CITY MANAGER'S MESSAGE

Letter of Transmittal

City Manager's Message

Honorable Mayor Mates and Members of the City Council:

I am pleased to present for your consideration the fiscal year (FY) 2025-26 budget. Overall, the citywide budget, including both operating and capital, is $94.3 million. This budget continues to provide funding for core services, and continues to make headway on longstanding infrastructure needs in a changing national and state environment.

As City Council is aware, Belmont is partially reliant on state and federal funding for core services. The rhetoric from the federal government surrounding direct and indirect service cuts, and the looming $12 billion budget shortfall at the statewide level which compounds the takeaways of local funds already enacted by the State, will have downstream impacts on cities including Belmont. Additionally, the State's most recent budget proposal which does not fund the City's property tax in lieu of vehicle license fees (VLF), a form of property tax, is threatening a portion of Belmont's property tax revenues, the General Fund's top revenue source, which I will go into detail later in this transmittal letter. All these point to the need for Belmont to become more self-reliant in addressing service priorities now and into the future.

Development activity and interest in our community has been evolving in recent years. Development interest heightened a few years ago with five major biotech and commercial office projects and Stanford University, which entered into a purchase agreement with Notre Dame de Namur University for a satellite campus, submitting applications for development. However, interest rates that remain elevated and other economic factors have resulted in a market slowdown across the Bay Area, and during the past year, four of these projects, including Stanford, have either withdrawn or are on pause. In Belmont, no new commercial construction is anticipated in the next three to five years. That being said, two of the remaining major projects, including the 1301 Shoreway project and the Beam Reach project at 425-435 Harbor, are proceeding with their entitlements and together comprise 1.4 million square feet of new commercial space.

Belmont continues to see a significant amount of residential development activity that will add approximately 500 new housing units to the City under the current Regional Housing Needs Allocation (RHNA) cycle that goes from 2023 to 2031. Economic cycles ebb and flow, and while we may be experiencing a period of slowdown, our efforts remain robust in preparation for the next market upturn. In February 2025, City Council approved a Community Benefits program implementation framework for new private developments to provide greater public benefit to support the additional resource demands that these developments create. Current efforts are also underway to amend the Regional Commercial (RC) Zoning District and to prepare the Harbor Industrial Specific Plan to encourage an expanded employment base for our community and to diversify our property tax base. In preparation for FY 2025-26, the City will undertake a comprehensive fee study update—including development impact fees—to ensure fair cost recovery and help offset the cost of services driven by new development. This proactive effort reflects our long-term vision and continued commitment to positioning Belmont for success through all economic cycles, while ensuring we're ready to seize opportunities that align with Council priorities.

The Hayden - 177 Apartment Units (Completed in 2024)

Letter of Transmittal

As an organization, we are navigating a significant period of staff transitions, marked by a wave of retirements and turnover that we had anticipated. While replacing long-tenured, experienced employees is never easy—especially in a small, lean organization like ours—our team has risen to the challenge. Since the start of FY 2023-24, about 30% of our workforce is new, and another 30% is eligible to retire now or within the next five years. With approximately 145 approved full-time positions, these figures are substantial.

Belmont's streamlined, "flat" organizational structure means there is limited overlap in roles, making the onboarding and integration of new staff especially important. Our team continues to meet the growing needs of the community with resilience and dedication. Over the past year, we've laid the groundwork for a stronger, more adaptable workforce. Our recruitment and retention efforts are more robust than ever, supported by several new initiatives introduced this past year—which I'll highlight later in this letter.

Through all the uncertainties and challenges, Belmont has remained remarkably adaptable—quickly adjusting to an ever-changing environment while continuing to deliver the high-quality services our community relies upon and deserves. I want to begin by expressing my sincere gratitude for the hard work and dedication of both our City Council and staff. Our Council continues to lead with focus and foresight, ensuring that long-term planning supports the delivery of exceptional services.

Our communication and community engagement efforts have never been stronger. We continue to connect meaningfully with residents through a wide range of services and programs. Over the past year, we've embraced innovation by launching new tools and platforms, including a Belmont Police Instagram page, the City's 311 app for streamlined service requests, and on-call translation services to support broader accessibility.

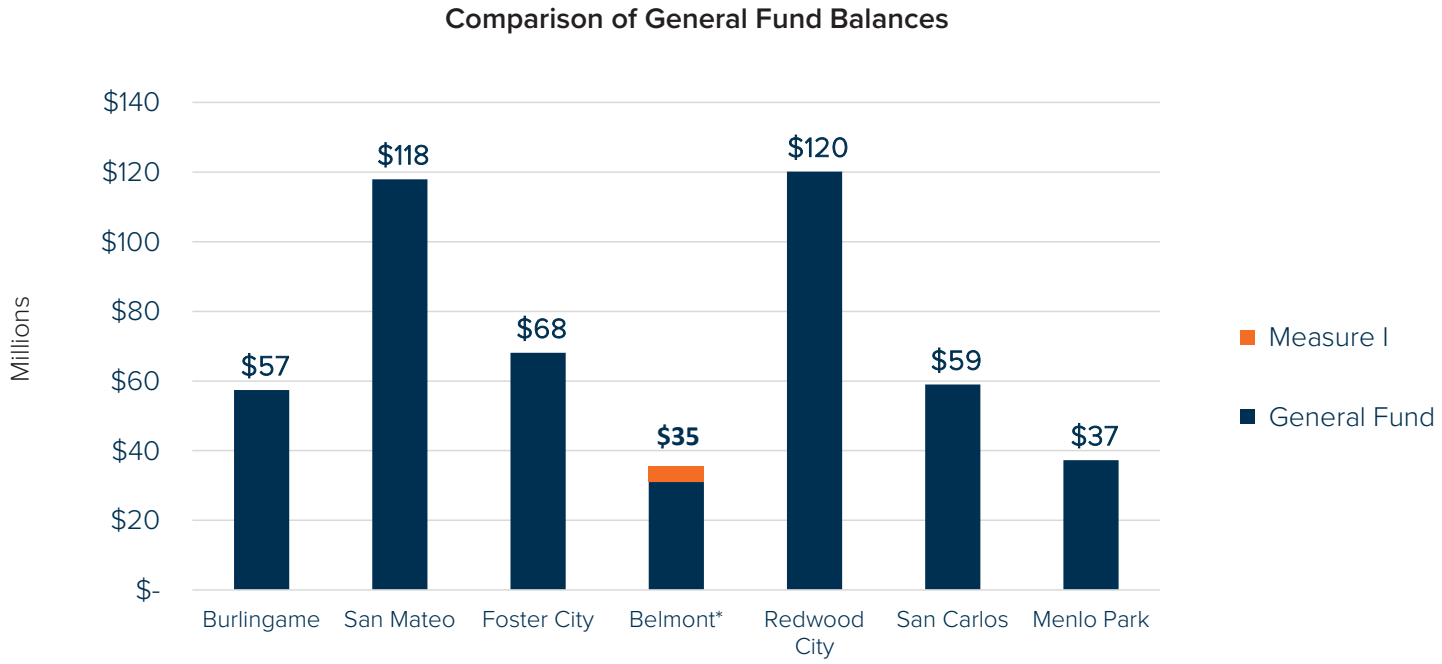
We also redesigned our weekly newsletter to improve readability and launched a year-long website redesign project aimed at enhancing navigation, accessibility, and access to City services. Additionally, the "Your Voice, Your Belmont" outreach initiative was conducted to gather feedback on community priorities, ensuring our efforts reflect the voices of those we serve.

This unwavering commitment to our community reflects the best of who we are—and who we continue to be. As we look to the future, I'm confident that our proven adaptability, coupled with a shared sense of purpose, will guide us through whatever challenges and opportunities lie ahead. Maintaining strong fiscal health remains a top priority for Belmont, as it is essential to sustaining the programs and services our community depends on. The City's operating budget is guided by sound financial principles and recovery-focused priorities that support long-term resiliency. This includes adapting policies and programs to meet evolving needs, using short-term solutions to bridge temporary revenue gaps, and exploring new efficiencies and diversified revenue streams to strengthen service delivery.

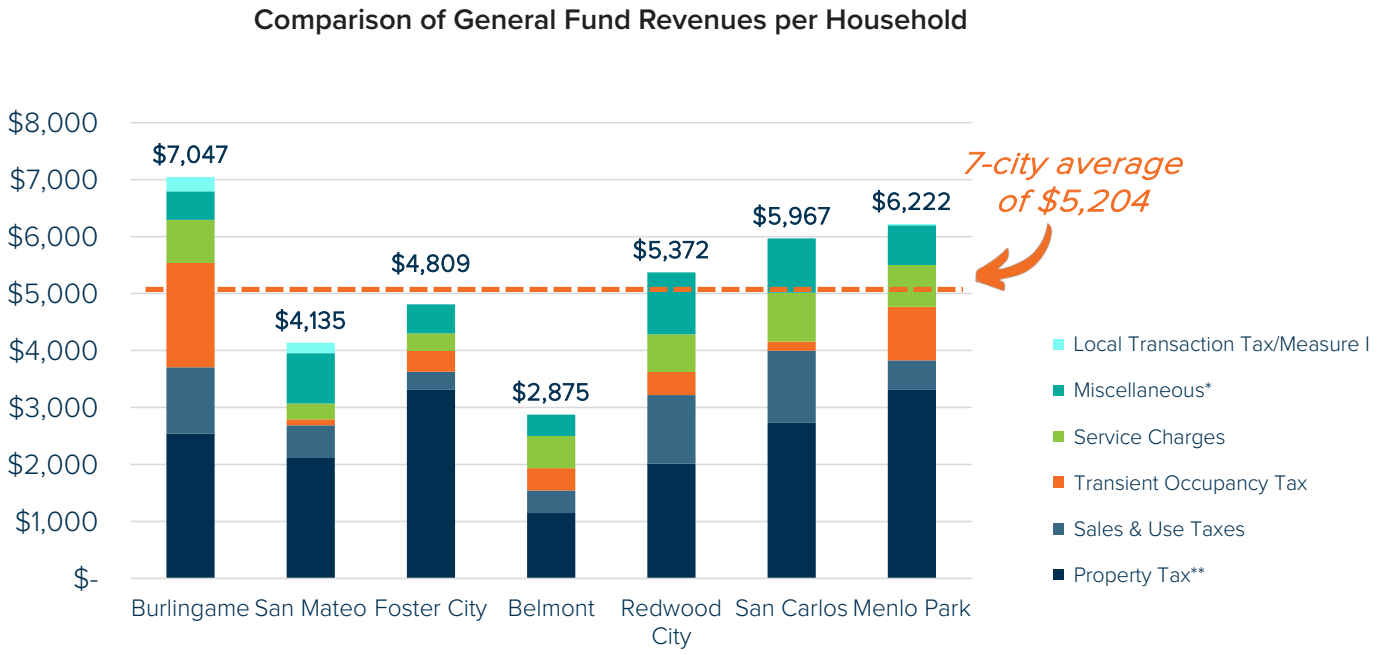
Over the past few years, the General Fund balance has grown, largely due to one-time revenue infusions and continued fiscal discipline—achieved in part by deferring infrastructure maintenance and holding certain staff vacancies open. While these actions have helped stabilize our finances in the near term, they are not sustainable in the long run.

Although our General Fund is currently in a stable position, a comparison with similar-sized neighboring cities using the latest data (as of June 30, 2024, and FY 2024-25 budget figures) places Belmont at the lower end in both General Fund balance and available revenues per household. This underscores the importance of continued prudent planning and innovation in how we manage our resources to ensure long-term fiscal sustainability.

Letter of Transmittal



**Belmont's General Fund balance as of June 30, 2024 was $31M; Measure I Fund balance was $4.5M*



Source: Adopted FY 2024-25 Budgets.

** Includes Licensing Fees, Real Estate Transfer Tax, Licenses and Permits, Intergovernmental Sources, Fines and Forfeitures, Interest and Rent Income, and other.*

*** Belmont and Menlo Park fund fire services outside of its General Fund through property tax revenue collected by the Belmont Fire Protection District and Menlo Park Fire District.*

Letter of Transmittal

Additionally, the State's proposed budget continues to pose a serious threat to the City's revenues by targeting local property tax in lieu of Vehicle License Fee (VLF) payments to balance its own shortfalls. This potential takeaway would have a profound and detrimental impact on Belmont, placing essential community services at significant risk.

With a projected $1.7 million loss in VLF revenue in the upcoming fiscal year alone, the City may be forced to scale back critical public safety efforts and continue deferring the development of a much-needed emergency response center—leaving our community more vulnerable in times of crisis. Street maintenance would be negatively affected, accelerating infrastructure deterioration and increasing safety concerns. In addition, reductions in funding for senior services and after-school programs would strip vital support from our elderly residents and working families, directly impacting their well-being and quality of life.

These potential cuts jeopardize the core of what keeps our community safe, connected, and resilient. Compounding the problem, if the State fails to fully fund its VLF payment obligation in future years, the City's revenue losses will deepen annually. General Fund revenue growth would slow to an estimated 2% per year—far below the Bay Area's five-year average Consumer Price Index (CPI) increase of 3.6%—and would not keep pace with the cost of maintaining existing service levels.

As a result, the City's long-term General Fund forecast now anticipates the need to begin drawing from reserves in FY 2025-26 to backfill these revenue shortfalls, largely due to the State's underfunding of VLF. Without corrective action, the General Fund balance is projected to decline each year, totaling approximately a $18 million reduction—or nearly 50%—over the next five years. This trajectory is unsustainable and underscores the critical need for ongoing advocacy and strategic financial planning to protect Belmont's fiscal stability and preserve the essential services our community depends on.

With this framework in mind, we turn our focus toward long-term fiscal sustainability—thoughtfully laying the foundation for a stronger, more resilient organization. This means proactively identifying opportunities to diversify our revenue sources and broaden our revenue base. Now more than ever, Belmont must enhance its self-reliance and preserve local control over local funds, ensuring that every tax dollar directly benefits our community.

As Belmont continues to grow and evolve, our organization must be strategic in how we allocate resources to support the community's vision. While reducing expenditures may offer short-term relief, long-term resilience depends on targeted investments in our Strategic Focus Areas—investments that respond to changing community needs and preserve our quality of life.

Letter of Transmittal

Despite the challenges we've faced in recent years—and those still on the horizon—our organization remains prepared and resilient. Balancing immediate needs with long-term priorities will continue to be at the heart of our approach. As we move forward, our commitment is to keep Belmont a thriving, inclusive, and sustainable community—a place where people can live, work, and play safely and with pride.

I am confident that this continued focus will guide us through the next phase of our journey, leaving Belmont stronger and more united than ever before.

Fiscal Year 2025-26 Budget

The City's budget for FY 2025-26 continues to provide for core services and Council priorities, while also making strategic investments in our community. Overall, the citywide budget, including both operating and capital, is $94.3 million.

CITYWIDE BUDGET	FISCAL YEAR 2024-25 BUDGET	FISCAL YEAR 2025-26 BUDGET
Citywide Operations		
City	$63.5	$66.1
Belmont Fire Protection District	$13.6	$14.7
Total	**$77.1**	**$80.8**
Citywide Capital Improvement Program (CIP)		
City	$25.3	$13.5
Belmont Fire Protection District	$0.07	$0.03
Total Citywide CIP	**$25.4**	**$13.5**
Total Citywide Budget	**$102.5**	**$94.3**

In millions.

Citywide operating budget for FY 2025-26 is $80.8 million, a contained 4.8% increase over the adopted budget for last fiscal year. This predominately reflects the cost of City-wide operations and strategic funding in focus areas to meet the demands of our community's priority needs, as discussed in more detail below. The Capital Improvement Program (CIP) is adding $13.5 million for FY 2025-26, on top of any unspent capital improvement appropriations from prior year that will get carried forward until projects are completed. Major projects in the FY 2025-26 CIP include the San Juan Pump Station Rehabilitation Project, 2026 Pavement Rehabilitation Project, and Alameda de las Pulgas Corridor Improvements. Our CIP continues to provide significant funding towards improvements relating to streets, sewer and storm drainage systems, technology, facilities, and parks and open space. These projects are discussed in detail in the Capital Improvement Program section of this budget document.

This year, the City renewed its Your Voice, Your Belmont community engagement effort to ensure that residents remain at the center of our long-term planning. In April, surveys were mailed to every household citywide. We also launched an online information and planning hub, engaged residents through social media, and hosted outreach booths at community events where City staff and Councilmembers spoke directly with residents.

We sincerely thank the hundreds of Belmont residents who have shared their input so far. These conversations will continue beyond the adoption of the FY 2025-26 budget as part of our ongoing commitment to inclusive planning.

Letter of Transmittal

YOUR VOICE
YOUR BELMONT

Through community surveys conducted, Belmont residents identified the following City service priorities:

- Fixing Potholes
- Repairing Streets and sidewalks
- Keeping public areas healthy, safe, and clean
- Keeping storm drain and sewer projects on-time and on-budget
- Maintaining parks, open spaces, and sports fields
- Maintaining public safety/911 emergency services
- Ensuring Belmont's Community Center meets safety standards
- Maintaining multi-generational activities for youths, teens, adults and seniors (sports, arts and crafts, fitness, and health and wellness programs)
- Providing residents an evacuation center in the case of wildfire threats (like the Los Angeles fires), earthquakes, or other natural disasters
- Preparing for natural disasters due to climate change including flooding, mudslides, and wildfires

These priorities have informed the FY 2025-26 budget process and are reflected in the City's updated five-year Capital Improvement Plan (CIP). We will continue to use our communication platforms and partner with local organizations to expand dialogue, ensuring our community's voice remains a key driver in shaping Belmont's future.

Join the conversation. CITY OF BELMONT

Capital Improvement Program (CIP)

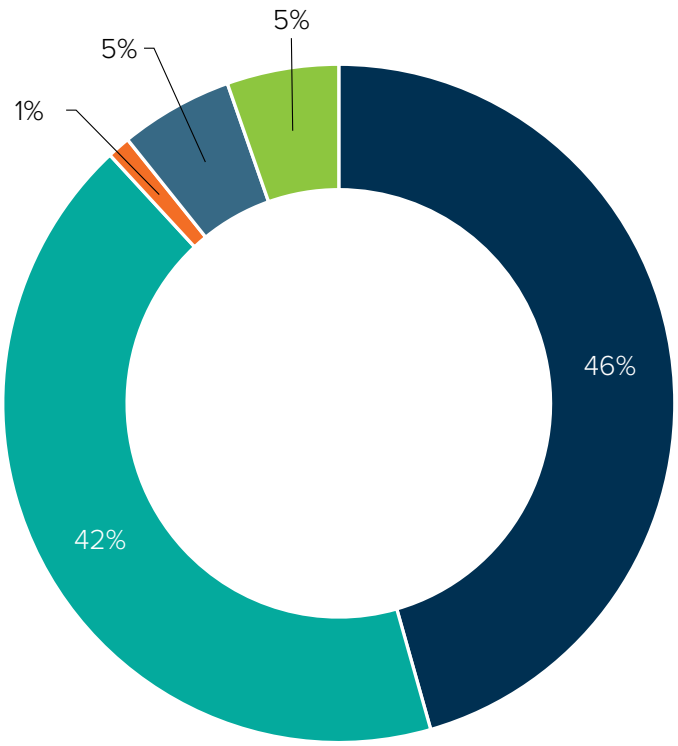
The City's five-year Capital Improvement Plan (CIP) totals $61.9 million, with $13.5 million allocated for FY 2025-26. As our infrastructure continues to age, Belmont faces significant long-term needs—amounting to hundreds of millions of dollars for street and storm drain improvements alone, not to mention the ongoing maintenance of City facilities and parks.

While reducing capital investments might appear to offer short-term financial relief, doing so would only defer—and ultimately increase—costs. Preserving funding for critical infrastructure projects is not only fiscally responsible, but essential to maintaining the quality, safety, and reliability of our public assets.

Basin Rehabilitation

Letter of Transmittal

That's why we remain committed to making thoughtful, long-term investments in Belmont's capital needs. The chart below illustrates how the FY 2025-26 CIP budget is distributed across key infrastructure categories.



STREETS $5.7M
Includes Measure I, Measure A and Measure W Improvement Projects, general street improvements and RMRA projects.

FACILITIES $736K
Includes improvements to recreational and general facilities, and facility management.

SEWER/STORM $6.2M
Includes improvements to the sewer infrastructure and storm drainage systems.

PARKS/OPEN SPACE $728K
Includes library maintenance and operations, planned park development, open space maintenance/ improvements and maintenance of athletic fields.

TECHNOLOGY $150K
Includes improvements to communication infrastructure, fleet and equipment.

The City includes the cost of all acquisition, construction, expansion or rehabilitation of its physical plant and facilities in the Capital Improvement Budget. At present, the City faces an aging infrastructure dilemma with hundreds of millions of dollars in street and storm drain infrastructure needs alone, in addition to deferred maintenance needs for the City's facilities and parks. It's well understood that the City's assets will remain in good condition with periodic investments, and will move to poor condition when they are not, at significantly greater cost in the future.

With 70 miles of street pavement which has an average rating of "fair" condition and 28 miles of storm drain pipes, many of which are deficient, the task of addressing the backlog of deferred maintenance is formidable. Nonetheless, the FY 2025-26 Budget, strengthened with continued funding from Measure I, Measure W, and the Road Repair and Accountability Act of 2017, takes meaningful steps towards improving this situation by funding a number of important infrastructure projects.

The City's five-year CIP plan is $61.9 million, with the CIP budget for FY 2025-26 at $13.5 million. The chart above shows allocation of the CIP budget in FY 2025-26 to the different categories.

General Fund

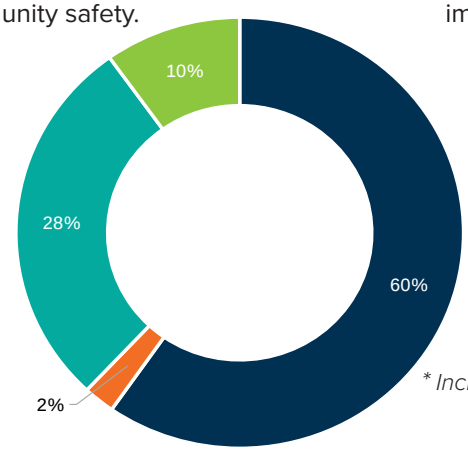
The General Fund is the primary funding source for most of the City's core services. For FY 2025-26, General Fund operating expenditures are projected at $28.8 million—an 8.3% increase from the adopted $26.6 million in FY 2024-25. This increase is largely driven by recently approved labor agreements with the Belmont Police Officers Association, the Mid-Management Confidential Employees Association, and Unrepresented and Confidential Employee Group.

In addition to honoring these agreements, the budget reflects the rising cost of City-wide operations, strategic staffing adjustments, and targeted investments in priority service areas to better meet community needs—each of which is detailed further below.

Separately, the FY 2025-26 budget also allocates $2.5 million in Measure I funds toward roadway and storm drain improvement projects as part of the City's Capital Improvement Plan. Total General Fund expenditures, including Measure I, are broken down into four categories as shown in the chart:

PUBLIC SAFETY $17.3M
Includes law enforcement administration, crime control, traffic and community safety.

CAPITAL IMPROVEMENT PROJECTS $2.5M
Includes street and storm drainage improvement projects.



** Includes Measure I*

GENERAL GOVERNMENT $8.4M
Includes human resources, including City staff, appointed and elected officials and financial operations.

CULTURE AND RECREATION $3.1M
Includes operation and maintenance of parks and open space, and associated programming.

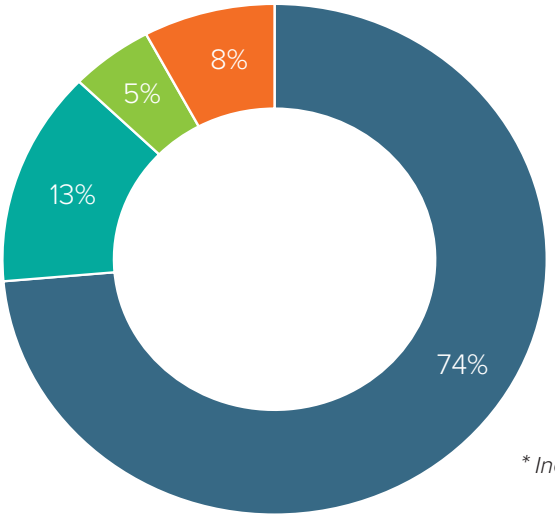
Letter of Transmittal

The General Fund also provides critical support to several operating funds that are not currently self-sustaining through full cost recovery. In FY 2025-26, these include the Recreation Fund, Development Services Fund, General Plan Maintenance Fund, Street Maintenance Fund, and the Storm Drainage Fund, with a combined subsidy of $5.5 million. Over the long-term forecast, this support is projected to grow to between $6 million and $6.5 million annually, as expenditures continue to rise while revenue from associated fees remains relatively flat.

To address this structural imbalance, a major initiative in the FY 2025-26 budget is the launch of a comprehensive fee study. This study will evaluate cost recovery levels across these funds and help ensure that fees align more closely with the actual cost of providing services.

General Fund revenues—both directly and through support of other funds—enable the City to deliver core services such as police, public works, parks and recreation, and general government operations. The FY 2025-26 General Fund revenue budget (excluding reserves and transfers, but including Measure I revenue) is projected at $34.5 million, nearly flat compared to the estimated $34.7 million in FY 2023-24. This is primarily due to an anticipated $1.7 million loss in Vehicle License Fee (VLF) revenue, which the State has signaled it will not backfill in FY 2025-26.

A fully funded VLF accounts for approximately 15% of General Fund operations—a significant share. If the State continues to withhold these backfills, the resulting shortfall will severely constrain Belmont's revenue growth. The broader implications of this revenue reduction are discussed later in this transmittal letter.



** Includes Measure I*

TAXES $25.4M

Includes property taxes, sales tax (both the local 1% and Measure I), transient occupancy tax or hotel room tax, business license tax, and property transfer tax.

SERVICE CHARGES $4.7M

Includes revenues received from administrative reimbursements, and public safety contracts and fees.

FRANCHISES $1.7M

Includes franchise payments from companies providing garbage, electricity, gas, and cable television services in Belmont.

OTHER $2.7M

Includes grants, property rentals, billboard space rentals, street access fees, fines, one-time transfer in, and interest earnings.

Letter of Transmittal

Enterprise Funds

Enterprise funds are self-supporting government funds that provide goods and services to the public for a fee that covers the cost of the service, rather than a tax. For FY 2025-26, the City's enterprise funds support a total of $23.5 million towards operational and capital needs:

$15 MILLION
SEWER COLLECTIONS

$1.2 MILLION SEWER CONNECTION FEES

$4.3 MILLION
SEWER TREATMENT FACILITY

$2.3 MILLION STORM DRAINAGE

$0.7 MILLION SOLID WASTE

Letter of Transmittal

Budget Development Priorities
As noted in my opening remarks, balancing short-term responses to financial pressures with thoughtful, long-term investments remains a key priority for our organization. With that guiding principle, the FY 2025-26 budget development process began with the establishment of a baseline budget. This required each department to evaluate and "right size" their budgets to reflect the delivery of core services at current service levels.

This baseline development also included adjustments to personnel costs to account for the City's current staffing composition and existing labor agreements, along with updates to pension obligations and other benefit-related costs. With a solid baseline in place, we then turned to evaluating funding priorities that align with both Council direction and community feedback. These efforts were focused within the City's established Strategic Focus Areas, which continue to serve as the foundation for targeted investment and organizational resiliency:

- Infrastructure and Mobility
- Economic Development and Housing
- Fiscal and Organizational Sustainability
- Public Safety
- Quality of Life

Like all organizations, we must periodically assess our structure, service delivery models, and work plan in light of both current realities and future projections. Our fiscal, human, and capital resources must be strategically aligned to advance the City's five strategic priorities, while exercising fiscal discipline through thoughtful, targeted commitments.

At the same time, our community is navigating a landscape of growing uncertainty at the state and federal levels—uncertainties that can significantly impact our local operations and resources. In response, we must remain adaptable and forward-thinking, ensuring that we continue to meet evolving community needs without compromising our long-term financial sustainability.

With that in mind, I am proud of what the FY 2025-26 budget achieves. It right-sizes operations to maintain essential City services, while directing resources toward focused investments that support City Council's strategic goals and reflect the priorities voiced by our community. Some of the key investments included in the FY 2025-26 budget are:

- *Harbor Industrial Area Specific Plan* – Increased funding to support more detailed infrastructure analysis and expanded community outreach efforts.
- *Affordable Housing* – A contribution to help support the development of an affordable housing project.
- *Fee Study Update* – Funding towards a comprehensive fee study update, including development impact fees, to ensure fair cost recovery and help offset the cost of services driven by new development.
- *Library Facilities* – Enhanced funding to address repairs and maintenance needs at aging library facilities.
- *Fuel Reduction in Twin Pines Park* – Additional funding for vegetation management, particularly the removal of hazardous eucalyptus trees, to reduce fire risk.


Belmont Library - 1110 Alameda de las Pulgas

- *Street Improvements* – Increased investment to accelerate repairs and upgrades to City roadways.
- *Employee Training and Development* – Enhanced funding to promote career growth, support succession planning, and build organizational capacity.
- *Finance Department Restructure* – A cost saving realignment of staffing to better support operational and fiscal needs, including:
    - » Elimination of 1.0 FTE vacant Deputy Finance Director position
    - » Addition of 1.0 FTE Management Analyst I/II to support long-term financial planning and sustainability efforts
    - » Reallocation of 1.0 FTE Payroll Manager to 1.0 FTE Finance Manager to oversee payroll and support finance functions
    - » Reallocation of 1.0 FTE Payroll Technician to 1.0 FTE Accountant I to enhance support for payroll and accounting
    - » Reallocation of 1.0 FTE Management Analyst II to 1.0 FTE Senior Management Analyst to strengthen purchasing, contracts, and risk management functions
- *Police Technology Enhancements* – Additional funding to improve technology infrastructure and tools in support of public safety operations.
- *Public Works Operations* – Reallocation of 1.0 FTE Maintenance Worker I/II to 1.0 FTE Equipment Operator to better support field operations.
- *Centennial Celebration* – Dedicated funding to plan and execute community events commemorating the City's 100-year anniversary.
- *Community Services* – Increased investment in afterschool enrichment, senior programming, and cultural events to enhance community engagement and quality of life.

Opportunities and Challenges

This is an exciting time to be part of the Belmont community, with multiple major initiatives progressing simultaneously. As mentioned earlier, Belmont is experiencing growth, with approximately 500 new housing units planned under the current Regional Housing Needs Allocation (RHNA) cycle from 2023 to 2031, alongside about 1.4 million square feet of new commercial space.

2026 will commemorate the City's 100-year anniversary as an incorporated city

The Harbor Industrial Area (HIA), largely unincorporated at present, is undergoing a comprehensive long-term visioning process in preparation for a future annexation. Over the past year, we adopted an updated sewer master plan, and a stormwater master plan update is currently underway. These efforts will identify critical infrastructure needs citywide—including within the HIA—and help improve the resilience and climate-readiness of our utility systems.

As our community evolves, the decisions made today will profoundly shape Belmont's future, aligning with the vision shared by our Council and residents. There's much ahead to accomplish, but I am confident that, with careful planning and execution, our skilled staff is well prepared to meet the opportunities and challenges before us.

Letter of Transmittal

Opportunities

HOUSING AND ECONOMIC DEVELOPMENT

Many noteworthy activities and accomplishments are happening in housing and economic development. During the 5th cycle RHNA from 2015 to 2023, the City issued building permits for 715 new housing units, including 125 affordable units, exceeding the City's total 5th cycle RHNA by 243 units, a remarkable accomplishment.

After completing an extensive multi-year community engagement process, an update to the General Plan Housing Element was adopted in September 2024 and received certification from the State Department of Housing and Community Development (HCD) in October 2024. Under the 6th cycle RHNA that goes from 2023 through 2031, the City has so far issued building permits for 187 units, including 160 affordable units. In addition, the City has approved development entitlements for an additional 144 housing units, 126 of which are affordable to lower income households, and is currently processing applications for 139 more housing units, including 25 affordable units.

Aerial view of 800-803 Belmont Avenue development project site

In 2023, the City provided a $3.5 million loan from our local affordable housing funds to finance the 125-unit affordable housing project at 803 Belmont Avenue. Then in 2024, the City provided another $1 million loan to the 37-unit affordable housing project at Hill Street and El Camino Real. Both projects are currently under construction and will expand our rgeted, transit-oriented housing opportunities in our community. Looking ahead in FY 2025-26, a $1 million loan is budgeted from our affordable housing funds to finance a 65-unit affordable housing project at 678 Ralston Avenue. These truly speak to Belmont's commitment to our community towards affordable housing development.

On the commercial development side, the City is working to process development entitlements for two major biotech and commercial office projects that could add 1.4 million square feet of newly developed space in the Shoreway Road and Harbor Industrial Areas. Concurrently, Belmont has embarked on a major land use planning effort to develop a Harbor Industrial Area Specific Plan and a comprehensive zoning update for our Regional Commercial (RC) distrct that will guide long-term growth and development activity and allow for an expanded employment base for the City.

Our continuous engagement efforts show that enhancing locally-controlled revenues to support fiscal sustainability is a key priority. With the fiscal challenges that are ahead of us, much more remains to be done to secure locally-generated and locally-controlled revenue sources that cannot be taken away. To that end, after several years of careful consideration, the City Council approved the operations of two commercial retail cannabis businesses in March 2025 within the southern portion of El Camino Real under the regulatory framework adopted in January 2024. The process to get the properties and business operations ready are underway, and when these businesses begin operations, they will generate a new source of locally-controlled revenues from sales and business license tax proceeds while also providing a retail service within the City. This expansion of our revenue base that is locally-controlled highlights our efforts in advancing Council priorities towards long-term fiscal sustainability.

Belmont is excited to continue its partnership with the Chamber San Mateo County, including through the Belmont Business Committee, which plays a vital role in engaging and supporting our local business community. City staff remains focused on fostering charming, vibrant activity centers in Downtown and throughout our commercial corridors, all while enhancing the overall quality of life for those who live, work, and visit Belmont.

MEASURE I - Investing Locally in Belmont's Streets and Infrastructure

Measure I, the ½-cent local sales tax approved by Belmont voters in 2016 and implemented in April 2017, has significantly strengthened the City's ability to make long-term infrastructure investments. As a locally controlled funding source, Measure I revenues remain entirely in Belmont—shielded from State or federal reallocation—and are dedicated to improving critical infrastructure.

Thanks to Measure I, the City completed the 2024 Slurry Seal Pavement Project in November 2024, further advancing Belmont's roadway preservation goals. Since the measure's adoption, Belmont's Pavement Condition Index (PCI) has improved dramatically—from "at risk/fair" in 2014 to "good" in 2024, placing the City in the highest PCI category. This progress underscores the impact of targeted local investment in maintaining and improving our streets.

Measure I will continue to play a vital role in FY 2025-26 and beyond. The five-year Capital Improvement Program (CIP) includes $10 million in Measure I funding to support pavement reconstruction, roadway rehabilitation, and storm drain infrastructure upgrades. These projects reflect our continued commitment to building a more resilient and well-maintained Belmont.

More information about these projects is available in the Capital Improvement Program section of this budget document.

BUSINESS LICENSE TAX

Another area that Belmont has been working on is updating and simplifying our business tax ordinance. After a robust multi-year engagement effort, with partnership from Chamber San Mateo County, a revised business tax structure was adopted by the voters in November 2024. This new tax structure modernizes Belmont's business license program, originally established in 1976, by making it more simplified and equitable. The new tax structure moves away from basing business license rates primarily on employee counts and instead establishes rates based on gross receipts from business activity conducted within the City. The new tax structure is projected to generate approximately the same revenue as the prior business license program under the existing business composition in Belmont. However, as existing businesses grow, and as new businesses come into town, the new business tax structure will be able to capture the revenue more appropriately based on gross receipts.

QUALITY OF LIFE

The Belmont Parks and Recreation Department continues to realize its mission to improve the quality of life for the Belmont Community. In the past year, the City has delivered high quality and varied programs, classes, and events to meet the needs of our multi-generational and vibrant community. A few highlights include field trips for our seniors, Martin Luther King, Jr. poetry and essay contest, teen wellness retreat, a scholarship program for our camp offerings, and celebrations for Belmont Community Learning Center families. Seasonal activity guides showcase the full breadth and depth of our offerings.

Senior field trip to Roaring Camp Railroad in Felton

We also collaborate with local organizations to deliver youth sports activities on City and school athletic fields and supports community-wide events such as Celebrate the Music, Belmont Water Dog Run, and Diwali and Lunar New Year celebrations. All these speak to our ongoing commitment in providing quality services to our diverse community.

Letter of Transmittal

Belmont's parks and open spaces are carefully maintained to offer residents and visitors valuable opportunities for relaxation, wellness, and social connection. Our ongoing commitment to securing grant funding has enabled progress on key projects this year, including a large-scale, grant-funded fuel reduction chipping program. This effort assists residents in creating and maintaining defensible space and vegetation management in targeted open space areas, while ensuring emergency vehicle access remains clear and safe. Preparation is also underway for the upcoming creek restoration project in Twin Pines Park, which includes the removal of several high-risk blue gum eucalyptus trees.

Through the updated Community Conversation outreach program, Belmont continues to engage residents in important discussions—not only about the aging 75-year-old Barrett Community Center nearing the end of its useful life, but also how City assets can be leveraged to enhance community safety, such as creating an emergency resource center for natural disasters. In light of ongoing federal funding uncertainties and a growing state deficit, it is more critical than ever to provide a repaired, safe, inclusive, and accessible recreation space that supports the care and enrichment of our community. Local programs—including childcare, youth after-school activities, senior meal services, health screenings, and flu shots—play an essential role in meeting these needs. Tnstruction and operation of the new Community Center. A cost reassessment study was completed in January 2023 which estimated that cost for construction of the building and all amenities would be approximately $70 million. To that end, the FY 2024-25 budget includes capital project funding to continue planning and evaluating different funding strategies for the Belmont Community Center.

75-year old aging Barrett Community Center

To support these goals, the Belmont Community Foundation, a 501(c)(3) organization, was established to engage the community and raise funds for the construction and operation of a new community center. While local fundraising efforts are key, local public funds will also be necessary. The FY 2025-26 budget includes an updated needs and cost assessment to continue planning for a future Belmont Community Center that meets the evolving needs of our residents.

COMMUNICATIONS

Belmont is dedicated to keeping residents well-informed and engaged through a variety of communication channels. Our digital outreach includes social media, email communications such as our weekly newsletter and press releases, digital billboards on Highway 101, the City Hall lobby slideshow, TV Channel 27, and a regularly updated website. We also uphold strong traditional communication methods, including banners across Ralston Avenue, printed flyers distributed throughout the city and at our facilities, tabling at community events, and direct mailers to our residents and businesses.

Over the past year, we have continued to innovate with new tools and platforms. This includes the launch of a new police Instagram page, the introduction of our 311 app for streamlined service requests, and acquiring on-call translation services. In addition, our weekly newsletter has been redesigned for improved readability and we have initiated a year-long website redesign project to enhance accessibility, user navigation, and access to city services.

Our 2025-2030 Communications Strategic Plan is currently being finalized. This plan will outline our key messages, goals, and an action plan to enhance public outreach, and ensure transparent, accessible, and effective communication for all residents.

Challenges

INFRASTRUCTURE FINANCING

Over the past several years, the City has proactively initiated updates to both the Storm Drain Master Plan and the Sewer Master Plan to guide future infrastructure investment, planning, and maintenance. These updates aim to align with the physical condition of our aging systems as well as the demands of future redevelopment across Belmont.

In February 2025, the City Council adopted the updated Sewer Master Plan, which offers a comprehensive evaluation of the City's sewer infrastructure and outlines a roadmap through 2039 for capital improvements and maintenance strategies. This long-range plan is designed to ensure our system continues to operate efficiently and sustainably to serve the current and future needs of our community. While a prioritized list of sewer projects has been incorporated into the five-year Capital Improvement Program (CIP), tens of millions of dollars in deferred needs remain unfunded.

In parallel, the Storm Drain Master Plan update is underway and will provide a similar assessment and prioritization framework for Belmont's storm drain infrastructure. With increasingly frequent extreme weather events and aging system components, it is clear that substantial investment will be required. Identifying new and reliable capital funding sources to meet these stormwater infrastructure needs is a priority. The coming year will focus on finalizing the storm drain system assessment, quantifying costs, and exploring sustainable funding mechanisms to ensure Belmont's infrastructure keeps pace with both today's expectations and tomorrow's challenges.

PROPERTY TAX

Property tax is the largest source of revenues in the General Fund, and until recently, the most stable source of revenues. Actions from the State that have intensified through the last few years that are outside the City's control are indicating that the State will begin to take away Belmont's full funding of property tax in lieu of VLF beginning FY 2025-26.

As way of background, the State's in-lieu VLF payment obligation arises from the VLF "Swap", which was an integral part of the 2004 Budget compromise. Under the terms of that compromise, the State permanently reduced the annual vehicle license fee rate from counties and cities, and in exchange, the State guaranteed counties and cities an "in-lieu" VLF payment for the lost revenues. VLF is funded by property tax from non-basic aid school districts, with any monies taken from non-basic aid school districts being backfilled by the State, so they do not suffer any loss from the in-lieu VLF payment. This ongoing VLF obligation is adjusted annually based on growth in assessed valuation of properties within local agency boundaries.

In San Mateo County, local taxing entities including Belmont have been facing a shortfall in VLF revenues as less school districts in San Mateo County are categorized as non-basic aid. Out of 26 school districts in San Mateo County, only 5 are currently categorized as non-basic aid. As such, the Countywide shortfall was $114.3 million in FY 2023-24, and estimated to grow to $118.4 million in FY 2024-25, with Belmont's share at $1.7 million and $1.8 million, respectively. The shortfall grows as more school districts lose their non-basic aid status and flip to basic aid. These shortfalls are beyond the county and cities' control.

Letter of Transmittal

Historically, the State has made counties and cities whole by reimbursing VLF shortfalls through a special appropriation in the General Fund of the State's budget that then gets distributed back to counties and cities two years after the VLF shortfall. For example, the FY 2023-24 shortfall will get reimbursed in FY 2025-26, if approved via the State budget. Even though we have to wait two years, this appropriation still ensures that all counties and cities including Belmont receive their full VLF payment. In the past few years, however, the State has begun excluding the VLF shortfall reimbursement in its budget, and last year, only after significant efforts between local and state delegations, did the VLF shortfall reimbursement get into the state legislative version of that budget subsequent to the May revise budget that the Governor ultimately signed.

A Cautionary Tale: The Growing Impact of VLF Revenue Loss

A significant and escalating fiscal challenge Belmont faces is the ongoing loss of Vehicle License Fee (VLF) backfill revenue. For the second consecutive year, the State has excluded any appropriation to cover the City's FY 2023-24 VLF shortfall in both the January Proposed Budget and the May Revision. As of this writing, and given the State's projected $12 billion deficit, the outlook for this reimbursement remains highly uncertain.

For Belmont, the implications are serious: the absence of VLF backfill results in a $1.7 million revenue loss in FY 2025-26 alone—an amount equal to over 40% of our total sales tax revenue, one of the City's most critical General Fund revenue streams. This revenue loss is expected to grow to $1.8 million in FY 2026-27, and increase exponentially in future years. These projections are driven by two compounding factors: continued growth in assessed valuations and the decline in the number of non-basic aid school districts, which form the basis for VLF backfill obligations.

Over the next five years, the cumulative VLF revenue loss is projected to exceed $11 million. Looking ahead ten years, the loss could total more than $30 million—a staggering figure that reflects a scenario in which no non-basic aid school districts remain, eliminating the State's backfill obligation entirely.

This sustained erosion in revenue severely impacts the City's financial outlook. General Fund revenue growth is projected to slow to just 2% annually, well below the Bay Area's five-year average CPI of 3.6%. The result is a structurally imbalanced revenue model that fails to keep pace with inflation and growing service demands, making long-term financial planning increasingly difficult and underscoring the urgency of seeking legislative remedies and identifying new, stable revenue sources.

A fully funded Vehicle License Fee (VLF) backfill represents approximately 15% of Belmont's total General Fund operations—a substantial share that directly supports essential services such as public safety and critical infrastructure maintenance. Should the State continue to withhold these payments, the impact on the City's ability to fund police, fire, and public works first responders would be significant and immediate.

Moreover, the State's failure to honor this obligation contradicts the 2004 Budget Compromise, in which local governments made substantial financial concessions in exchange for a State guarantee to backfill lost VLF revenues. Reneging on this agreement not only undermines the fiscal stability of cities like Belmont, but also sets a concerning precedent for future state-local financial commitments.

The San Mateo County City/County Managers Group, along with our local legislative representatives, have mobilized to deliver a unified and urgent message to the State: fulfill the obligation to the county and cities. Belmont will continue to closely monitor this situation and will keep the City Council and community informed as further developments arise.

LONG-TERM FISCAL SUSTAINABILITY

Belmont has long embraced fiscal responsibility with a clear focus on long-term sustainability. The 2023–2027 Belmont Strategic Plan formalized Fiscal Sustainability as one of five strategic focus areas, with supporting goals such as maximizing existing revenue sources, diversifying income streams, and securing long-term funding for essential services and infrastructure.

However, recent developments at both the federal and state levels have created new uncertainties. Federal actions threatening to withdraw grant funding could directly impact Belmont, forcing the City to reallocate internal funds to fill gaps—funds that would otherwise support other community priorities. At the state level, funding reductions can trigger ripple effects; for example, if the State covers its own shortfalls by tapping into the General Fund, programs that rely on those funds—such as Vehicle License Fee (VLF) backfills—may be jeopardized, indirectly harming cities like Belmont. As described earlier, VLF revenue is a substantial and critical source of local funding.

These threats amplify pressure on Belmont, especially given the State's history of reallocating local revenues to solve its own budget crises, and growing uncertainty surrounding federal municipal funding. In response, the FY 2025–26 budget dedicates planning and resources to advance Belmont's long-term fiscal sustainability efforts.

Belmont collects several development-related fees, including parkland in-lieu, traffic and park impact fees, and housing and public art in-lieu fees, which help offset the infrastructure demands created by new development. These fees were last updated in 2019 and 2020. Other fees—such as those for permits and planning reviews—are designed to recover the costs of service delivery. However, as service delivery methods evolve, some fees have become outdated and are no longer aligned with actual costs.

While economic and market conditions are currently experiencing a slowdown, our fiscal sustainability efforts are accelerating. In February 2025, the City Council adopted Belmont's first Community Benefits Program, designed to generate greater public value from private development, supporting the City's capital and operational needs in response to increased service demands. The FY 2025–26 budget also includes funding for a comprehensive fee study update, ensuring that when the next economic upturn arrives, Belmont will be positioned to recover service costs appropriately and equitably.

There is much work ahead, but I am proud of the strategic steps we are taking—and of the strong partnership with our City Council—to uphold our commitment to long-term fiscal health and high-quality public service delivery. These collective efforts reflect our dedication to building a sustainable and resilient future for the Belmont community.

ORGANIZATIONAL DEVELOPMENT AND WORKFORCE TRANSITION

A key issue facing Belmont—and many jurisdictions across the public sector—is organizational development. As government agencies adapt to a changing workforce, Belmont is responding proactively to staff turnover and a growing number of retirements by prioritizing a holistic, forward-looking workforce strategy. This includes a renewed focus on staff development, employee engagement, coaching, mentoring, and succession planning.

Letter of Transmittal

In Belmont, our lean and “flat” organizational structure leaves little room for redundancy, with employees taking on broad responsibilities to provide comprehensive services to the community. While staff transitions are a natural part of any organization’s lifecycle, the impacts are magnified in smaller, resource-constrained environments like ours—especially when onboarding new employees and managing the loss of institutional knowledge as seasoned staff retire.

As noted earlier in this transmittal letter, approximately 30% of our workforce is new since the start of FY 2023–24, and another 30% is eligible to retire now or within the next five years. For an organization with just 145 approved full-time positions, this represents a significant and rapid shift.

In response, Belmont is implementing a strategic approach to organizational development, anchored in four key pillars: culture, capability, leadership, and engagement. These pillars guide our work in preparing the next generation of City leaders while strengthening the infrastructure that supports high-quality, sustainable service delivery.

One of the most impactful efforts underway is the BOLD Program—Bridging, Opportunities, Leadership, and Distinction. This innovative initiative builds core competencies around organizational culture, team collaboration, and inclusive, accountable leadership. BOLD provides both group-based training and one-on-one development opportunities, with a focus on effective technology use, personal growth, and professional skill-building. More than just a training program, BOLD represents a cultural evolution—laying the foundation for long-term organizational success.

Our commitment to organizational growth also includes structural reforms. A comprehensive assessment of our organizational structure has led to the strategic reallocation of vacant positions and reconfiguration of teams to align with City Council’s strategic priorities. These changes aim to build capacity, foster career growth, and enhance coordination across departments.

Attracting and retaining top talent is another critical priority—especially as public sector employment faces increased competition and fewer individuals enter the field. Belmont is addressing this challenge by expanding recruitment outreach, forming stronger partnerships with local and regional institutions, and enhancing our onboarding experience to create a welcoming and supportive start for new employees.

New hire lunches with the City Manager are helping foster early connections and welcome new team members into the Belmont family. In addition, we’ve launched the internal “Know and Grow” series, where employees visit other departments to gain a better understanding of projects, challenges, and service delivery across the organization. These cross-functional experiences build internal awareness and strengthen collaboration and empathy among teams.

As a service-oriented organization, our people are our greatest strength. From public safety and infrastructure to recreation and customer service, it is our workforce that powers all we do. As we look ahead, our ability to continue evolving, developing, and supporting our employees will be essential to maintaining high-quality services and meeting the needs of our community with resilience and care.

General Fund Long-Term Financial Plan

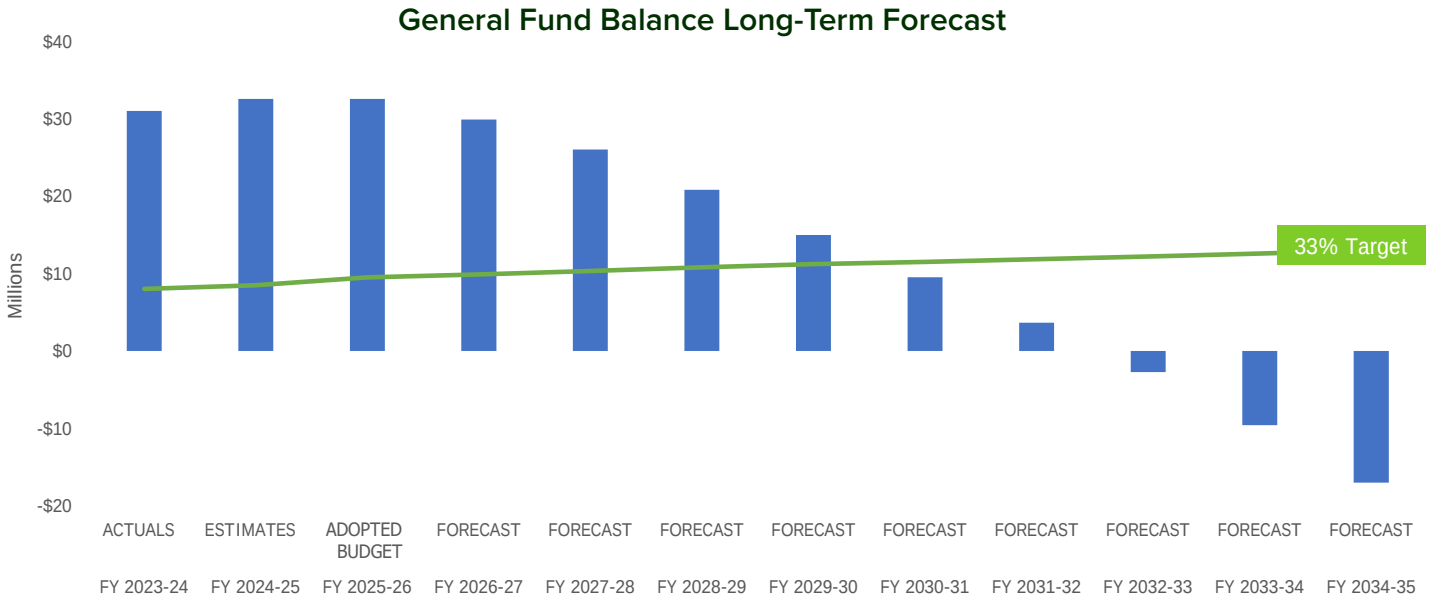
One of the key benefits of long-term financial planning is the ability to identify issues beyond the budget year, so that appropriate actions can be taken to address those issues and course correct. As I noted earlier in this transmittal letter, the General Fund balance has been building up in the past few years, mainly due to the one-

time revenue infusions and continued prudence in containing operating expenditures. In the meantime, we will likely begin to experience VLF revenue loss starting next fiscal year, while expenditures keep increasing. The long-term plan allows us to see beyond the immediate term, so that we are able to make better decisions in how to utilize our resources strategically.

With nearly 60% of the General Fund operating expenditures going to personnel costs for basic services including safety, emergency response, road repair and maintenance, and facilitating programs locally, among others, the plan projects for key factors such as planned cost of living salary increases, pension cost increases, and medical premium increases. On top of that, the General Fund provides support to other funds that are not fully recovered through user fees. In the long-term plan, we've continued to include all of our known or assumed resource demands for the General Fund, including:

- Salary increases based on existing contractual agreements, then assumed modest increases
- CalPERS contribution rate increases based on actuarial study and are being predominantly absorbed by the City
- Assumed increases in medical costs based on actuarial study
- Transferring an estimated $5.5 to $6.5 million per year over the ten-year forecast to support operations in other funds, including the Street Maintenance Fund, Storm Drainage Fund, Recreation Fund, and Development Services Fund

Loading all these known and assumed resource demands results in a structural imbalance, as our annual revenues are no longer able to sustain our ongoing expenditures. A drawdown in unassigned fund balance becomes necessary beginning FY 2025-26 in order to cover expenditures. We are experiencing how quickly reserves can be drawn down when hit with factors outside our control, namely the State's action to underfund their VLF property tax obligations. The graph shows our projected ending fund balance in the next ten years.



As demonstrated in the graph, the General Fund balance is projected to fall below the 33% reserve target by FY 2030-31. The accompanying long-term financial plan in the Fund Information Section of this budget document underscores the importance of carefully considering adding ongoing General Fund commitments. Part of that effort will include how other Funds can become more self-sustainable so that support from the General Fund can be minimized, through fee studies and cost recovery assessments that are slated to begin in FY 2025-26. As we move forward, this plan will continually be evaluated to identify issues and assess options to address those issues.

Letter of Transmittal

Conclusion: Planning for Today, Preparing for Tomorrow

The FY 2025–26 Budget reflects a thoughtful balance between addressing the short-term challenges of today and advancing the long-term priorities that will shape Belmont's future. While we must respond to the uncertainty of the current economic climate and the projected loss of property tax revenue from the State, we remain focused on ensuring the long-term health and success of our community.

That is why we continue to make targeted investments in infrastructure and in the strategic focus areas identified by the City Council. These investments help us meet the growing needs of our community while strengthening Belmont's resilience and self-reliance. We are also laying the groundwork for greater sustainability—financially, operationally, and environmentally—to ensure Belmont continues to thrive for generations to come.

Next year, Belmont reaches a major milestone: our centennial anniversary. This is a moment to pause and reflect on the accomplishments that have shaped our community over the past century. While much has changed, our core mission has not—our unwavering commitment to deliver high-quality services to the people of Belmont.

As we enter our second century, our focus remains on building a stronger foundation, becoming more adaptive to change, and improving our ability to respond to both opportunities and challenges. The experiences of recent years have tested how we deliver services and how we respond to external disruptions. Through it all, we have stayed grounded in our core principles: to execute the City Council's vision and to serve our community with dedication, excellence, and integrity.

With this budget as our roadmap, I am confident that Belmont will continue to move forward with purpose. Whether facing new challenges or embracing new opportunities, we will emerge stronger, more resilient, and better prepared to serve our community.

The development of this budget was truly a collaborative effort, the result of months of hard work by staff across the entire organization. I want to extend my sincere appreciation to:

- The City Council, for your leadership and clear vision that guided this process;
- Our senior management team and department staff, for developing thoughtful and responsible budgets aligned with strategic goals;
- And most importantly, our Finance Department, whose expertise, dedication, and commitment brought this budget together and ensured it reflects the priorities and values of our community.

Thank you for your continued support and partnership in building a strong, vibrant, and sustainable Belmont.

Respectfully submitted,

Afshin Oskoui, P.E., PWLF
City Manager