

**Fiscal Year 2025
Amendment to
Annual Appropriation Ordinance
(FY25 AAO#1)**

City Council
19 November 2024

PURPOSE AND OVERVIEW

- Summary of Preliminary FY24 Year-End Status for General Fund
 - General Fund Revenues
 - General Fund Expenditures
- FY25 AAO1
 - Purpose
 - Summary of Funding Recommendations
 - Fund Balance Calculation and Fiscal Policies
- Discussion and Deliberation

FY24 GENERAL FUND YEAR-END STATUS

	Adopted	Preliminary Actual
Revenues	\$266,418,342	\$273,390,623
Expenditures	276,548,969	288,270,886
Fund Balance Usage	(10,130,627)	(14,880,263)

**FY 2024 Preliminary and based upon unaudited actuals and subject to change*

- **FY24 Budget Adopted balanced by using \$10M of fund balance to close deficit as expenditures outpaced revenues**
- **FY24 Year-End closes with use of \$15M in fund balance, more than anticipated**

FY24 GENERAL FUND REVENUES

- **Assessed value of property increased, but overall trending down**
 - Secured property tax of \$89.9M, **up** \$5.6M or 7% more than in FY23
 - Valuation: 10.8% in FY23, 7.3% in FY24, 6.4% in FY25
- **Decline in real estate activity primarily due to high mortgage rates**
 - Property transfer tax **down** -\$5.3M or 23% compared to FY23
 - Measure P **down** \$-3.9M or 39% in FY24 compared to FY23
 - Interest Income **up** \$3.0M or 25.1% more than FY23
- **Other major revenues holding steady**
 - Business license taxes of \$23.8M, **up** \$1.9M or 8.7% more than FY23
 - Sales tax of \$18.7M, **down** \$478k or 2.5% than in FY23
 - Utility user taxes of \$17.2M, **down** \$425k or 2.4%, than in FY23

FY25 AAO AMENDMENT PURPOSE

- Purpose to increase FY25 appropriation (spending level) over adopted budget
- Includes automatic Encumbrance Rollovers of contractual obligations entered into in fiscal year 2024, which had not been paid as of June 30, 2024
- Includes establishment of new grant budgets in other funds
- Includes FY24 carryover requests of unspent FY24 funds for continuation or completion of approved capital projects, programs, and priorities (such as Tier 1 items funded in FY24)
- Includes new FY25 funding requests over adopted budget

FY 2025 AAO#1 ALL FUNDS SUMMARY

Fund Name	Recommended Encumbrance	Recommended Carryover	Recommended Adjustments	Total
General Fund (011)	\$30,334,347	\$12,779,271	\$4,888,063	\$48,001,681
CIP Fund (501)	6,521,803	20,101,009	440,000	27,062,813
All Other Funds	74,205,694	98,368,096	49,652,770	222,226,560
Total	111,061,845	131,248,377	54,980,833	297,291,054

FUNDING REQUESTS AND RECOMMENDATIONS

Item Type	Amount
FY24 Carryover Requests	12,982,555
Unfunded FY25 Budget Requests (FY25/26 Biennial Budget Tier Items)	14,231,742
Council Budget Referrals	7,268,357
FY25 New Funding Requests	4,605,431
Total	39,088,085

- **Funding requests outpace available resources**
- **New requests evaluated for mandated function, criticality to core operations and/or timing, such as estimated completion date for construction projects.**

FY25 GENERAL FUND RECOMMENDED NEW REQUESTS

Adjustment	Description	Funding Amount
City Clerk	City Council Agenda Management; Digital Records; Records Online; Birth and Death Records	87,958
City Clerk	2024 Special Elections additional costs	94,570
City Clerk	2024 General Elections (Tier 1B)	635,000
City Manager's Office	Rodeway Inn Lease Costs	501,552
Fire	UC Berkeley power chair lift so patients can be easily moved up and down the stadium seating (paid for by UC)	19,940
Human Resources	Outside legal counsel services for labor negotiations	50,000
Non-Departmental	General Fund Transfer to Catastrophic Loss Fund	1,043,546
Non-Departmental	FY 2025 Bay Cities Joint Powers Insurance Authority Program Bill	244,355

FY25 GENERAL FUND RECOMMENDED NEW REQUESTS

Adjustment (continuation)	Description	Funding Amount
Parks, Recreation, and Waterfront	Staffing and maintenance costs associated with BUSD use of James Kenney community center and park	99,325
Parks, Recreation, and Waterfront	Increase cost of utilities at community centers and pools	275,000
Parks, Recreation, and Waterfront	Fire Fuel Abatement- removal of hazardous vegetation, tree pruning/removal	125,000
Public Works	Stair Center ADA Project	676,807
Public Works	Edgeworth/Cameras in ROW	60,010

FY25 GENERAL FUND RECOMMENDED NEW REQUESTS

Adjustment	Description	Funding Amount
Council Budget Referral (Arreguin)	<u>Replenishing Business Damage Mitigation Fund</u>	50,000
Council Budget Referral (Arreguin)	<u>Ashby BART Area Enhanced Infrastructure Finance District (EIFD) Analysis</u>	100,000
Council Budget Referral (Hahn, Humbert, and Bartlett)	<u>Budget Referral and Technical Support for La Peña Cultural Center</u>	150,000
Council Budget Referral (Bartlett)	<u>Funding for Replacement of Six Existing Wrought Iron Barriers for South Adeline Circular Planters</u>	50,000
Council Budget Referral (Wengraf)	<u>Create a Five-Year Sustainable and Comprehensive Recovery Plan for the Arts and Culture Sector in Berkeley</u>	150,000
Council Budget Referral (Humbert and Tregub)	<u>One-time \$70,000 bridge funding to the Bread Project</u>	70,000

FY25 GENERAL FUND RECOMMENDED NEW REQUESTS

Adjustment (continuation)	Description	Funding Amount
Council Budget Referral (Wengraf)	<u>Design and planning for replacement of play structures and ADA access improvements at Glendale La Loma Park</u>	*250,000
Council Budget Referral (Tregub)	<u>Install an Accessible Pedestrian Signal (APS) at the intersection of Sacramento Street and Allston Way</u>	55,000
Council Budget Referral (Hahn)	<u>Budget Referral and Technical Support for the Berkeley Art Center</u>	100,000
Council Budget Referral (Taplin)	<u>South Cove Seawall Design Project</u>	250,000

** Funded by Parks Tax Fund*

BUDGET AND FISCAL POLICIES

- Policy: investment over baseline to Trust, Reserves and Capital
- Policy would allocate \$3M to each of these items. Instead:
 - \$3M to Section 115 Trust (\$3M used for pension costs in FY25)
 - \$1M to Reserves
 - \$ to Capital given funding requests include capital projects
- General Fund Reserves Policy to allocate unassigned fund balance to Catastrophic and Stabilization Reserves
 - \$3M to Reserves (plus \$1M from investment) for a total of \$4M
 - Fund balance (before needing to use reserves) at \$4M
 - Fund balance amount for future budget deficits, other unexpected operating costs that are not emergencies that require use of reserves; only replenished by savings in future

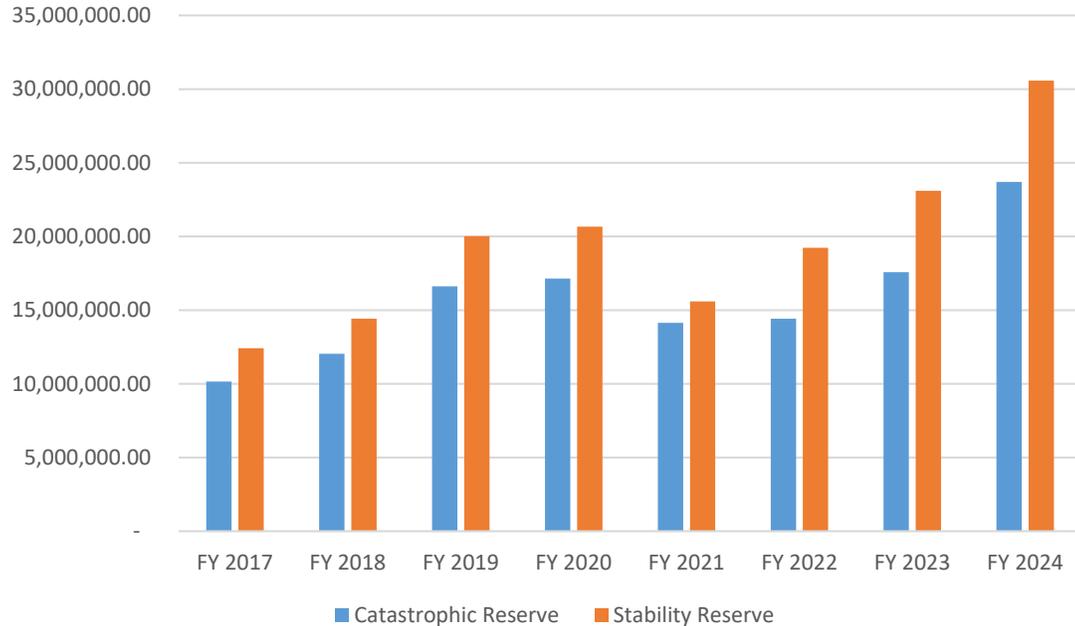
FUND BALANCE CALCULATION

GENERAL FUND UNASSIGNED FUND BALANCE CALCULATION

FY 2024 Beginning Fund Balance	\$	85,414,079
FY 2024 Revenues	\$	273,390,623
FY 2024 Expenditures	\$	(288,270,886)
FY 2024 GF Transfer of Revenue to Measure U1	\$	(6,322,118)
Investment Interest above baseline of \$6 million to Section 115 Trust	\$	(3,052,000)
Investment Interest above baseline of \$6 million to GF Reserves	\$	(1,000,000)
Investment Interest above baseline of \$6 million to Capital	\$	-
Excess Property Transfer Tax Over \$18M Baseline (Revenue Did Not Meet Baseline)	\$	-
FY 2024 G. F. Encumbrances Restricted (AAO #1)	\$	(30,334,347)
Use of Fund Balance as a Balancing Strategy for FY 2025	\$	(2,837,152)
Use of Fund Balance as a Balancing Strategy for FY 2026	\$	(2,170,240)
Balance After Contractual Obligations and Policy Consideration	\$	24,817,959
Less:		
CM Recommendation - FY 2024 Department Carryover	\$	(12,225,245)
Mayor's Recommendation - FY 2024 Charter Offices Carryover Requests	\$	(554,025)
Mayor's Recommendation - FY 2024 Charter Offices New Requests	\$	-
CM Recommendation - FY 2025 Other Adjustments/New Requests	\$	(3,913,063)
Mayor's Funding Recommendations/Council budget referrals	\$	(975,000)
Total AAO#1 and other requests	\$	(17,667,333)
Balance After AAO #1 Items and other request	\$	7,150,626
		Allocation to Reserves
	\$	3,075,313
Remaining General Fund Balance Before Needing to Use Reserves	\$	4,075,313

RESERVES STATUS

General Fund Contribution to Reserve Funds



- Estimated \$4M to be added in FY25 as part of FY24 Year-End Fund Balance Calculation.
- Increases percentage to 21.3% of revenue (goal of 30% of revenue by 2027).
- Remaining unassigned fund balance of \$4M for other fiscal needs and balancing the budget in future years as needed.

General Fund Reserves	Stability Reserve	Catastrophic Reserve	Reserve %
Beginning Cash Balance -	\$ 30.6	\$ 23.7	
FY 2025 Allocation to Reserves	\$ 2.2	\$ 1.8	
% Allocation	55%	45%	
Ending Cash Balance - Reserves	\$ 32.8	\$ 25.5	21.3%

Notes:

Reserve % based on FY 2025 Adopted Revenue Budget of \$273.4 million

DISCUSSION