



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: June 3, 2025

TO: LaTanya Bellow, City Manager

FROM: Lilybell Nakamura, Acting Finance Director
Brian Moura, Regional Government Services (Finance Consultant)

SUBJECT: **Resolution Of The City Council Of The City Of Emeryville Adopting The City Budget For Fiscal Years 2025-26 And 2026-27 And Appropriating Funds And Projections Funds As Set Forth In The Proposed 2025-27 City Budget**

RECOMMENDATION

Staff recommends that the City Council review and discuss the 2025-27 City Budget and approve a Resolution adopting the 2025-27 City Budget. This will include a presentation on the budget, an opportunity for Council questions and comments, public input, and Council action on the 2025-27 City Budget.

BACKGROUND

The City Manager works with the Finance Department and the City Department Head team to develop a biennial City budget every two years. This process has been underway since December to develop the 2025-27 City Budget.

Since that time, the City Council held a meeting on May 6, 2025, to review the 5 Year Financial Model used to develop the budget. On May 20, 2025, the City Council reviewed the proposed 2025-27 City Budget. The Council provided comments and guidance at these meetings which have been included in the proposed 2025-27 City Budget being considered for adoption at tonight's City Council meeting.

City Strategic Plan

A new element of this budget process was the creation of a Strategic Plan. In March 2025, members of the City Council met with the City Manager, the Department Head team, and an outside facilitator to review the many goals, aspirations, and projects that the City has underway and others that are contemplated for the future.

By focusing on these goals and the resources the City has to achieve them, a Strategic Plan was adopted by the City Council. This became a pillar in the development of the proposed 2025-27 Budget.

Citywide Revenues and Expenses

In fiscal year 2025-26, revenues for the City are budgeted at \$116.4 million. Operating expenditures are budgeted at \$142.1 million and capital expenditures are budgeted at \$85.1 million for a total expenditures of \$227.2 million. For the 2026-27 fiscal year, revenues are budgeted at \$109.2 million. Operating expenditures are budgeted at \$143 million and capital expenditures are budgeted at \$4.7 million for a total of \$147.7 million.

The increased expenditures include work on several major Capital Improvement projects during the 2025-27 Budget cycle.

Citywide Staffing

The proposed budget funds 174.61 full-time equivalent (FTE) positions, including:

- 140 FTEs in the General Fund
- 34.61 FTEs in Special Revenue and Enterprise Funds
- Measure F-funded positions: 1 Engineer (Public Works) and 1 Code Enforcement Officer (Community Development)

General Fund Budget

The General Fund is the City's main source of unrestricted funds. The City's General Fund revenues (before transfers in) total \$46 million and \$47.6 million in FY 2025-26 and FY 2026-27, respectively. The City's General Fund expenditures (before transfers out) total \$54.3 million and \$56.1 million for FY 2025-26 and FY 2026-27, respectively.

The outlook for the City's General Fund Budget remains challenging during the 2025-27 biennial budget. In the current 2024-25 fiscal year, the General Fund was projected to have a deficit of \$8.8 Million.

This was addressed by the City Council in March 2025 through several measures including:

- Reallocating \$3.2 Million per year of Residual Property Tax revenues from other funds to the General Fund
- Transferring \$5 Million from the Economic Uncertainty Reserve and \$2 Million from the Capital Improvement Fund to the General Fund
- Establishing a goal of 20% for the Unassigned General Fund Balance (based on annual General Fund expenditures). This is consistent with the GFOA (Government Finance Officers Association) standard of 2 months or more of operating capital in this fund for local government agencies.

The General Fund also benefitted from an unanticipated Commercial Property Tax Revenue payment of \$11.2 Million from the Sutter Health Foundation. This was generated by its purchase of property from BioMed for a future Medical Center & Hospital complex.

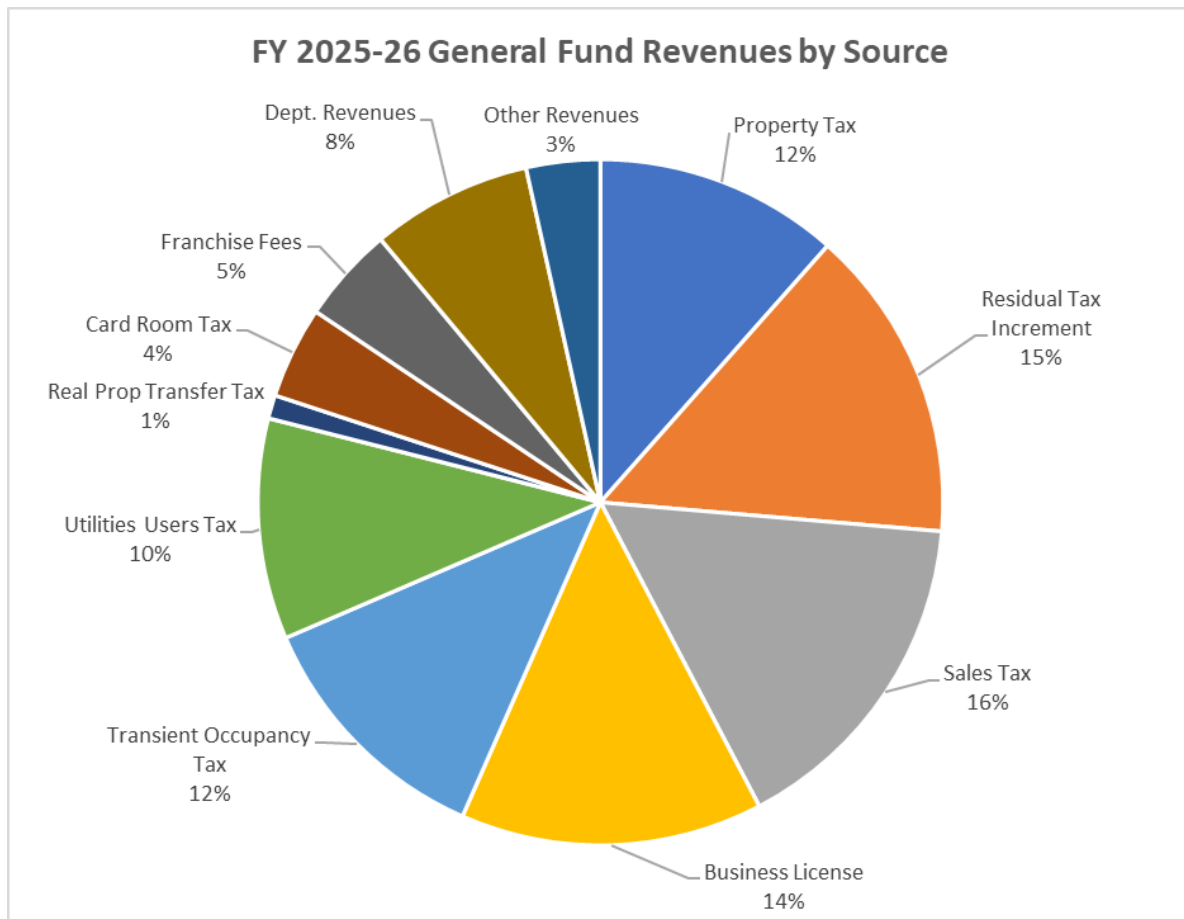
Despite these measures, the 5 Year General Fund forecast shows an annual structural deficit of \$9.7 Million to \$14.6 Million over that period. While the Unassigned General Fund balance will remain above the 20% goal during the 2025-26 fiscal year (due to the measures and unanticipated revenue noted above), it will be necessary to transfer more funds to the General Fund starting in the 2026-27 and future fiscal years to remain at this level.

5 Year General Fund Budget Forecast

Description	2025-26 Budget	2026-27 Budget	2027-28 Projection	2028-29 Projection	2029-30 Projection
Start Un GF Bal	26,717,039	17,481,968	12,064,292	12,730,127	12,578,055
Revenues	46,026,859	47,627,313	47,649,401	48,587,838	49,547,894
Expenses	(55,681,080)	(57,512,813)	(59,899,183)	(62,240,410)	(64,101,520)
Rev/Exp (Deficit)	(9,654,221)	(9,885,500)	(12,249,782)	(13,652,572)	(14,553,626)
Expense Cuts	1,376,000	1,425,000	1,472,000	1,514,000	1,555,000
Transfers In	61,500	4,061,500	12,461,500	12,711,500	14,561,500
Transfers Out	(1,018,350)	(1,018,676)	(1,017,884)	(725,000)	(675,000)
GF Change	(9,235,071)	(5,417,676)	665,834	(152,072)	887,874
End Un GF Bal	17,481,968	12,064,292	12,730,127	12,578,055	13,465,929
Un GF %	31%	21%	21%	20%	21%

General Fund Revenues

General Fund Revenues are projected to grow modestly in FY 2025-26 and FY 2026-27. Changes in the economy of the San Francisco Bay Area will impact the City's revenues, particularly the General Fund major revenue sources of business licenses, sales tax, departmental revenues, and transient occupancy taxes (TOT).



Property Tax & Property Transfer Tax

As illustrated in the chart below, based on the Property Assessment Value (AV) report from Alameda County, the City anticipates property tax revenues to increase by 2% annually.

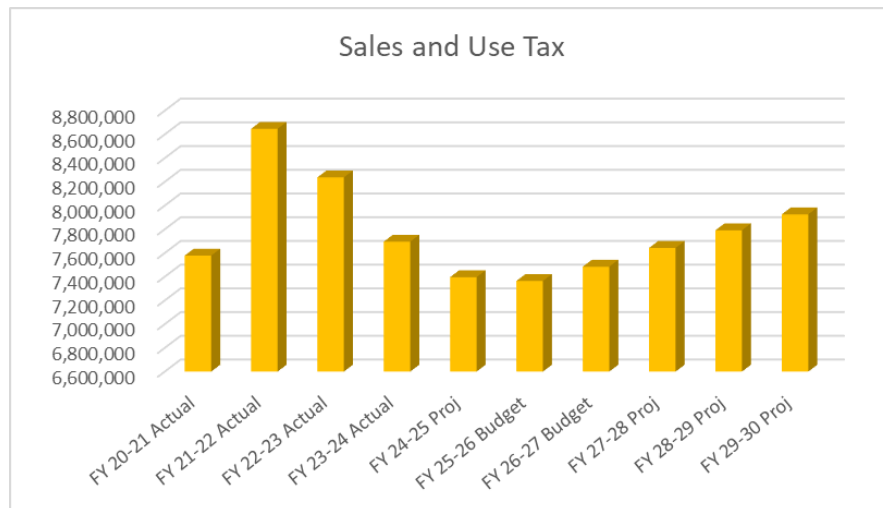
The significant increase in FY 2024-25 is due to the unanticipated \$11.2 million in Commercial Property Transfer Tax revenues from Sutter Health Foundation.



Sales and Use Tax

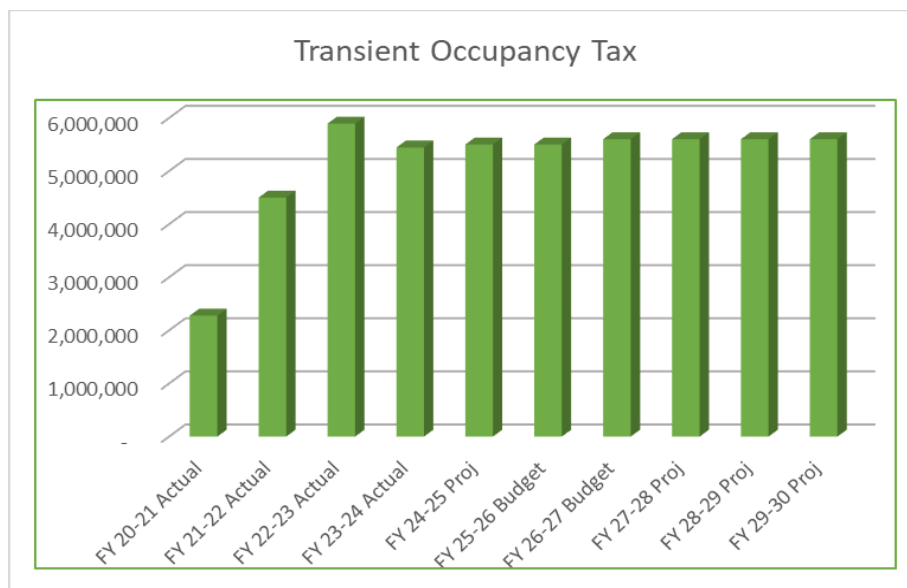
Sales and Use Tax revenues are dependent upon consumer confidence and the local economy. As illustrated in the chart below, sales taxes have gradually decreased since the FY 2021-22 recovery. This has included several quarters of negative Sales Tax receipts in the past year. Notably this trend was offset by a positive quarter of Sales Tax receipts in the 4th Quarter of 2024.

This revenue is projected to grow by 0.2% in the 2025-26 fiscal year with slight further growth over the next few years according to Avenu, the City's Sales Tax audit and analysis firm.



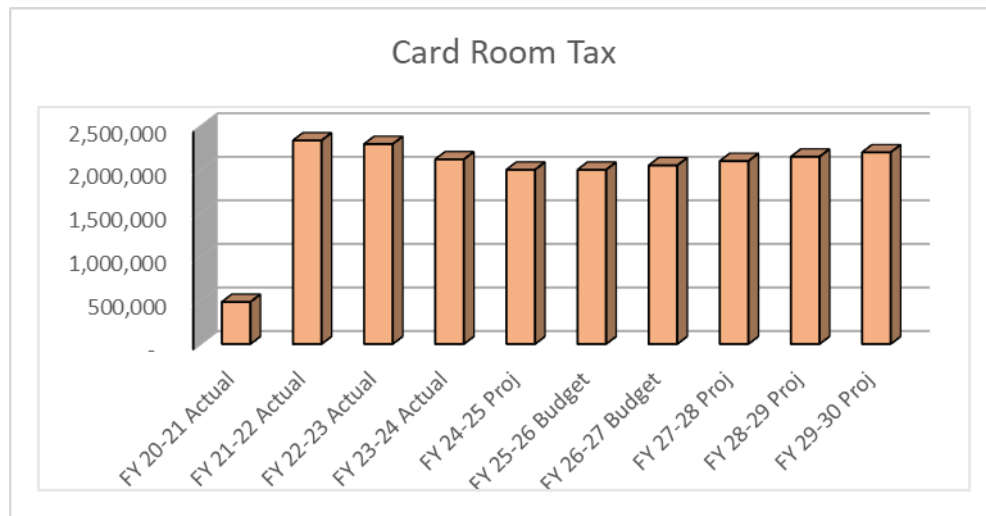
Transient Occupancy Tax (TOT)

Revenues paid by visitors at local hotels, referred to as Transient Occupancy Tax (TOT), have been and continue to be flat and lower than in the pre-Covid period. Revenues in FY 2025-26 and the following 4 years are projected to be flat as shown in the graph below.



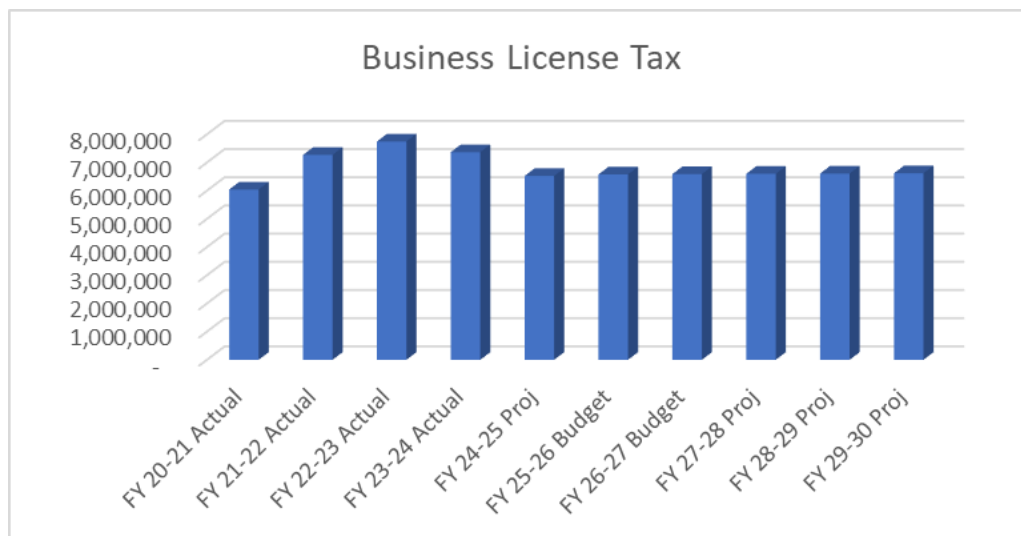
Card Room Tax

As illustrated in the chart below, revenue collected through the Card Room Tax declined significantly due to closure of the Card Room during the pandemic. While the Card Room Tax has since rebounded, we are assuming a moderate growth factor of 2% to 2.5% over the next few years.



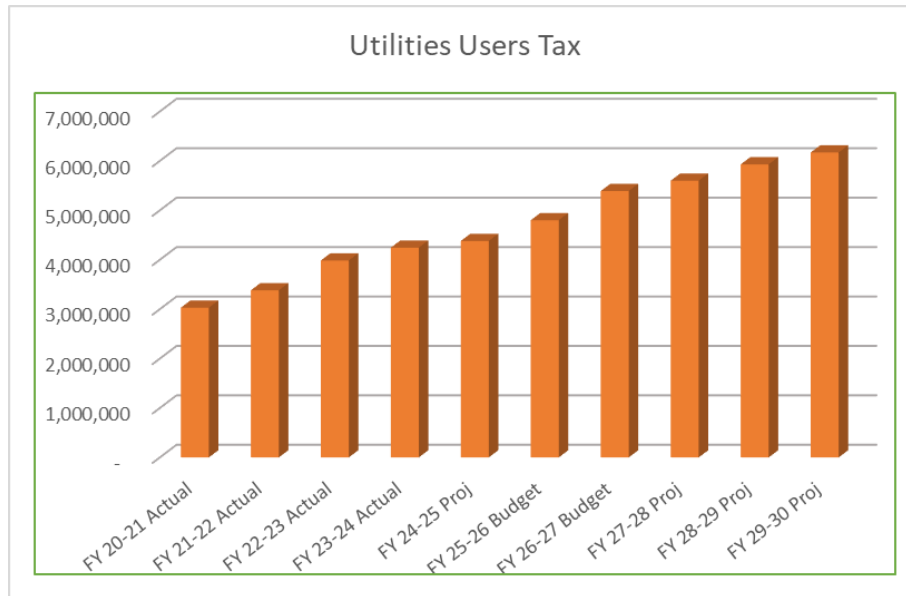
Business License Tax

Business License Taxes reflect the health of the business community in Emeryville. Based on estimates from HdL, which manages the City's Business License Tax program, we are budgeting taxes to be only slightly higher than the current fiscal year over the next several years.



Utility Users Tax

Utility Users Tax (UUT) is a 5.5% tax on communication, electricity, and gas services. As shown in the chart below, UUT has steadily increased over the past several years. This is primarily due to increases in electricity rates. UUT revenues are projected to continue to increase at rates between 3% to 12% through FY2029-30.

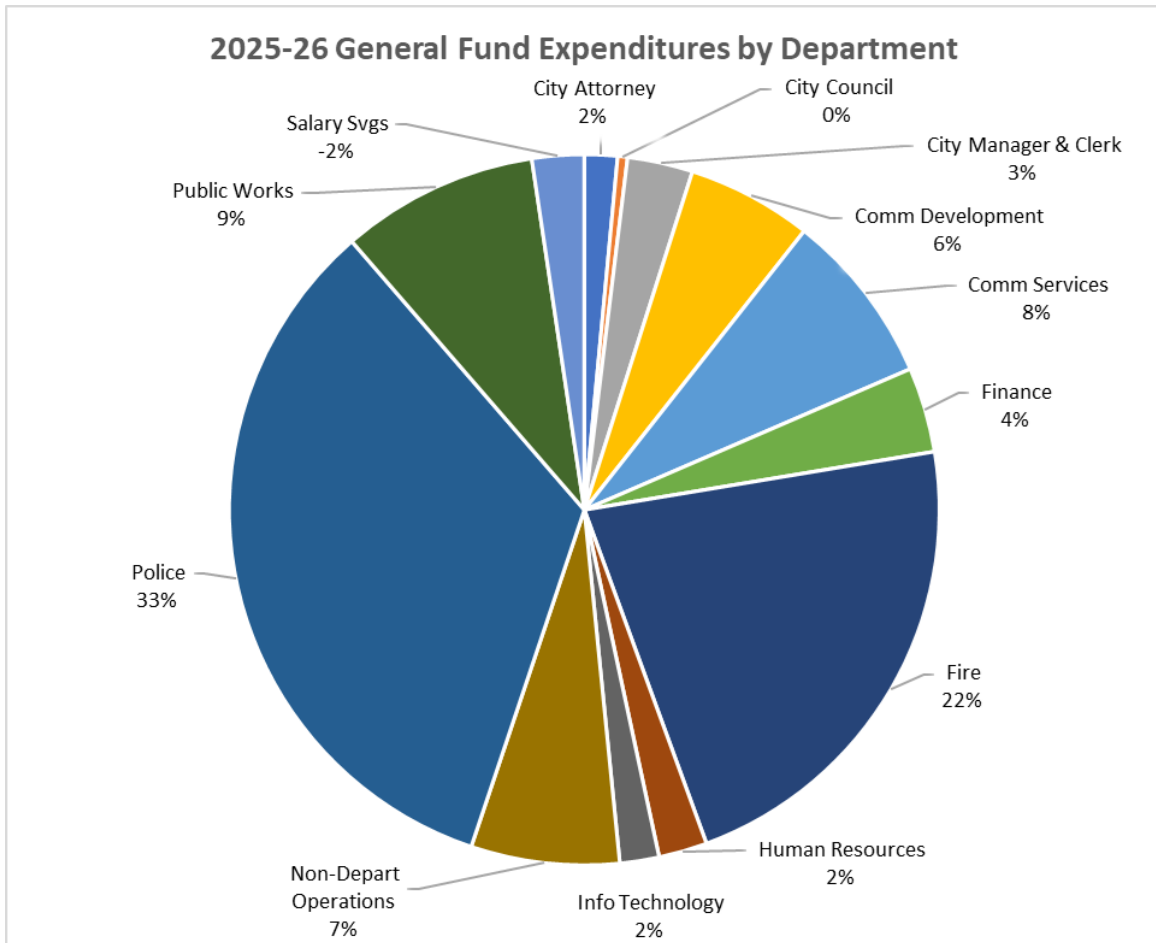


Measure F ¼ cent Sales Tax

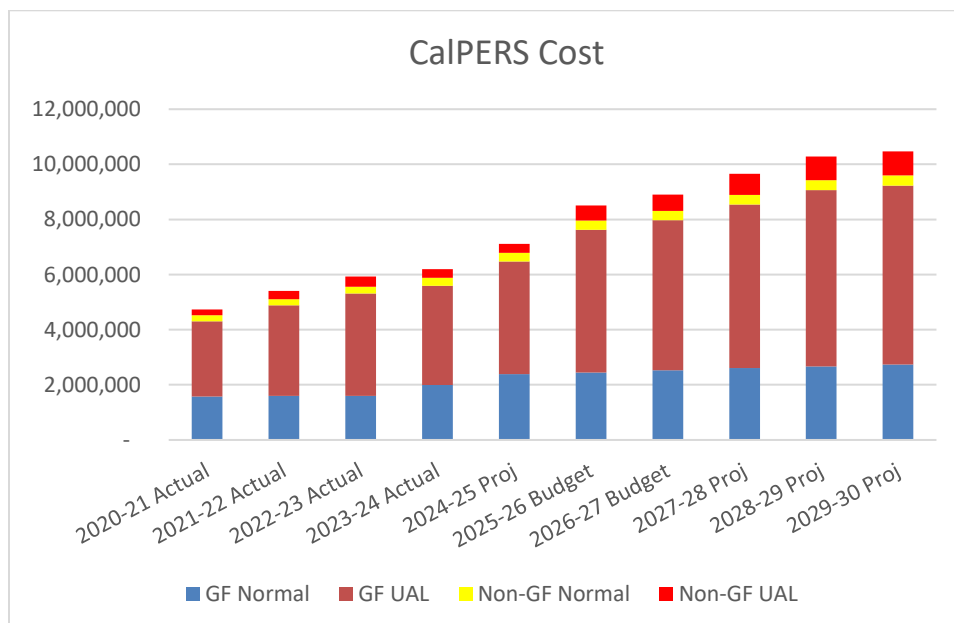
In March of 2020 Emeryville voters approved a local ¼ cent sales tax measure that can be used to support a limited list of City expenditures. The projected revenue for FY 2025-26 & 2026-27 is \$2.2 million for both years. The proposed budget allocates \$1.3 million to \$1.4 million of Measure F revenue to the Emeryville Child Development Center, an authorized use under the ballot measure. The City Council will make an annual determination about how to allocate proceeds as part of the budget process.

Expenditures

General Fund expenditures are projected to be \$55.7 Million in FY 2025-26 and increase to \$57.5 Million in FY 2026-27. Key drivers in these cost increases are the Social Security Settlement reached in 2023-24 and increased costs in City operations.



Pension Expenses - One of the benefits offered to City employees is participation in the CalPERS pension program. The following is the actual and projected costs of the CalPERS through FY 2029-30 based upon current information available.



The City established a Section 115 Trust Fund to accumulate funds that can only be used towards future pension costs in addition to paying the required CalPERS annual pension payments. The Section 115 Trust Fund is projected to have a balance of \$16.9 million and \$17.9 million at the end of FY 2025-26 and 2026-27, respectively.

If the City's General Fund structural deficit persists, these funds will be used to cover some of the City's PERS expenses as a General Fund deficit reduction measure.

Long Range Financial Planning

As noted earlier, the City uses a five-year financial forecasting model as a key budget planning tool to ensure accountability of the service provided and to plan for future challenges. The long-range financial planning enables the City to foresee potential budget challenges, giving the City sufficient time to analyze the long-term fiscal impact, and to take appropriate action.

The City has implemented a multi-pronged approach to ensure sustainability and prudent management of the City's finances:

- 1) Maintain a strong General Fund reserve, including an Economic Uncertainty Reserve, and an unassigned fund balance.
- 2) Established Section 115 Pension Trust Program to pre-fund pension unfunded liability. Assets in the Trust Program can be transferred to CalPERS at the City's discretion, which could reduce large fluctuations in employer contributions to CalPERS.
- 3) Passed voter-approved taxes or assessments (Measure C – Affordable Housing Bond, Measure F – Sales & Use Tax, and Measure O – Real Property Transfer Tax), and annually update the Master Fee Schedule of City departments to ensure cost recovery of services provided.
- 4) Promote economic development and diversify economic base to ensure business vitality and long-term fiscal sustainability. The City's economic development work supports business growth, development, entrepreneurship, and innovation. Emeryville is home to both small and large businesses and prides itself on supporting a business-friendly culture. From retail stores to technology firms, businesses in Emeryville benefit from a small and personal city government, an active and engaged residential community, and a thriving local business community. Additionally, the City develops marketing programs that highlight the City as a center of Art and Innovation.

Revenue Recommendations from the Budget Advisory Committee

The Budget Advisory Committee met on May 8, 2025, to review the 5 Year Budget Model and the challenges facing the City's General Fund. This included a discussion of how this will affect both the proposed 2025-27 City Budget and the following three years.

The committee noted that external factors such as the local and national economy and policy decisions may also affect the City and its budget. They recommended that the City Council pursue these steps to continue the initial progress that has already been made to address the General Fund structural deficit.

- Pursue a Payment In Lieu of Taxes (PILOT) agreement with Sutter Health Foundation to offset the loss of tax revenues on this parcel in future years.
- Explore Revenue Measures that could be considered by Emeryville voters at the next General Election in November 2026.
- The committee recommends that a Business License Tax Update and a Citywide Parcel Tax or Community Facilities District be given top priority when discussing these options with the community. The committee also recommends exploring an increase in the Transient Occupancy (Hotel) Tax as a third priority in this area.
- The committee recommends that consideration of a ¼ cent Transactions and Use (Sales) Tax and a 2% increase and addition of video to the Utility Users Tax be given a lower priority, in that order, when considering bringing revenue measure options to the voters.

Recommendations on the 2025-27 City Budget

The Budget and Governance Committee (Council Member Welch and Vice Mayor Kaur) reviewed the 2025-27 City Budget at their meeting on May 27, 2025. The committee voted to recommend that the City Council adopt the 2025-27 City Budget.

The Budget Advisory Committee (BAC) meeting to consider the 2025-27 City Budget and related actions scheduled for May 22, 2025, was cancelled due to the lack of a quorum of the committee members. That BAC meeting will be re-scheduled at a future date.

Looking Forward

Staff will continue to streamline the City's organizational processes and optimize existing programs to continue to meet the needs of residents and businesses throughout the city. Staff are also working with the City Council to identify new revenue streams to offset the structural deficit in the General Fund. A Study Session on these revenue options is planned for the Fall of 2025.

By continuing to improve efficiency and focusing on the longer-term forecast for the City's General Fund, residents, business leaders and community partners will continue to invest in and strengthen the Emeryville community.

Capital Projects

The City has used the Capital Improvement Program (CIP) to implement the vision, goals, and priorities of the Emeryville community. The CIP is a five-year plan that guides Emeryville's investment in its public buildings, parks, streets, sewers, and other facilities. City staff uses the CIP as a roadmap to design, construct, and repair City facilities that support a livable and sustainable Emeryville. Projects included in the CIP are large-scale, long-term investments that build, replace, or improve public infrastructure. For the 2025-2030 CIP City staff has prepared a \$30.6 million Five-year Capital Improvement Program with 48 projects, supported by a variety of funding sources.

Upon adoption of the CIP, funds are appropriated for the first two years of the plan. The remaining three years are presented for planning purposes and are reevaluated and appropriated with the respective budget cycles.

Funding for the City's Capital Projects are included in the 2025-27 City Budget. Staff plans to bring a more detailed discussion of the Capital Projects program to the City Council in September 2025 for its review and consideration.

Conclusion

The City must plan with care and make prudent fiscal decisions about how to best use its resources to build on Emeryville's reputation as the City of art and innovation. Sustaining services and continuing to create an environment that enhances resiliency and equity and brings joy to our residents and visitors is at the core of the budget.

Proposed Resolution to Adopt the 2025-27 City Budget

Following tonight's review of the proposed 2025-27 Budget, the City Council will be asked to consider the attached Resolution that adopts the 2025-27 City Budget. The Resolution includes these findings and provisions:

- The sound financial operation of the City requires a budget detailing revenues and expenditures to be adopted on or before July 1 of each year.
- The 5 Year Budget Projections and Proposed 2025-27 Budget were presented to the City Council on May 6, 2025 and May 20, 2025 and input was received from the Budget Advisory Committee and the Budget and Governance Committee on the 5 Year Budget Projection and on the 2025-27 Budget from the Budget and Governance Committee prior to presenting it to the City Council at its June 3, 2025 meeting.
- The City's Strategic Plan, Unassigned General Fund Balance Policy, Reserves Policy, Residual Property Tax Reserve and Use Policy all guided development of the Proposed 2025-27 City Budget.
- The City Budget includes the use of Unassigned General Fund Balances in the 2025-26 and 2026-27 Fiscal Years and funds from the Economic Uncertainty Reserve in the 2026-27 Fiscal Year to maintain the General Fund balance at the 20% Goal which meets and exceeds the General Fund budgeting standards established by the Government Finance Officers Association (GFOA).

- The City Budget for Fiscal Years 2025-26 and 2026-27 is hereby approved as set forth in Exhibit A hereto, a copy of which is on file with the City Clerk, and authorizes the preparation of the adopted City Budget for Fiscal Years 2025-26 and 2026-27 in conformance with Exhibit A.
- The funds set forth in the City Budget are hereby appropriated in the manner and for the purposes set forth in the City Budget.
- The revenues for all City funds are projected as set forth in the City Budget.

**APPROVED AND FORWARDED TO THE
CITY COUNCIL OF THE CITY OF EMERYVILLE:**



LaTanya Bellow, City Manager

Attachments

- Resolution Adopting The City Budget For Fiscal Years 2025-26 and 2026-27 And Appropriating Funds And Projections Funds As Set Forth In The Proposed 2025-27 City Budget
 - 2025-27 City Budget