

Councilmember Rashi Kesarwani

REVISED AGENDA MATERIAL

for Supplemental Packet 2

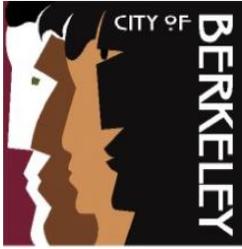
Meeting Date: June 24, 2025

Item Number: 24

Item Description: Budget Refinements

Submitted by: Councilmember Rashi Kesarwani and Councilmember Mark Humbert

The item offers budget refinements to Mayor Adena Ishii's budget proposal for Council consideration.



Councilmember Rashi Kesarwani

June 24, 2025

To: Honorable Mayor and Members of the City Council

From: Councilmember Rashi Kesarwani (Author) and Councilmember Mark Humbert (Co-Sponsor)

Subject: Budget Refinements to Balance FY 2025-26 Budget for Council Consideration

RECOMMENDATION

Adopt friendly amendments (as listed in Exhibit 2), inclusive of freezing 4.00 full-time equivalent (FTE) vacant Charter Officer positions and providing \$60,000 total from the Offices of Councilmember Rashi Kesarwani and Mark Humbert to be used in part to fund immediate replacement of F & G docks and a 1.0 FTE Social Services Specialist for the Homeless Response Team, along with all other changes listed in Exhibit 2. Further, clarify that the Small Sites allocation totals \$2.5 million from the Housing Trust Fund.

CURRENT SITUATION AND ITS EFFECTS

One-Time Budget Balancing Measures To Close \$21.4 Million Budget Deficit in FY 2025-26—Including Hiring Freeze, Drawing from Section 115 Pension Trust, Workers’ Compensation Holiday, and Reducing IT Costs—Underscore Need for Fiscal Restraint.

The City Manager has recommended one-time cost-cutting measures to close the City’s \$21.4 million budget deficit in FY 2025-26, including drawing down an extra \$3 million (for a total of \$6 million) from the City’s Section 115 Pension Trust to pay for a portion of pension liabilities, taking a one-time \$5.2 million holiday from contributing to the workers’ compensation fund, delaying \$6.2 million of IT improvements, and reallocating \$2.5 million from Measure U1. In addition to these budget solutions, the City Manager proposes freezing vacant positions for an additional \$2.7 million in savings.¹ While these one-time actions close the budget gap, the Council will face hard decisions in the future about how to balance the City’s overall expenditures so that they are in line with revenues on an ongoing basis. Further, our City faces significant fiscal uncertainty due to the federal administration. We note that the City has already

¹ The hiring freeze recommended by the City Manager excludes Charter Officer Departments that fall under the direct purview of the Mayor and Council.

lost \$1 million from a federal grant to plant trees in South and West Berkeley. The actions taken to balance the FY 2025-26 budget underscore the need for fiscal restraint and sacrifice among all City Departments.

Building on the Mayor’s Budget Proposal, Include Freezing of Vacant 4.00 Full-Time Equivalent Positions Among Charter Officer Departments And Other Savings to Ensure Fairness in Budget Balancing Across All City Departments. In line with the City Manager’s directive to freeze vacant positions (with certain exceptions) and building on the Mayor’s commitment to contribute funds from her office budget, we recommend the following additional actions to ensure all departments are treated fairly:

- **Mayor and Council.** Reallocate \$30,000 each (total of \$60,000) in unspent FY 2024-25 funds from the District 1 and District 8 office budgets;
- **City Auditor.** The City Auditor reported a vacant 1.00 FTE Auditor 1 position; however, an offer has already been extended for the position. Accept the City Auditor’s estimated \$200,000 in salary savings as presented at the June 12, 2025 Budget and Finance Policy Committee meeting.²
- **City Attorney’s Office.** The City Attorney’s Office reported 3.00 FTE vacant positions: 1.00 FTE Assistant City Attorney, 1.00 FTE Risk Manager, and 1.00 FTE Legal Secretary/Senior Paralegal. We recommend freezing the vacant 1.0 FTE Risk Manager for total General Fund savings of \$258,968, and the 1.0 FTE Legal Secretary/Senior Paralegal for total General Fund savings of \$179,876. A grand total of \$438,844 is therefore available in General Fund savings in FY 2025-26;³
- **Office of the Director of Police Accountability.** The Office of the Director of Police Accountability reported 3.00 FTE vacant positions: 1.00 FTE Associate Management Analyst and 2.00 FTE Investigators. We recommend freezing a vacant 1.00 FTE Investigator for total General Fund savings of \$203,444, and the 1.00 FTE Associate Management Analyst for total General Fund savings of \$172,848. A grand total of \$376,292 is therefore available in General Fund savings in FY 2025-26.⁴

Exhibit 1: Charter Officer Departments Recommended Savings

	Savings
Mayor and Council	

² City Auditor, *City Auditor Budget Memo 2025*, memorandum to the Budget and Finance Committee, June 12, 2025, City of Berkeley, <https://berkeleyca.gov/sites/default/files/legislative-body-meeting-attachments/2025-06-12%20Item%2002%20BFC%20Item%20City%20Auditor%20Budget%20Memo%202025.pdf>.

³ City Attorney’s Office, *CAO Staffing and Budget Memo*, presentation to the Budget and Finance Committee, June 12, 2025, City of Berkeley, <https://berkeleyca.gov/sites/default/files/legislative-body-meeting-attachments/BF%20Committee%206-12-25%20CAO%20Staffing%20and%20Budget%20Final%20Edits%20%28002%29.pdf>.

⁴ Office of the Director of Police Accountability, memorandum to the Budget and Finance Committee, June 12, 2025, City of Berkeley, <https://berkeleyca.gov/sites/default/files/legislative-body-meeting-attachments/2025-06-12%20Item%2002%20Supplemental%20Material%20-%202025-06-10%20ODPA%20Memo%20to%20CouncilBudgetFinance.FinalSigned.pdf>

Office Budget Savings Districts 1 and 8	\$60,000
City Auditor	
Salary Savings	\$200,000
City Attorney’s Office	
Risk Manager	\$258,968
Legal Secretary/Senior Paralegal	\$179,876
Office of the Director of Police Accountability	
Investigator	\$203,444
Associate Management Analyst	\$172,848
Total Savings	\$1,075,136

Rationale for Charter Officer Department Recommendation. While the City Council will not have precise information on actual salary savings from the City Auditor’s office until year-end close, we have built in a \$200,000 cushion to account for potential shortfalls. Although we do not anticipate needing it, this contingency assures a responsible approach. The Risk Manager position in the City Attorney’s Office was authorized in 2024, but has never been filled. Both the City Manager and the Mayor’s proposed budgets already reflect the Legal Secretary/Senior Paralegal vacancy. Finally, we recommend freezing one of the two vacant investigator positions in the Office of the Director of Police Accountability.⁵ We believe this aligns with the intent of the City Charter, which specifies in Section 125(14)(i) that the director “may hire a Chief investigator” (singular). Applying consistent standards across charter offices, similar to the City Manager’s hiring freeze, would generate approximately \$1 million in additional savings, which can be redirected to fund critical capital improvements and community services.

Additionally, \$100,000 of the \$150,000 previously approved by City Council for Round Park in District 8 (FY 2025-26) remains available.

Mayor’s Budget Proposal Appropriately and Responsibly Uses Special Funds to Fund the Vast Majority of Council Priorities . . . We fully support the Mayor’s proposed use of special funds—in the vast majority of cases—to pay for Council priorities, including for curb marking and daylighting, improvements to the Ohlone Greenway, expansion of after-school program expansion, Small Sites capacity building, continuation of the Poet Laureate Program, and Berkeley Fire Safe allocations. We also agree with her referrals to fund a pedestrian

⁵ Charter125(4)(b) . . .”City Council may allocate to the Police Accountability Board and Director of Police Accountability, as the City Council determines resources allow, a budget sufficient to provide for a process that protects the rights of complainants and sworn employees of the Police Department, for the Board and its staff to carry out the investigative and policy responsibilities stated herein, and to ensure the independence of the Board.”

crossing at Shattuck and Delaware and replacing the F & G docks. In addition, we support the Mayor’s General Fund allocations to support deportation defense and the *Street Spirit* program.

. . . But Should Restore \$2.5 Million for Small Sites from Housing Trust Fund (Rather than \$3.9 Million) To Ensure Fiscal Restraint. We appreciate the City Manager and Mayor exercising fiscal leadership in allocating \$2.5 million from Measure U1—a general purpose tax—to close the budget deficit. We support the Mayor’s recommendation to allocate \$1.4 million in unspent Housing Trust fund dollars from FY 2024-25 towards Small Sites Acquisition in FY 2025-26. However, we are concerned about allocating an *additional* \$2.5 million from the Housing Trust Fund in FY 2025-26 (from revenues that may or may not materialize) and prioritizing Measure U1 and/or Measure M Empty Homes Tax revenue for additional Small Sites funding before the full budget picture for FY 2026-27 is known. Instead, we recommend allocating up to an additional \$1.1 million from the Housing Trust Fund for FY 2025-26, so that Small Sites Acquisition receives a total of \$2.5 million (\$1.4 million from unspent FY 2024-25 Housing Trust Fund revenue and up to \$1.1 million from FY 2025-26 Housing Trust Fund revenue, assuming these funds materialize). We note that the \$1.1 million in funding that we are allocating from FY 2025-26 Housing Trust Fund fee revenue is contingent upon receiving inclusionary fee revenue paid for by developers of market-rate projects; it is currently uncertain exactly how much will be available in the budget year. Our City’s structural deficit as well as significant fiscal uncertainty from the federal government mean that we must exercise caution and avoid to the extent possible the pre-commitment of specific revenue sources without full revenue and expenditure information.

Fund Long-Term Investments with the Additional Savings Identified. With the additional savings outlined above, we recommend funding the following priorities:

- **Immediate Funding of F & G Docks.** Allocate \$250,000 so that the F & G docks can be repaired more quickly, generating additional revenue for the Marina Fund. This allocation will avoid the need to use Measure T1 bond proceeds, which have already undergone commission review.
- **1.00 FTE for Homeless Response Team.** Fund a Social Services Specialist for a total General Fund cost of \$175,000 to augment staffing for the Homeless Response Team. The position would be responsible for community outreach, connecting unhoused individuals with housing assistance, and providing case management. The Homeless Response Team is consistently understaffed relative to their workload.
- Allocate \$7,000 to support the Elmwood Music Festival from Councilmember Mark Humbert’s office budget.
- Direct any surplus to the Marina Fund to support long-term waterfront stability.

EXHIBIT 2: FRIENDLY AMENDMENTS FOR COUNCIL CONSIDERATION

<u>Friendly Amendments for Council Consideration</u>	Amount	Notes
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<u>Budget Deficit Prior to Hiring Freeze in City Departments Excluding Charter Office Departments</u>	<u>-\$21,416,210</u>	
Hiring Freeze in Non-Charter Officer Departments (approx.)	\$2,558,052	The hiring freeze outlined in the staff proposal shows \$2.7 for the vacancy freeze, which included the City Attorney's vacant legal secretary position (see below)
<u>Remaining Budget Deficit</u>	<u>-\$18,858,158</u>	Staff presentation
<u>Options for Budget Balancing</u>		
Workers Comp Holiday	\$5,187,019	Staff recommendation/ Mayor's proposal
Section 115 Pension Trust (existing)	\$3,000,000	Staff recommendation/ Mayor's proposal
Section 115 Pension Trust (additional)	\$3,000,000	Staff recommendation/ Mayor's proposal
Transfer from IT Cost Allocation Plan Fund Balance	\$6,164,889	Staff recommendation/ Mayor's proposal
Reallocation from Small Sites U1	\$2,500,000	Staff recommendation/ Mayor's proposal
<u>Charter Officer Budget Solutions</u>		
Mayor's Office Contributions	\$110,000	Mayor's proposal
D1 unencumbered office funds	\$30,000	
D6 & D7 unencumbered office funds	\$35,000	Mayor's proposal
D8 unencumbered office funds	\$30,000	
City Auditor salary savings	\$200,000	At the Budget and Finance meeting on 6/12, Auditor offered to contribute
City Attorney Risk Manager	\$258,968	
Senior Legal Secretary	\$179,876	This vacancy already included in the City Manager and Mayor's proposal
ODPA Associate Management Analyst	\$172,848	
ODPA 1 investigator	\$203,444	
Subtotal of Proposed Additional Charter Officer Budget Solutions	\$1,075,136	
Subtotal of Total Charter Officer Freeze	\$1,220,136	
Subtotal of Balancing Options Post Charter Officer Freeze	\$21,072,044	

Round Park Reallocation	\$100,000	\$150,000 allocated in FY2025. \$50,000 of the Parks Tax was reabsorbed and allocated to MLK/YAP construction project. \$100,000 in General Fund dollars has not been reallocated.
Budget Balance	\$2,313,886	
Transfer to the Marina Fund	-\$1,300,000	
Remaining Balance after Marina Fund Transfer	\$1,013,886	
Agree with Mayor's Additional General Fund Expenditures of \$125,000 to undocumented and \$20,000 to Street Spirit.	-\$145,000	We agree with all of the Mayor's additional General Fund allocations
Remaining Balance After Mayor's Allocations and CM Kesarwani and Humbert's additional budget solutions	\$868,886	
Additional Budget Allocations		
Immediate Dock Replacement, instead of deferral	\$250,000	
Elmwood Music Festival	\$7,000	taken from CM Humbert's office contribution of \$30K
Social Services Specialist	\$175,000	Social Services Specialist would conduct community outreach, connecting unhoused individuals with housing assistance, and providing case management. The Homeless Response Team is consistently understaffed for the need.
Additional Marina Fund allocation	\$236,886	
Excess/(Shortfall) Balance	\$200,000	<i>\$200,000 is to accommodate projected salary savings from Auditor</i>

FISCAL IMPACTS

This approach reflects responsible budgeting by relying on available funds while applying consistent cost-saving measures across departments. It closes the deficit without overextending reserves, prioritizes long-term fiscal stability, and preserves core services and community investments. It balances short-term needs with structural discipline.

CONTACT

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