



**BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE
REGULAR MEETING**

**Thursday, February 27, 2020
10:00 AM**

1947 Center Street, 3rd Floor – Magnolia Room

Committee Members:

Mayor Jesse Arreguin, Councilmembers Cheryl Davila and Lori Droste
Alternate: Councilmember Kate Harrison

AGENDA

Roll Call

Public Comment on Non-Agenda Matters

Minutes for Approval

Draft minutes for the Committee's consideration and approval.

1. Minutes - February 13, 2020

Committee Action Items

The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker. Speakers are permitted to yield their time to one other speaker, however no one speaker shall have more than four minutes.

Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.

Committee Action Items

2. Council Fiscal Policy - Funding the 115 Pension Trust

From: City Manager

Recommendation: Discuss and approve the following budget fiscal policies for ongoing funding into the 115 Pension Trust. Once approved the updated policies should be submitted to the City Council for adoption.

1. Raising the Property Transfer Tax baseline from \$12.5 million to \$15 million. The additional \$2.5 million will be allocated to the 115 Pension Trust.

2. Property Transfer Tax in excess of \$15 million will be treated as one-time revenue to be used for the City's capital infrastructure needs. However, revenue generated from Measure P is excluded (exempt) from this transfer.

3. Savings generated by pre-funding CalPERS will be contributed to the 115 Pension Trust. On an annual basis, staff will analyze the impact of pre-funding CalPERS. If the analysis determines that pre-funding CalPERS will result in budgetary savings, the net savings will be contributed to the 115 Pension Trust.

Financial Implications: See report

Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

3. Council Fiscal Policy – Short-term Rental General Fund Revenue

From: City Manager

Recommendation: Discuss and approve the removal of the following budget fiscal policy tied to the Short-Term Rental General Fund Revenue steam. Once approved the updated policy should be submitted to the City Council for adoption. The following policy is recommended for removal and was adopted by Council on December 19, 2017, Resolution No 68.278-N.S. - Starting in FY 2019, staff costs as approved by the City Council that exceed the enforcement fees and penalties shall be appropriated from the short term rental taxes collected pursuant to BMC Section 23C.22.050, Section H, with the primary allocation of the rental tax to the purposes listed below:

(a) Two thirds (66.7%) allocated to the Affordable Housing Trust Fund and

(b) One third (33.3%) allocated to the Civic Arts Grant Fund.

Financial Implications: See report

Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

Unscheduled Items

These items are not scheduled for discussion or action at this meeting. The Committee may schedule these items to the Action Calendar of a future Committee meeting.

4. Cannabis Cryptocurrency Tax

From: Councilmembers Bartlett and Robinson

Referred: November 4, 2019

Due: May 3, 2020

Recommendation: Adopt an ordinance adding a new Chapter to the Berkeley Municipal Code to allow the City to implement a method for acceptance of stablecoin tax remittance for certain industries pending City approval of each industry.

Financial Implications: See report

Contact: Ben Bartlett, Councilmember, District 3, (510) 981-7130

Unscheduled Items

5. Review of Council's Fiscal Policies

From: City Manager

Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

Items for Future Agendas

- Discussion of items to be added to future agendas

Adjournment

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*Written communications addressed to the Budget & Finance Committee and submitted to the City Clerk Department will be distributed to the Committee prior to the meeting.*

*This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953. Members of the City Council who are not members of the standing committee may attend a standing committee meeting even if it results in a quorum being present, provided that the non-members only act as observers and do not participate in the meeting. If only one member of the Council who is not a member of the committee is present for the meeting, the member may participate in the meeting because less than a quorum of the full Council is present. Any member of the public may attend this meeting. Questions regarding this matter may be addressed to Mark Numainville, City Clerk, (510) 981-6900.*



#### COMMUNICATION ACCESS INFORMATION:

This meeting is being held in a wheelchair accessible location. To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at (510) 981-6418 (V) or (510) 981-6347 (TDD) at least three business days before the meeting date. Attendees at public meetings are reminded that other attendees may be sensitive to various scents, whether natural or manufactured, in products and materials. Please help the City respect these needs.

~~~~~  
I hereby certify that the agenda for this meeting of the Standing Committee of the Berkeley City Council was posted at the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way, as well as on the City's website, on February 20, 2020.

A handwritten signature in black ink, appearing to read 'Mark Numainville'.

Mark Numainville, City Clerk

Communications

Communications submitted to City Council Policy Committees are on file in the City Clerk Department at 2180 Milvia Street, 1st Floor, Berkeley, CA.

**BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE
REGULAR MEETING**

**Thursday, February 13, 2020
10:00 AM**

2180 Milvia Street, 6th Floor – Redwood Room

Committee Members:

Mayor Jesse Arreguin, Councilmembers Cheryl Davila and Lori Droste
Alternate: Councilmember Kate Harrison

MINUTES

Roll Call: 10:07 a.m.

Present: Arreguin, Davila, Droste

Public Comment on Non-Agenda Matters: 2 Speakers.

Minutes for Approval

Draft minutes for the Committee's consideration and approval.

1. Minutes - January 23, 2020

Action: M/S/C (Arreguin/Davila) to approve the minutes as presented.

Vote: Ayes - Arreguin, Droste; Noes – None; Abstain – Davila; Absent – None.

Committee Action Items

The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker. Speakers are permitted to yield their time to one other speaker, however no one speaker shall have more than four minutes.

Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.

2. Election of a Chair

Action: M/S/C (Arreguin/Droste) to nominate Councilmember Droste as chair.

Vote: Ayes - Arreguin, Droste; Noes – None; Abstain – Davila; Absent – None.

Committee Action Items

3. Cannabis Cryptocurrency Tax

From: Councilmembers Bartlett and Robinson

Referred: November 4, 2019

Due: May 3, 2020

Recommendation: Adopt an ordinance adding a new Chapter to the Berkeley Municipal Code to allow the City to implement a method for acceptance of stablecoin tax remittance for certain industries pending City approval of each industry.

Financial Implications: See report

Contact: Ben Bartlett, Councilmember, District 3, (510) 981-7130

Action: The item was continued to the next regularly scheduled meeting.

4. Review of Council's Fiscal Policies

From: City Manager

Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

Action: 4 speakers. Discussion held. The committee requested that two items, regarding the Council's fiscal policies, be placed on the next available agenda and requested staff to submit the items in track changes based off of the committee's discussion. Items to be agendized:

1. 115 Pension Trust Funding; and
2. Short-Term Rental Distribution.

5. Utilize Substantial Portion of Cannabis Tax Proceeds to Fund Subsidies under 1000 Person Plan

From: Homeless Commission

Referred: February 4, 2020

Due: June 23, 2020

Recommendation: Utilize Substantial Portion of Cannabis Tax Proceeds to Fund Subsidies under 1000 Person Plan

Financial Implications: See report

Contact: Brittany Carnegie, Commission Secretary, (510) 981-5400

Action: 1 speaker. Discussion held. M/S/C (Arreguin/Droste) to move the item with a negative recommendation back to the City Council and request that Council consider allocating additional general fund funding for permanent housing subsidies.

Vote: Ayes - Arreguin, Droste; Noes – None; Abstain – Davila; Absent – None.

Unscheduled Items

These items are not scheduled for discussion or action at this meeting. The Committee may schedule these items to the Action Calendar of a future Committee meeting.

- **None**

Items for Future Agendas

- **Discussion of items to be added to future agendas**

Adjournment

Action: M/S/C (Davila/Arreguin) to adjourn the meeting.

Vote: All Ayes.

Adjourned at 11:35 a.m.

I hereby certify that this is a true and correct record of the Budget & Finance Committee meeting held on February 13, 2020.

Michael MacDonald, Assistant City Clerk



Office of the City Manager

February 27, 2020

To: Members of the Budget and Finance Policy Committee
From: Teresa Berkeley-Simmons, Budget Manager
Subject: Council Fiscal Policy – Funding the 115 Pension Trust

RECOMMENDATION

Discuss and approve the following budget fiscal policies for ongoing funding into the 115 Pension Trust. Once approved the updated policies should be submitted to the City Council for adoption.

- Raising the Property Transfer Tax baseline from \$12.5 million to \$15 million. The additional \$2.5 million will be allocated to the 115 Pension Trust.
- Property Transfer Tax in excess of \$15 million will be treated as one-time revenue to be used for the City's capital infrastructure needs. However, revenue generated from Measure P is excluded (exempt) from this transfer.
- Savings generated by pre-funding CalPERS will be contributed to the 115 Pension Trust. On an annual basis, staff will analyze the impact of pre-funding CalPERS. If the analysis determines that pre-funding CalPERS will result in budgetary savings, the net savings will be contributed to the 115 Pension Trust.

BACKGROUND

The members of the Budget & Finance Policy Committee (Policy Committee) met on February 13, 2020, to review and discuss the Council's Budget Fiscal Policies. These policies are used by staff when developing the Biennial Budget. Periodically these policies are reviewed and updated to address the goals, objectives, and community priorities set by the City Council. The following fiscal policies have been track changed to reflect the Policy Committee's discussion tied to funding the 115 Pension Trust.

Council's Budget Fiscal Policies

The following are the City Council's fiscal policies incorporated into the FY 2020 and FY 2021 Biennial Budget adoption. The recommended changes to the policy tied to Property Transfer Taxes support ongoing funding into the 115 Pension Trust.

1. Focusing on the long-term fiscal health of the City by adopting a two-year budget and conducting multi-year planning;
2. Building a prudent reserve;
3. Developing long-term strategies to reduce unfunded liabilities;
4. Controlling labor costs while minimizing layoffs;
5. Allocating one-time revenue for one-time expenses;
6. Requiring enterprise and grant funds to balance and new programs to pay for themselves; and
7. Any new expenditure requires revenue or expenditure reductions.
- ~~8. Transfer Tax in excess of \$12.5 million will be treated as one-time revenue to be used for the City's capital infrastructure needs.~~
8. Raising the Property Transfer Tax baseline from \$12.5 million to \$15 million. The additional \$2.5 million will be allocated to the 115 Pension Trust.
9. Property Transfer Tax in excess of \$15 million will be treated as one-time revenue to be used for the City's capital infrastructure needs. However, revenue generated from Measure P is excluded (exempt) from this transfer.
- 9-10. Savings generated by pre-funding CalPERS will be contributed to the 115 Pension Trust. On an annual basis, staff will analyze the impact of pre-funding CalPERS. If the analysis determines that pre-funding CalPERS will result in budgetary savings, the net savings will be contributed to the 115 Pension Trust.
- 10-11. As the General Fund subsidy to the Safety Members Pension Fund declines over the next several years, the amount of the annual decrease will be used to help fund the new Police Employee Retiree Health Plan.

The following policy was adopted on December 19, 2017, [Resolution No 68.278-N.S.](#)¹

¹ <https://www.cityofberkeley.info/recordsonline/export/17518922.pdf>

11.12. Starting in FY 2019, staff costs as approved by the City Council that exceed the enforcement fees and penalties shall be appropriated from the short term rental taxes collected pursuant to BMC Section 23C.22.050, Section H, with the primary allocation of the rental tax to the purposes listed below:

- Two thirds (66.7%) allocated to the Affordable Housing Trust Fund.
- One third (33.3%) allocated to the Civic Arts Grant Fund.

The Council continues to work to identify ways to reduce the City's unfunded liabilities. On May 14, 2019, Council tackled the unfunded liabilities tied to employee benefits by establishing the Section 115 Pension Trust². The current funding target is \$4.5 million to be deposited into the 115 Pension Trust annually.

NEXT STEPS

If the recommendation is adopted by the Policy Committee, staff will present the updated fiscal policies to the City Council as part of the development of the FY 2021 Budget Update scheduled to be adopted by Council on June 30, 2020.

The City Council is scheduled to hold several public workshops and public hearings on the contents of the FY 2021 Budget Update. Below is a list of the dates and topics that will be discussed at each public meeting.

May 5, 2020

- Worksession: Proposed FY 2021 Budget Update

May 12, 2020

- Regular Agenda: Public Hearing #1

May 26, 2020

- Regular Agenda: Public Hearing #2

June 2, 2020

- Regular Agenda: Council's Budget Recommendations Finalized

June 16, 2020

- Regular Agenda: Council's Discussion on Budget Recommendations

June 30, 2020

² https://www.cityofberkeley.info/Clerk/City_Council/2019/05_May/Documents/2019-05-14_Item_05_Authorization_to_Approve_a_Contract.aspx

- Regular Agenda: Final Discussions and Adoption of the FY 2021 Budget Update
- Regular Agenda: Adoption of the FY 2021 Appropriation Ordinance

POSSIBLE FUTURE ACTION

The information contained in this item will be referenced throughout the budget planning meetings in advance of the adoption of the FY 2021 Budget Update.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

See the information described above.

ENVIRONMENTAL SUSTAINABILITY

Actions included in the budget will be developed and implemented in a manner that is consistent with the City's environmental sustainability goals and requirements.

CONTACT PERSON

Teresa Berkeley-Simmons, Budget Manager, 981-7000



Office of the City Manager

February 27, 2020

To: Members of the Budget and Finance Policy Committee
From: Teresa Berkeley-Simmons, Budget Manager
Subject: Council Fiscal Policy – Short-Term Rental General Fund Revenue

RECOMMENDATION

Discuss and approve the removal of the following budget fiscal policy tied to the Short-Term Rental General Fund Revenue stream. Once approved the updated policy should be submitted to the City Council for adoption.

The following policy is recommended for removal and was adopted by Council on December 19, 2017, [Resolution No 68.278-N.S.](#)¹

Starting in FY 2019, staff costs as approved by the City Council that exceed the enforcement fees and penalties shall be appropriated from the short term rental taxes collected pursuant to BMC Section 23C.22.050, Section H, with the primary allocation of the rental tax to the purposes listed below:

- Two thirds (66.7%) allocated to the Affordable Housing Trust Fund.
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BACKGROUND

The members of the Budget & Finance Policy Committee (Policy Committee) met on February 13, 2020, to review and discuss the City Council's Budget Fiscal Policies. These policies are used by staff when developing the Biennial Budget. Periodically these policies are reviewed and updated to address the goals, objectives, and community priorities set by the City Council. The following fiscal policy has been track changed to reflect the Policy Committee's discussion tied to the Short-Term Rental General Fund Revenue stream.

¹ <https://www.cityofberkeley.info/recordsonline/export/17518922.pdf>

Council's Budget Fiscal Policies

The following are the City Council's fiscal policies incorporated into the FY 2020 and FY 2021 Biennial Budget adoption. The recommended change to the policy tied to Short-Term Rental General Fund Revenue is documented below.

1. Focusing on the long-term fiscal health of the City by adopting a two-year budget and conducting multi-year planning;
2. Building a prudent reserve;
3. Developing long-term strategies to reduce unfunded liabilities;
4. Controlling labor costs while minimizing layoffs;
5. Allocating one-time revenue for one-time expenses;
6. Requiring enterprise and grant funds to balance and new programs to pay for themselves; and
7. Any new expenditure requires revenue or expenditure reductions.
8. Transfer Tax in excess of \$12.5 million will be treated as one-time revenue to be used for the City's capital infrastructure needs.
9. As the General Fund subsidy to the Safety Members Pension Fund declines over the next several years, the amount of the annual decrease will be used to help fund the new Police Employee Retiree Health Plan.

~~The following policy was adopted on December 19, 2017, Resolution No 68.278-N.S.²~~

- ~~10. Starting in FY 2019, staff costs as approved by the City Council that exceed the enforcement fees and penalties shall be appropriated from the short term rental taxes collected pursuant to BMC Section 23C.22.050, Section H, with the primary allocation of the rental tax to the purposes listed below:

 - ~~• Two thirds (66.7%) allocated to the Affordable Housing Trust Fund.~~
 - ~~• One third (33.3%) allocated to the Civic Arts Grant Fund.~~~~

² ~~<https://www.cityofberkeley.info/recordsonline/export/17518922.pdf>~~

NEXT STEPS

If the recommendation is adopted by the Policy Committee, staff will present the updated fiscal policy to the City Council as part of the development of the FY 2021 Budget Update scheduled to be adopted by Council on June 30, 2020.

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- Regular Agenda: Council's Budget Recommendations Finalized

June 16, 2020

- Regular Agenda: Council's Discussion on Budget Recommendations

June 30, 2020

- Regular Agenda: Final Discussions and Adoption of the FY 2021 Budget Update
- Regular Agenda: Adoption of the FY 2021 Appropriation Ordinance

POSSIBLE FUTURE ACTION

The information contained in this item will be referenced throughout the budget planning meetings in advance of the adoption of the FY 2021 Budget Update.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

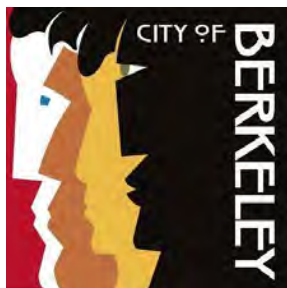
See the information described above.

ENVIRONMENTAL SUSTAINABILITY

Actions included in the budget will be developed and implemented in a manner that is consistent with the City's environmental sustainability goals and requirements.

CONTACT PERSON

Teresa Berkeley-Simmons, Budget Manager, 981-7000



Councilmember Ben Bartlett

City of Berkeley, District 3
2180 Milvia Street, 5th Floor
Berkeley, CA 94704
PHONE 510-981-7130
EMAIL: bbartlett@cityofberkeley.info

04

CONSENT CALENDAR

November 19, 2019

To: Honorable Mayor and Members of the City Council
From: Councilmembers Ben Bartlett and Rigel Robinson
Subject: Cannabis Cryptocurrency Tax

RECOMMENDATION

Adopt an ordinance adding a new Chapter to the Berkeley Municipal Code to allow the City to implement a method for acceptance of stablecoin tax remittance for certain industries pending City approval of each industry.

CURRENT SITUATION

As it stands, 70% of the cannabis industry is unbanked. Thus, the majority of cannabis transactions are handled in cash, which causes several significant issues for businesses and cities both in terms of the risk of handling large cash deposits and navigating through complex financial institutions.

Dispensaries collect large sums of money from customers, and then must pay the appropriate taxes to the city and state through the use of armored car services and other methods involving staff time. State and local governments are forced to process hundreds of millions of dollars in cash annually, which is both expensive and a public safety risk. This process is inefficient and requires money to pass through many hands before it ends up at the city or state.

The fragmented nature of payment collection has led to a host of problems, including an increase in burglaries. The Berkeley Police Department indicated that there have been a host of robberies at dispensaries from 2016 - 2019. In 2019, one Berkeley cannabis dispensary was the victim of a \$93,000 heist. Furthermore, there have been around a half dozen auto burglaries of marijuana delivery vehicles.

BACKGROUND:

There have been repeated attempts and failures to create better financial services for this industry. The Cannabis Banking Feasibility Study released on December 27th, 2018 was unable to establish credible alternatives for the industry to paying taxes via armored vehicle. SB 930 in 2018, reincarnated as SB 51 in 2019 which sought to create a cannabis depository failed twice. Attempts to create public banks in Oakland, San

Francisco and Los Angeles are ongoing but have not yet come to fruition and are likely to take many years to fully implement.

This is where California should innovate. By embracing emerging technology like blockchain -- which is very effective at securely transferring value- we can eliminate the cash problems of the cannabis industry without creating capital-intensive institutions. AB 953- which the city of Berkeley has supported- would enable the state to accept stablecoins from cannabis businesses for tax remittance. Berkeley has a proud history of innovation and a local cannabis industry that needs solutions.

FISCAL IMPACTS OF RECOMMENDATION

The current cost of accepting cash include the following:

- Armored vehicle services
- Staff time
- Police time in responding to break ins

By allowing the city to implement a method for acceptance of stablecoin tax remittance for the cannabis industry, we can provide a cash-free direct method of cannabis tax collections that will reduce barriers and costs for the City and these businesses. In turn, the City can reasonably expect to increase cannabis tax revenue.

ENVIRONMENTAL SUSTAINABILITY

When concerns are raised about the energy consumption of virtual currency, they are typically in relation to Bitcoin and without the context of how much energy the current banking system requires.

The amount of energy used in the creation or transfer of virtual currency is reliant on the underlying blockchain protocol. Stablecoins are a type of virtual currency that are not native to one particular protocol. However, most major stablecoins are run on the Ethereum blockchain. Ethereum's annual energy consumption is estimated to be around 8 (TWh) compared with Bitcoin's 73 (TWh). Ethereum is in the process of shifting from a Proof of Work system- what's commonly referred to as mining- to a Proof of Stake system. This switch is estimated to reduce energy consumption by 99%. Much like solar power this is an emerging technology rapidly becoming more efficient.

RATIONALE FOR RECOMMENDATION

There is both a fiscal and public safety imperative to reduce cash use in the cannabis industry. Implementing a cash-free method of tax collection in the municipal code, the City can reduce the amount of funding allocated towards armored car services, staff time, and police time in responding to break-ins. In turn, this will cut costs from the City.

In addition, allowing the use of cryptocurrency to purchase items from cannabis industries will alleviate the epidemic of dispensary break-ins. Typically, individuals target the cannabis industry because of the amount of cash dispensaries hold in one place. As a result, cities with dispensaries face a public safety risk. The City should adopt an amendment to the Finance, Revenue, and Tax Code that allows the city to determine

and implement a method for acceptance of stablecoin tax remittance for certain industries pending city approval of each industry.

ALTERNATIVES CONSIDERED

Cannabis depository institutions, public banking, Ohio's method of accepting virtual currency, and continuing to operate in cash are all alternative options which are less optimal than the proposal.

CONTACT PERSON

Councilmember Ben Bartlett	510-981-7130
Katie Ly	510-981-7131
Jerry Wong	510-981-7131

ATTACHMENTS

1. Ordinance (7.99 Limited Authority to Accept Tax Payments via Stablecoin)

ORDINANCE NO. –N.S.

ADOPT BERKELEY MUNICIPAL CODE CHAPTER 7.99 LIMITED AUTHORITY TO
ACCEPT TAX PAYMENTS VIA STABLECOIN

BE IT ORDAINED by the Council of the City of Berkeley as follows:

Section 1. That Berkeley Municipal Code Chapter 7.99 is added to read as follows:

Chapter 7.99

Limited Authority to Accept Tax Payments via Stablecoin

The city must determine and implement a method by which businesses in categories approved by the city may remit any taxes or other amounts due to the city using stablecoins. The method approved by the city must allow the acceptance of stablecoins directly into a city-controlled digital wallet or allow the city to contract with a third-party digital asset payment processor that would allow for the immediate conversion of any payments made by stablecoins into United States dollars and deposit those funds into a city-owned bank account. The city must approve one or more specific stablecoins as suitable for inclusion in the approved payment method. The city may designate a city official to make the determinations and to grant the approvals required under this ordinance. Any stablecoins approved by the city must satisfy the following minimum standards: (1) the stablecoin is backed 1:1 with US Dollars, (2) the USD backing is verified by an independent third party auditor, and (3) the US Dollars backing the stablecoin are held in an FDIC-insured bank in the United States.

Section 2. Copies of this Ordinance shall be posted for two days prior to adoption in the display case located near the walkway in front of Council Chambers, 2134 Martin Luther King Jr. Way. Within 15 days of adoption, copies of this Ordinance shall be filed at each branch of the Berkeley Public Library and the title shall be published in a newspaper of general circulation.

Council's Fiscal Policies

The fiscal policies adopted by the Council include:

- ❖ Focusing on the long-term fiscal health of the City by adopting a two-year budget and conducting multi-year planning;
- ❖ Building a prudent reserve;
- ❖ Developing long-term strategies to reduce unfunded liabilities;
- ❖ Controlling labor costs while minimizing layoffs;
- ❖ Allocating one-time revenue for one-time expenses;
- ❖ Requiring enterprise and grant funds to balance and new programs to pay for themselves; and
- ❖ Any new expenditure requires new revenue or expenditure reductions.
- ❖ Transfer Tax in excess of \$12.5 million will be treated as one-time revenue to be used for the City's capital infrastructure needs (Fund 501).
- ❖ As the General Fund subsidy to the Safety Members Pension Fund declines over the next several years, the amount of the annual decrease will be used to help fund the new Police Employee Retiree Health Plan (Fund 731).
- ❖ Starting in FY 2019, staff costs as approved by the City Council that exceed the enforcement fees and penalties shall be appropriated from the short term rental taxes collected pursuant to BMC Section 23C.22.050, Section H, with the primary allocation of the rental tax to the purposes listed below:
 - Two thirds (66.7%) allocated to the Affordable Housing Trust Fund.
 - One third (33.3%) allocated to the Civic Arts Grant Fund.

Proposed new policy:

- ❖ Funding the 115 Pension Trust

Additional Information

At the meeting on January 23, 2020, the Committee stated it will continue to review and revise specific policies and added the following items to future agendas:

1. Transfer tax revenue policy amendment for Measure P
2. Provide more flexible language in policy that new programs need to pay for themselves
3. Change CIP to longer-term (possibly 5 years)
4. Short-term rental distribution – no longer use percentages for distribution; set priorities and prioritize programs
5. Community agency funding process overview – what role can the Budget & Finance committee play in this process?
6. 115 Pension Trust funding

