Property	\$3.6M	\$4.3M	\$0.7M
Other Agencies	\$1.0M	\$1.0M	
Charges for Services	\$3.6M	\$4.1M	\$0.6M
Donations	\$0.0M	\$0.0M	
Reimbursements & Misc.	\$0.0M	\$0.0M	
Miscellaneous Revenues	\$0.7M	\$0.7M	
Internal Service Funds	\$2.9M	\$3.1M	\$0.2M
TOTAL	\$154.4M	\$153.7M	-\$0.7M

General Fund Expenditures:

The FY 2027 Adjusted Budget appropriates General Fund expenditures totaling \$150.6 million, a net decrease of \$5.4 million. Details of the net changes proposed for FY 2027 are as follows:

- **City Manager's Office and Legislative** (Decrease of \$405,022) in FY 2027. Proposed adjustments include a reduction in sponsorships for events and community investment grants, reduction in general operating expenses, alignment of elections costs, and reduction in internal service fund charges.
- **Finance** (Decrease of \$208,984) in FY 2027. Proposed adjustments include reduction in contract services to align with new investment management services, reduction in general operating expenses, and reduction in internal service fund charges.
- **Human Resources** (Decrease of \$72,773) in FY 2027. Proposed adjustments include reduction in contract services, reduction in general operating expenses, reimagination of employee recognition events, and reduction in internal service fund charges.
- **Library** (Net Decrease of \$478,542) in FY 2027. Proposed adjustments include reallocation of weekly library hours resulting in a reduction in personnel, elimination of library public arts funds, reduction in library materials collection, reduction in general operating expenses, and reduction in internal service fund charges. Proposed adjustments also reflect a cost increase of \$0.5 million for the Mulford-Marina Branch expansion.
- **Recreation & Parks** (Net Decrease of \$128,679) in FY 2027. Proposed adjustments include increases in contractor expenses directly offset by increased revenue projections of \$566,000, reduction in contract services, general operating expenses, personnel cost shifts away from the General Fund, and reduction in internal service fund charges.
- **Human Services** (Net Decrease of \$396,175) in FY 2027. Proposed adjustments include a Department restructuring for efficiencies, elimination of funding for congregate winter shelter, reduction in contract security services, increase in independent contract expenses, alignment of personnel costs, and reduction in internal service fund charges.
- **Public Works** (Decrease of \$581,387) in FY 2027. Proposed adjustments include reduction in third-party encampment cleanup costs, costs shift away from the General Fund, and reduction in internal service fund charges.
- **Community Development** (Decrease of \$1.3 million) in FY 2027. Proposed adjustments include elimination of a vacant Permit Center position (1.0 FTE), reductions in event sponsorships and general operating expenses, reduction in first time homebuyer programs, elimination of economic development studies, reduction in the business incentive program while retaining \$25,000 for the program, and reduction in internal service fund charges.

- **Fire** (Decrease of \$681,298) in FY 2027. Proposed adjustment reflects a revised calculation of the City's retiree medical contributions. The recalculation will reflect the liability for the cost of Alameda County Fire Department (ACFD) firefighters serving the City of San Leandro from FY 2022 and beyond and does not reflect a pro rata share of the ACFD total unfunded liability costs for its historical employees.
- **Police** (Decrease of \$874,972) in FY 2027. Proposed adjustments reflect revisions to personnel budget alignment with the cost of new recruits and updated vacancy rates based on historic and current recruitment and retention trends. Adjustments also reflect the elimination of a vacant Management Analyst II position (1.0 FTE) and reductions in general operating expenses and consulting services. The adjustment further reflects an increase to account for the full cost of the animal control services contract. Change also reflects a reduction in internal service fund charges.
- **Non-Departmental Costs** (Decrease of \$255,702) in FY 2027. This proposed adjustment reflects one-time administrative re-alignment.

Table 2: Proposed General Fund Expenditure Adjustments by Department

Department	FY 2027 Adopted	FY 2027 Proposed Adjustment	Change (\$)
City Manager's Office & Legislative*	\$8.0M	\$7.6M	-\$0.4M
Finance	\$5.1M	\$4.9M	-\$0.2M
Human Resources	\$2.9M	\$2.8M	-\$0.1M
Library	\$9.8M	\$9.3M	-\$0.5M
Recreation & Parks	\$11.8M	\$11.6M	-\$0.1M
Human Services	\$3.8M	\$3.4M	-\$0.4M
Public Works	\$10.0M	\$9.4M	-\$0.6M
Community Development	\$11.1M	\$9.8M	-\$1.3M
Fire	\$36.9M	\$36.2M	-\$0.7M
Police	\$51.7M	\$50.9M	-\$0.9M
Non-Department	\$4.8M	\$4.6M	-\$0.3M
TOTAL	\$155.9M	\$150.6M	\$5.4M

*Council directed not to include changes in Council compensation.

General Fund Interfund Transfers:

The FY 2027 Adjusted Budget appropriates General Fund interfund transfers totaling \$8.5 million, representing a net increase of \$3.6 million. This change reflects proposed adjustments to transfers to other funds, including an ongoing reduction of \$1.0 million and a one-time increase of \$4.6 million to support critical capital investments to prevent system failure.

Reduction in interfund transfers for FY 2027 total \$1.0 million, as follows:

- City Building Major Maintenance – Reduce \$300,000
- City Parks Major Maintenance – Reduce \$200,000
- Street Rehabilitation – Reduce \$500,000

There is a one-time increase of \$4.6 million in interfund transfers for investment in capital needs to avoid critical failure; they include the following:

- Facility Painting (\$1.0 million) – City Hall and Marina Community Center
- Roof Replacement (\$0.6 million) – Fire Station 10
- CAD-RMS (\$3.0 million) – Replacement of communication and dispatch and records management system.
 - As part of the estimated CAD-RMS project cost, Staff propose to hire 2.0 FTE 2-year limited-term employees to assist with the overall project management of the CAD-RMS implementation.
 - Project Manager (1.0 FTE) at \$250,500; and IT Analyst (1.0 FTE) at \$223,447
 - CAD-RMS Cost Breakdown: Personnel - \$475,000 and CAD-RMS System - \$2.52 million

Table 3: Proposed General Fund Interfund Transfers

GF Transfer To	FY 2027 Budget	FY 2027 Proposed Adjustment	Change (\$)
Capital Funds			
ADA Transition Plan	\$0.2M	\$0.2M	\$0.0
City Building Major Maintenance	\$0.6M	\$0.3M	-\$0.3M
City Park Major Maintenance	\$0.5M	\$0.3M	-\$0.2M
Street Rehabilitation	\$3.6M	\$3.1M	-\$0.5M
Facility Painting - City Hall & MCC		\$1.0M	\$1.0M
Fire Station #10 Roof Replacements		\$0.6M	\$0.6M
CAD-RMS		\$3.0M	\$3.0M
Capital Funds Total	\$4.83M	\$8.45M	\$3.63M
Operating Funds			
Links Shuttle Service	\$0.05M	\$0.05M	\$0.00M
Operating Funds Total	\$0.05M	\$0.05M	\$0.00M
TOTAL	\$4.9M	\$8.5M	\$3.6M

Proposed Staffing Changes:

The department reductions include the elimination of 9.1 full-time equivalent (FTE) positions. In addition, the FY 2027 Adjusted Budget incorporates the addition of 2.0 FTEs (limited-term) to support implementation of the CAD-RMS project. The table below summarizes the proposed net FTE changes for FY 2027.

Table 4: Summary of Proposed Net FTE Changes for FY 2027

Department	FY 2027 Adopted FTE	FY 2027 Proposed Net FTE Change
City Manager's Office & Legislative	17.4	
Finance	17.0	
Human Resources	11.3	
Information Technology	15.0	1.0
Library	36.9	(4.1)
Recreation and Parks	53.9	
Human Services	10.9	(2.0)
Public Works	72.4	
Community Development	34.5	(1.0)
Water Pollution Control Plant	40.4	
Police	138.4	(1.0)
City Council	7.0	
TOTAL	455.1	(7.1)

Non-General Fund:**Information Technology Fund:**

The FY 2027 Adjusted Budget appropriates Information Technology Fund revenue totaling \$11.8 million, a net increase of \$2.5 million. FY 2027 Adjusted Budget appropriates Information Technology Fund expenditures of \$12.3 million, a net increase of \$2.5 million.

- **Revenue** (Net Increase of \$2.5 million) in FY 2027.
 - The proposed reduction in expenditure will result in a decrease in ISF revenue from the General Fund (Decrease of \$543,082)
 - Transfers In from General Fund for CAD-RMS (Increase of \$3.0 million)
- **Expenditures** (Net Increase of \$2.5 million) in FY 2027.
 - The proposed adjustments include the elimination of a vacant Business Systems Analyst position (1.0 FTE), reduction in consulting services, elimination of the Year-Up internship, elimination of a redundant Internet service provider, reduction in general operating expenses, and an increase in Citywide software and new cyber security tools. Net decrease will result in corresponding reduction in General Fund internal service fund charges reflected in each department's proposed adjusted budgets (Decrease of \$543,082)
 - Increase in expenditures for CAD-RMS project (Increase of \$3.0 million).

Facility Maintenance Fund

The FY 2027 Adjusted Budget appropriates Facility Maintenance Fund revenue totaling \$6.2 million, a net increase of \$1.6 million. FY 2027 Adjusted Budget appropriates Facility Maintenance Fund expenditures of \$6.7 million, a net increase of \$1.6 million.

- **Revenue** (Increase of \$1.6 million) in FY 2027.
 - Transfers In from General Fund for facility painting and roof replacement at fire station #10.
- **Expenditures** (Increase of \$1.6 million) in FY 2027.
 - Increase in expenditures for facility painting at City Hall and Marina Community Center and roof replacement at fire station #10.

Capital Fund:

The FY 2027 Adjusted Budget appropriates Capital Fund revenue totaling \$3.9 million, a decrease of \$1.0 million. FY 2027 Adjusted Budget appropriates Capital Fund expenditures of \$3.9 million, a decrease of \$1.0 million.

- **Revenue** (Decrease of \$1.0 million) in FY 2027.
 - Reduce Transfers In from General Fund for annual contribution to building, park, and street capital improvements.
- **Expenditures** (Decrease of \$1.0 million) in FY 2027.
 - Reduction in General Fund contribution will result in a decrease in expenditures for building, park, and street capital improvements.

Future Budget Considerations - FY 2028 and FY 2029 Biennial Budget Process:

While this report focuses on proposed General Fund adjustments for FY 2027, additional ongoing adjustments are anticipated for City Council consideration during the FY 2028 and FY 2029 Biennial Budget process.

In FY 2028, ongoing revenue projections reflect an increase of \$0.9 million, driven by higher Charges for Services associated with Recreation and Park program offerings, as well as increases in internal service funds related to General Fund support of the Rent Program.

Additional ongoing net expenditure reductions proposed for consideration total \$1.3 million in FY 2028 and \$1.1 million in FY 2029, resulting in a cumulative ongoing reduction of \$2.4 million. If adopted by Council during the FY 2028 and FY 2029 Biennial Budget process, total ongoing reductions—including those in FY 2027—would reach \$7.9 million.

Further reductions in interfund transfers to other funds are also planned for discussion during the biennial process, including an additional \$1.0 million reduction across FY 2028 and FY 2029. This would bring cumulative ongoing reductions in interfund transfers to \$3.0 million by FY 2029.

Committee Review and Actions

City Council Finance Committee (March 25, 2026)

- Unanimously agreed to recommend the proposed FY 2027 Mid-Cycle update be presented to the full City Council for further discussion and direction.

Financial Impacts

The FY 2027 General Fund Adjusted Budget appropriates total revenues of \$153.7 million. FY 2027 General Fund Adjusted Budget appropriations for operating expenditures total \$150.6 million, with appropriations for interfund transfers totaling \$8.5 million, with a combined total of \$159.1 million (operating expenditures + interfund transfers).

The FY 2027 Information Technology Fund Adjusted Budget appropriates total revenues of \$11.8 million. FY 2027 Information Technology Adjusted Budget appropriation for operating expenditures totals \$12.3 million.

The FY 2027 Facility Maintenance Fund Adjusted Budget appropriates total revenues of \$6.2 million. FY 2027 Facility Maintenance Fund Adjusted Budget appropriation for operating expenditures totals \$6.7 million.

The FY 2027 Capital Fund Adjusted Budget appropriates total revenue of \$3.9 million. FY 2027 Capital Fund Adjusted Budget appropriation for expenditures total \$3.9 million.

ATTACHMENT

A: Resolution to Approve Amendments to the FY 2027 Biennial Budget

B: Proposed FY 2027 Adjusted Budget Presentation

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