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Office of the City Manager

CONSENT CALENDAR
December 1, 2026

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager

Submitted by: Maricar Dupaya, Budget Manager, City Manager's Office

Subject: Use of Catastrophic Reserve Fund for Animal Shelter Rehabilitation

RECOMMENDATION
Adopt a Resolution authorizing use of the Catastrophic Reserve Fund and the allocation of $850,000 from the fund for the Animal Shelter Rehabilitation project.

FISCAL IMPACTS OF RECOMMENDATION
The recommended action would allocate $850,000 of the Catastrophic Reserve Fund (Fund 099) for the Animal Shelter Rehabilitation project (project).

The replenishment plan for Fund 099 is insurance reimbursement. Insurance is expected to reimburse all project costs except for the first $10,000. However, the City must incur and pay project costs upfront before reimbursement can occur. The appropriation of $850,000 from Fund 099 is needed in FY 2027 to continue and complete the project. The insurance reimbursement and subsequent replenishment of Fund 099 is anticipated to occur in the latter part of FY 2027 and into FY 2028.

As of the end of FY 2026, the Catastrophic Reserve Fund balance is $28.2 million. The combined reserve level of both the City's General Fund Reserves funds (Catastrophic Reserve Fund and Stability Reserve Fund) are at 20.4 percent of the Adopted FY 2027 General Fund Revenues.

CURRENT SITUATION AND ITS EFFECTS
On June 6, 2026, an arsonist set fire to the Animal Shelter and subsequently flooded it[1]. The damage was mitigated such that the shelter could be reopened to animals and staff. Restoration work is ongoing and is being performed utilizing an existing on-call contract for emergency services. The City will need a funding source to pay for restoration services while awaiting reimbursement from insurance. An increase in the not-to-exceed amount to the Belfor on-call contract is also needed to complete the

[1] https://www.berkeleyscanner.com/2026/06/08/community/berkeley-animal-shelter-fire-investigation/

remediation and repairs to the Animal Care Services Building that sustained substantial fire, smoke, and water damage.

BACKGROUND
On January 24, 2017, per Resolution No. 67,821-N.S., the City established the General Fund Reserve Policy which created a Stability Reserve Fund and a Catastrophic Reserve Fund. On July 29, 2025, the City Council adopted Resolution No. 71,908-N.S., amending the City Council's Policy for the General Fund Reserves target reserve level from 30 percent of General Fund revenues to a range of between 20 to 30 percent of the General Fund revenues.

The Catastrophic Reserve Fund stated use is to sustain operation in the case of a natural disaster or other catastrophic event. It is to be used to respond to onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. The Catastrophic Reserve Fund, upon two-thirds vote of the City council, may be used in accordance with the standards set in the policy.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS
There are no environmental or climate impacts associated with this recommendation.

RATIONALE FOR RECOMMENDATION
The City must make initial payments to the construction company before receiving reimbursement through insurance. Approving this recommendation enables that process.

ALTERNATIVE ACTIONS CONSIDERED
None.

CONTACT PERSON
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Attachments:
1: Resolution

RESOLUTION NO. ##,###-N.S.

USE OF CATASTROPHIC RESERVE FUND FOR ANIMAL SHELTER REHABILITATION PROJECT

WHEREAS, on January 24, 2017, per Resolution No. 67,821-N.S., the City established the General Fund Reserve Policy which created a Stability Reserve Fund and a Catastrophic Reserve Fund; and

WHEREAS, on July 29, 2025, the City Council adopted Resolution No. 71,908-N.S., amending the City Council's Policy for the General Fund Reserves target reserve level from 30 percent of General Fund revenues to a range of between 20 to 30 percent of the General Fund revenues; and

WHEREAS, the City's General Fund Reserve Policy allows for the use of Catastrophic Reserve Policy to sustain operation in the case of a natural disaster or other catastrophic event upon two-thirds vote of the City council; and

WHEREAS, the City's Animal Shelter sustained a catastrophic event on June 6, 2026 that resulted in fire and water damage; and

WHEREAS, due to its unforeseen nature, project cost for the City's Animal Shelter Rehabilitation project is not in the FY 2027 Adopted Budget; and

WHEREAS, funding in the amount of $850,000 is available in the Catastrophic Fund; and

WHEREAS, the replenishment plan for the Catastrophic Reserve Fund is insurance reimbursement and the City must first pay all the cost associated with the project and insurance is expected to reimburse all project costs except for the first $10,000.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it authorizes the use of the City's Catastrophic Reserve Fund and allocates $850,000 for the Animal Shelter Rehabilitation Project.