



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

(REVISED TO CHANGE THE MEETING STARTING TIME TO 12:00 PM)

**Thursday, November 14, 2024
12:00 PM**

2180 Milvia Street, 6th Floor - Redwood Room

Committee Members:

Mayor Jesse Arreguin, Councilmembers Rashi Kesarwani and Sophie Hahn
Alternate: Councilmember Susan Wengraf

This meeting will be conducted in a hybrid model with both in-person attendance and virtual participation. All Committee meetings are recorded.

To access the meeting remotely use this URL - <https://cityofberkeley-info.zoomgov.com/j/1611365976>. To request to speak, use the “raise hand” function in Zoom. To join by phone: Dial **1-669-254-5252** or **1-833-568-8864 (Toll Free)** and Enter **Meeting ID: 161 136 5976**. To provide public comment, press *9 and wait to be recognized by the Chair. To submit a written communication for the Committee’s consideration and inclusion in the public record, email policycommittee@berkeleyca.gov.

This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953. Any member of the public may attend this meeting, however, if you are feeling sick, please do not attend the meeting in person.

Pursuant to the City Council Rules of Procedure and State Law, the presiding officer may remove, or cause the removal of, an individual for disrupting the meeting. Prior to removing an individual, the presiding officer shall warn the individual that their behavior is disrupting the meeting and that their failure to cease their behavior may result in their removal. The presiding officer may then remove the individual if they do not promptly cease their disruptive behavior. “Disrupting” means engaging in behavior during a meeting of a legislative body that actually disrupts, disturbs, impedes, or renders infeasible the orderly conduct of the meeting and includes, but is not limited to, a failure to comply with reasonable and lawful regulations adopted by a legislative body, or engaging in behavior that constitutes use of force or a true threat of force.

California Government Code Section 84308 (Levine Act) Parties to a proceeding involving a license, permit, or other entitlement for use are required to disclose if they made contributions over \$250 within the prior 12 months to any City employee or officer. Parties and participants with a financial interest are prohibited from making more than \$250 in contributions to a decisionmaker for the 12 months after the final decision is rendered on the proceeding. The above contribution disclosures and restrictions do not apply when the proceeding is competitively bid, or involves a personnel or labor contract. For more information, see Government Code Section 84308.

AGENDA

Roll Call

Public Comment on Non-Agenda Matters

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. If ten or fewer persons are interested in speaking on an individual agenda item, each speaker 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.

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.

- 1. FY 2025 Annual Appropriations Ordinance Amendment (Item contains supplemental material)**
From: City Manager
Recommendation: Receive a report on the preliminary Fiscal Year 2024 Year-End financial status and the recommended adjustments for inclusion in the first amendment to the Fiscal Year 2025 Annual Appropriations Ordinance (“AAO1”) and provide recommendations on adjustments to AAO1.
Financial Implications: See report
Contact: Sharon Friedrichsen, Budget Manager, (510) 981-7000
- 2. City Council Legislative Systems Redesign**
From: City Manager
Referred: January 16, 2024
Due: November 30, 2024
Recommendation: ***On January 16, 2024, the Agenda and Rules Committee referred the questions in the supplemental materials to the Budget and Finance Policy Committee for review and response.***
Financial Implications: See report
Contact: Mark Numainville, City Clerk, (510) 981-6900

Committee Action Items

3. **Accept the Risk Analysis for Long-Term Debt (Bonding Capacity) Report provided by Government Finance Officers Association**

From: City Manager

Referred Date: June 25, 2024

Due Date: January 21, 2025

Recommendation: Accept the report titled 'Risk-Based Analysis and Stress Test of Long-Term Debt Affordability' as provided by the Government Finance Officers Association (GFOA). This report is based on their research and development of a risk-modeling tool to address issuing long-term debt related to City of Berkeley Vision 2050.

On April 26, 2022, the City Council referred this item to the City Manager and Budget & Finance Committee to return to Council with recommendations or analysis on as many of the following items as possible by October 2022, if feasible. 1)

Consideration of reserves policies for operational funds other than the General Fund; 2) Potential reduction of the maximum indebtedness rate from 15% of assessed property value down to 4-8% range; 3) A new policy to not incur indebtedness when interest rates go above 5% or a different specific threshold; 4) Tools for increased transparency for taxpayers; 5) Updated report and discussion of pension and healthcare costs; 6) Refer the full Report to the Budget & Finance Committee for consideration.

Financial Implications: None

Contact: Henry Oyekanmi, Finance, (510) 981-7300

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. **Study: Sabbatical Leave for City of Berkeley Employees**

From: Councilmember Hahn (Author)

Referred: September 30, 2024

Due: March 4, 2025

Recommendation: Refer to the City Manager study of a potential Sabbatical Leave policy for all City of Berkeley employees, modeled after the City's existing agreements with several bargaining units.

Consult with labor partners and City employees to explore a variety of terms and options, and the costs/benefits of unpaid, partially paid, and paid Sabbatical Leaves. Report findings to Council, outlining possible options and their financial impacts as well as potential benefits to recruitment, morale, longevity of tenure, and wellbeing.

Financial Implications: See report

Contact: Sophie Hahn, Councilmember, District 5, (510) 981-7150

Unscheduled Items

5. Audit Status Reports: Fleet Replacement Fund Short Millions & Rocky Road: Berkeley Streets at Risk and Significantly Underfunded

From: City Manager

Recommendation: ****On May 23, 2023, the City Council referred to the Budget and Finance Policy Committee to prioritize funding to the vehicle replacement fund to make up the shortfall over time in order to stabilize the fund.****

Financial Implications: See report

Contact: Terrance Davis, Public Works, (510) 981-6300

Items for Future Agendas

- **Requests by Committee Members to add items to the next agenda**

Adjournment

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*Written communications submitted by mail or e-mail to the Budget & Finance Committee by 5:00 p.m. the Friday before the Committee meeting will be distributed to the members of the Committee in advance of the meeting and retained as part of the official record.*

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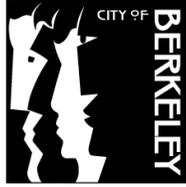
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I hereby certify that the agenda for this meeting of the Standing Committee of the Berkeley City Council was posted at the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way, as well as on the City's website, on November 8, 2024.



Mark Numainville, City Clerk

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Office of the City Manager

Date: November 7, 2024
 To: Budget & Finance Policy Committee
 From: Paul Buddenhagen, City Manager
 Submitted by: Sharon Friedrichsen, Budget Manager
 Subject: FY 2025 Annual Appropriations Ordinance Amendment

RECOMMENDATION

Request that the Budget & Finance Policy Committee:

1. Receive a report on the preliminary Fiscal Year 2024 Year-End financial status and the requested carryover and adjustments for inclusion in the first amendment to the Fiscal Year 2025 Annual Appropriations Ordinance (“AAO1”) and provide recommendations on amendments to AAO1.
2. Authorize staff to present the approved Amendment to the FY 2025 Annual Appropriations Ordinance to the full City Council on November 19, 2024, for consideration and adoption.

BACKGROUND

This is the first meeting scheduled with the Budget & Finance Policy Committee (Committee) to discuss and determine the Amendment to the FY 2025 Annual Appropriation Ordinance (AAO1). A second Committee meeting is scheduled for November 14, 2024 to continue the discussion of the Amendment to the FY 2025 Annual Appropriation Ordinance (AAO1) if needed.

The Annual Appropriations Ordinance (AAO) establishes the expenditure limits by fund for FY 2025 and was adopted on June 25, 2024 (Ordinance No. 7,926–N.S.).

Throughout the year, the City takes actions that amend the adopted budget. These may include, but are not limited to, the acceptance of new grants, revisions to existing grants, adjustments to adopted expenditure authority due to emergency needs and other funding needs that occur after budget adoption, and transfers in accordance with Council’s fiscal policies.

The adopted budget is also amended annually to reflect the re-appropriation of prior year funds for contractual commitments (i.e. encumbrances) as well as unencumbered

carryover of unexpended funds previously authorized for continuation of capital and other specific projects, and for one-time, non-recurring purposes. These budget modifications are periodically presented to the Council in the form of an Ordinance amending the Annual Appropriations Ordinance, which formally requires a two-thirds vote of the City Council.

When Council adopts an appropriations ordinance (budget), it is based on projected revenues and expenditures. If fund balances do not support the requested level of expenditures, no carryover or adjustment is recommended.

Carryover Process

Departments were asked to submit information regarding the reasons for the unencumbered carryover requests to assist staff in determining which funds should be carried into FY 2025. In prior years, funds have been approved for carryover from one year to the next based on funding availability.

Types of Carryover

Encumbrance Rollovers reflect contractual obligations entered into in FY 2024 which had not been paid as of June 30, 2024. Funding for these “encumbered” commitments is brought forward into the current fiscal year to provide for payment of these obligations.

Unencumbered Carryovers reflect the carryover of funding appropriated by the City Council for specific purposes that had not been encumbered by year-end. The carryover for the General Fund are for priority projects. There are also additional carryover requests in nondiscretionary funds. Capital Improvement Funds carryovers are for continuing projects.

Other Adjustments and New Funding Requests

Other Adjustments reflect actions taken by the City Council after the adoption of the FY 2025 budget. It also includes new General Fund supported funding requests by City departments. Citywide, there are other adjustments in nondiscretionary funds and reflect the appropriation of grant funding and the use of available fund balance.

Council Budget Referrals

Throughout the year Councilmembers may refer items to the budget process. Staff in the Office of Budget and Fiscal Services (Budget Office) summarize the requests and present the list of budget referrals to the Committee and the Council for consideration. The Council budget referrals, including pending referrals to be considered by Council on November 12, 2024, are summarized in Attachment 2.

Items Referred to the AAO1 Process

On June 25, 2024, Council adopted the FY 2025 and FY 2026 Biennial Budget and referred several items to the November 2024 AAO1 process and part of the overall discussion for funding allocation. These items are in Attachment 2.

CONCLUSION

The Amendment to the FY 2025 Annual Appropriation Ordinance allows the City to augment the FY 2025 Adopted Budget, re-appropriating funds from FY 2024 to FY 2025 for contractual commitments that need to be paid and revising the budget to reflect approved carryover requests in both discretionary and non-discretionary funds. Staff is presenting carryover recommendations for projects that are either currently under contract, represent Council priorities, and/or are considered critical for ongoing operations. The Amendment to FY 2025 Annual Appropriations Ordinance is scheduled to go to the full City Council for adoption on November 19, 2024.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects or opportunities associated with the act of adopting the budget/appropriations ordinance/amendments. 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

Sharon Friedrichsen, Budget Manager, City Manager's Office, 981-7000
Maricar Dupaya, Senior Management Analyst, City Manager's Office, 981-7000

Attachment:

1. FY 2024 Departmental Carryover and FY 2025 Adjustment Detail Request – All Funds
2. Summary of General Fund Request including Council Budget Referrals and Items from the FY 2025 & FY 2026 Budget Process and General Fund Balance Calculation
3. GF FY 2024 vs FY 2023 Revenue
4. Budget and Fiscal Policies

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
1	011	General Fund	City Attorney's Office	317,510		Outside Counsel	Outside Counsel expenses are being incurred to cover for three attorneys on parental leave.
2	011	General Fund	City Clerk		87,958	City Council Agenda Management; Digital Records; Records Online; Birth and Death Records	To help pay for increase in extended OnBase Contract
3	011	General Fund	City Clerk	176,684	94,570	2024 Special Elections additional cost	Carryover to pay for Special Elections additional cost
4	011	General Fund	City Clerk		635,000	2024 General Election additional cost	Additional funding for increase cost for the 2024 General Election
5	011	General Fund	City Manager's Office		501,552	Rodeway Inn Lease Costs	Payments to Rodeway Inn for a low barrier non-congregate shelter for people living in encampments. Approved by Ordinance 7,901-N.S.
6	011	General Fund	City Manager's Office	6,753		Fencing for Civic Center Park	This is to pay an FY24 invoice for the fencing currently up in Civic Center Park due to timing of receipt of invoice.
7	011	General Fund	City Manager's Office	60,000		Toolkit to assist staff communications	Employer of Choice initiative, timing delays in implementation while reseraching products.
8	011	General Fund	City Manager's Office	145,500		Transportation fee/fines analysis for Reimagining Public Safety	To support the early-phase mapping and analysis of Berkeley's fines and fees structures.
9	011	General Fund	City Manager's Office	50,000		Office of Racial Equity	Council Budget referral - Office of Racial Equity: Re-Entry Employment and Guaranteed Income Programs
10	011	General Fund	Fire		19,940	Stryker Lift Chair UC Berkeley	Adjustment to add funds received from UC Berkeley on 7/31/24 to purchase power chair this fiscal year
11	011	General Fund	Fire	227,550		WUI Vegetation Management	Funding for Marina Landscape Contract that was not encumbered autmatically
12	011	General Fund	HHCS	33,990		PGE NEM Charges	Due to delays in invoice processing, PG&E Net Energy Metering True-Up charges were not paid in FY24. Carryforward needed to have sufficient funds to pay for FY24 services in FY25
13	011	General Fund	HHCS	18,284		OnBase upgrade - Konica Minolta	Carryforward needed due to delays in invoice processing. OnBase needed to be upgraded with encryption as per State required specifications
14	011	General Fund	HHCS	15,000		Environmental Health Landscaping Abatement Services	Needed for Landscaping (environmental health hazard abatement) contract that was unable to be executed due to administrative delays
15	011	General Fund	HHCS	48,111		Square One	To support S+C households with rental assistance and flexible funds and support housing retention program meet its HUD service match requirement, which is in jeopardy due to changes in Aging/BMH/LLMC billable rates due to CalAIM implementation. If funds are not approved to carry forward, program will have insufficient funds to support needs and participants may be evicted for non-payment of rent or lack of utilities, a violation of unit habitability.
16	011	General Fund	HHCS	50,000		Hard Hats Ordinance (from social housing uncommitted funds)	Unable to execute in FY24 due to delays in contracting process. Funds must be moved to HCS in order to contract with awarded vendor, The Labor Compliance Managers, in order to carry out scope of work for HARD HATS
17	011	General Fund	HHCS	25,000		Housing Development Consultant Support	Due to delays in contracting process, contract was executed too late in FY24 to encumber funds in time and a carryforward is needed. May not be able to meet timely deliverables for affordable housing goals if not approved.
18	011	General Fund	HHCS	100,000		Street Level Advisors	Carryforward needed to support amended contract agreement that was not encumbered until FY25.
19	011	General Fund	HHCS	51,234		Healthy Black Families Contract	Contract # 32400189 was executed towards the end of FY24 and funds were not fully encumbered in time prior to year-end deadlines. Outreach is critical to ensure that affordable housing seekers, especially those who have already been displaced from Berkeley, are aware of & understand the Preference Policy. There are upcoming BMR properties that will be applying the policy in coming months, and it will be important to do targeted outreach in partnership with Healthy Black Families.
20	011	General Fund	HHCS	137,780		FY24 Community Agency contract amendments	Carryforward needed due to delays in executing FY24 Community Agency contract amendments for the following: Big Oaks/Ephesian, Ecology Center, J-Sei, Suitcase Clinic and Healthy Black Families
21	011	General Fund	HHCS	56,893		FY24 Community Agency contract amendments	Carryforward needed due to delays in executing FY24 Community Agency contract amendments for the following: Berkeley Free Clinic, Multicultural Institute, and Through the Looking Glass
22	011	General Fund	Human Resources	11,800		Indeed Invoice	Invoice for Fire recruitment advertising through Indeed.

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
23	011	General Fund	Human Resources		50,000	Labor Negotiations	Lengthy negotiations with SEIU Local 1021 CSU/PTRLA and with Local One are necessitating additional expenditures on outside negotiators; also contributing to the increased expenses are multiple information requests by both unions, seeking a broad array of material pertaining to City finances and to bargaining unit composition, wages, and benefit utilization.
24	011	General Fund	Mayor and Council	66,468		FY 2024 Council Carryover	FY24 Council Carryover Amount. Approved by Council through Resolution No. 70,054-N.S.
25	011	General Fund	Non-Departmental		1,043,546	General Fund Transfer to Catastrophic Loss Fund	Revise General Fund Transfer to the Catastrophic Loss Fund to provide additional funds to pay FY 2025 Bay Cities Joint Powers Insurance Authority bill for Liability Program Insurance costs.
26	011	General Fund	Non-Departmental		244,355	FY 2025 Bay Cities Joint Powers Insurance Authority Program Bill	Add additional funds for the FY 2025 Bay Cities Joint Powers Insurance Liability Program Insurance costs for Property Program, APD Program, Crime Program, and Cyber Program insurance costs
27	011	General Fund	Non-Departmental		289,143	Transfer from General Fund to the FUNDS\$ Replacement Fund	Transfer from General Fund to FUNDS\$ Replacement Fund (Fund 503) to pay for personnel expenses that was paid by Fund 503 that should have been expensed out of General Fund starting in July 1, 2023
28	011	General Fund	Office of the Director of Police Accountability	20,000		New Office Furniture (1X Expense)	Need to obtain quote based on approved office location space.
29	011	General Fund	Office of the Director of Police Accountability	20,000		New Office IT Reconfiguration (1X)	Carryover funding to pay for ODPAs IT reconfiguration for their new office
30	011	General Fund	Office of the Director of Police Accountability	20,000		New Office A/V and misc. cost	Tenant Improvement cost (AV)
31	011	General Fund	Office of the Director of Police Accountability	32,076		Stand-alone Website + social media program launch	Stakeholder engagement- 125(14)(m)
32	011	General Fund	Office of the Director of Police Accountability	58,118		VIRTRA-Virtual training simulator (1X Expense)	Training and maintaining confidentiality- 125(14)(m)
33	011	General Fund	Office of the Director of Police Accountability	20,000		Software & Licences for Board Members (1X Expense)	Training and maintaining confidentiality- 125(14)(m)
34	011	General Fund	Office of the Director of Police Accountability	20,000		PAB/Community Training Academy	Training and maintaining confidentiality- 125(14)(m) Stakeholder engagement- 125(14)(m) Beyond line item allocated. To support launch of a civilian academy program (see COPA- https://www.chicagocopa.org/community-outreach/copa-peoples-academy/)
35	011	General Fund	Office of the Director of Police Accountability	12,000		PAB Committee + Training Stipends Adjustments	Board Member Stipends 125(11)(a)
36	011	General Fund	Office of the Director of Police Accountability	25,071		Outreach (Promotional materials)	Stakeholder engagement- 125(14)(m)
37	011	General Fund	Office of the Director of Police Accountability	24,250		Outreach (Community Engagement Meetings)	Stakeholder engagement- 125(14)(m)
38	011	General Fund	Office of the Director of Police Accountability	25,000		Public Safety Pulse Survey	Stakeholder engagement- 125(14)(m)
39	011	General Fund	Parks, Recreation, and Waterfront	140,000		Miyawaki Forest Project	Contract awarded, construction to begin in December 2024.
40	011	General Fund	Parks, Recreation, and Waterfront		149,325	Reimbursement for staffing and maintenance costs associated with BUSD use of James Kenney CC.	BUSD's use of community center facilities associated with Longfellow Middle School. Use in progress.
41	011	General Fund	Parks, Recreation, and Waterfront	24,939		WILLARD CLUBHOUSE RESTROOM REPLCMNT	Carryover FY 2024 funding for the continuation of the Willard Clubhouse Restroom Replacement project.
42	011	General Fund	Parks, Recreation, and Waterfront	4,696,967		D and E Dock Replacement	Carryover FY 2024 funding for the continuation of the D & E Dock Replacement project.
43	011	General Fund	Parks, Recreation, and Waterfront	803,033		Waterfront Dredging	Carryover FY 2024 funding for the continuation of the Waterfront Dredging project.
44	011	General Fund	Parks, Recreation, and Waterfront	40,000		City survey of ballot measures in 2024	Carryover FY 2024 funding (from Vision 2050) to pay for Lake Research Partners for City survey of ballot measures in 2024.
45	011	General Fund	Parks, Recreation, and Waterfront		275,000	Utilities	Unfunded portion of FY 25 utility costs increases.

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
46	011	General Fund	Parks, Recreation, and Waterfront		225,000	Fire Fuel	Additional tree and hazardous vegetation removals.
47	011	General Fund	Parks, Recreation, and Waterfront	52,037		African American Holistic Resource Center Carryforward of unspent funds	GF carryforward request to fund African American Holistic Resource Center activities
48	011	General Fund	Parks, Recreation, and Waterfront	800,000		Matching funds to repair deficient tide tubes	Council budget referral - Matching Funds to Repair Eight Deficient Tide Tubes to Avoid Catastrophic Structural Failure and Escalating Construction Costs. Status of grant being awarded to COB will be known in March 2025.
49	011	General Fund	Planning	20,000		BESO Implementation Funds	Unencumbered balance from FY24; project delayed to FY25
50	011	General Fund	Planning	250,000		Rezone Gilman Street	Unencumbered balance from FY24; Department is ready to utilize
51	011	General Fund	Planning	300,000		Land Use Safety & Env Justice Update	Unencumbered balance from FY24; Department is ready to utilize
52	011	General Fund	Planning	150,000		San Pablo Ave Specific Area Plan	Unencumbered balance from FY24; project is in progress.
53	011	General Fund	Planning	275,215		BART Stations Area Plan	Unencumbered balance from FY24; project is in progress.
54	011	General Fund	Planning	100,000		Transpiration Impact Fee Analysis	Unencumbered balance from FY24; funds have been reallocated to HARDHATS implementation.
55	011	General Fund	Police	40,000			Carryover FY2024 funding to pay for unpaid contract PO invoices in FY 2024 (Stepford, DC Electric, and City of Fairfield)
56	011	General Fund	Public Works		676,807	Stair Center ADA	Carryover FY 2024 funding for the Stair Center ADA project. Construction to being in February 2025.
57	011	General Fund	Public Works	163,306		WBSC Improvements	Carryover FY 2024 funding for the continuation of the WBSC Improvements project, moving into the construction phase
58	011	General Fund	Public Works	1,413,550		EV CHARGING STATION	Carryover FY 2024 funding for the continuation of the EV Charging Station project.
59	011	General Fund	Public Works	154,475		Strawberry Creek Culvert Repairs	Carryover FY 2024 funding for the Strawberry Creek Culvert project
60	011	General Fund	Public Works		60,010	Edgeworth/Comeras in ROW	For Edgeworth contract increase to meet \$850k NT contract.. PW is requesting additional funding for this project.
61	011	General Fund	Public Works	639,990		Edgeworth/Comeras in ROW	For new Edgeworth contract
62	011	General Fund	Public Works	150,000		Oxford/University Corridor Studies	To continue project
63	011	General Fund	Public Works	619,470		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
64	011	General Fund	Public Works	150,000		Ardurra Group Inc. & LCC Engineering & Surveying Inc.,	LLC Engineering & Surveying Svcs, contract #32300082 (staff augmentation)
65	011	General Fund	Public Works	260,000		Staff Augmentation	From FY24 salary saving - To continue site projects for the 5-Year EV Charger Fleet Program while staff is on leave
66	011	General Fund	Public Works	30,000		Yield Signs at Two Unmarked Intersections	Council Budget referral for Yield Signs at Two Unmarked Intersections
67	011	General Fund	Public Works	85,000		Vision Zero Improvements at 6th & Addison Intersection	Council budget referral for Vision Zero Improvements at 6th & Addison Intersection
68	011	General Fund	Public Works		223,500	Turnstone Data Analysts	Requesting general fund allocation due to Parking Meter fund projected deficit - Res.No. 71,054 N.S
	011 Total			13,233,055	4,575,706		
69	016	U1 Housing	Rent Stabilization Board	88,574		Empty Homes Tax Ordinance	Ongoing Empty Homes Tax Ordinance implementation per City Council and Rent Board
	016 Total			88,574	-		
70	104	Library - Friends & Gifts	Library		25,600	Additional Allocation from Friends of the Library	Additional allocation from Friends of the Library for the System Children's Program. MOCHA was free for us until recently. This program has been succesful with Patrons and we are continuing it. Funded from Fund Balance.
	104 Total			-	25,600		
71	111	Fundraising Activities	HHCS		10,000	MOWAC Fund	Meals on Wheels - Operational Needs
72	111	Fundraising Activities	HHCS		3,150	Field Trip Trust Fund - Minnie's Trust Fund	Requesting \$3,150 from Donation fund to purchase tickets to a field trip event for senior center members
	111 Total			-	13,150		

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
73	120	Affordable Housing Mitigation	HHCS		200,000	Housing Development Consultant Support	Due to challenges with recruiting for vacancies, additional consultant support for housing development and policy/program work is needed, including work related to both BART station developments, the small sites program, an upcoming HTF Rehab RFP, and project management for HTF projects.
74	120	Affordable Housing Mitigation	HHCS		35,761	Program Manager II	Salary for Requisition #2024-02369, new permanent Program Manager II position to FY25 Revised Budget. It is has been authorized for the adopted budget for FY26 but the position is needed now because of the rapidly growing portfolio of affordable housing work and ongoing challenges filling vacancies within the units leaving them under-staffed.
75	120	Affordable Housing Mitigation	HHCS		17,613	Program Manager II	Benefits for Requisition #2024-02369, new permanent Program Manager II position to FY25 Revised Budget. It is has been authorized for the adopted budget for FY26 but the position is needed now because of the rapidly growing portfolio of affordable housing work and ongoing challenges filling vacancies within the units leaving them under-staffed.
	120 Total			-	253,374		
76	125	Playground Camp	Parks, Recreation, and Waterfront	2,200		Watershed Progressive	Carryover FY 2024 FOBTC donations for the Watershed Progressive Project
77	125	Playground Camp	Parks, Recreation, and Waterfront	162,768		Echo Lake Camp ADA Improvement	Carryover FY 2024 funding for the Echo Lake Camp ADA Improvement
78	125	Playground Camp	Parks, Recreation, and Waterfront	51,177		Various	Carryover FY 2024 capital funding for various PRW capital projects for continuation of these projects in FY 2025.
	125 Total			216,146	-		
79	126	Proposition 172	Police		1,199,834	DNA testing, crime lab costs, telephone service costs	Increased DNA testing contract costs including the cost of Cold-Case Sexual Assault Exams, crime labs, and telephone services
	126 Total			-	1,199,834		
80	127	State Transportation Tax	Public Works	270,155		Retaining Wall & Storm Drain Repair	Carryover FY 2024 funding for the Retaining Wall & Storm Drain Repair project
81	127	State Transportation Tax	Public Works		2,200,000	Strawberry Creek Culvert Repairs	New appropriation in FY 2025 for Strawberry Creek Culvert Repairs project
82	127	State Transportation Tax	Public Works	83,606		FY 2022 Street Rehab	Carryover FY 2024 funding for the continuation of the FY 2022 Street Rehab Project
83	127	State Transportation Tax	Public Works	827,827		Street Rehab FY 2023	Carryover FY 2024 funding for the continuation of the Street Rehab FY 2023 Rehab project
84	127	State Transportation Tax	Public Works	2,776,476		Street Rehab FY 2024	Carryover FY 2024 funding for the continuation of the Street Rehab FY 2024 project
85	127	State Transportation Tax	Public Works	47,537		STREET REHAB FY24	Carryover FY 2024 funding to continue the project in the construction phase
86	127	State Transportation Tax	Public Works	51,000		FY 2025 Street Maintenance and Rehabilitation Project	Carryover FY 2024 funds for the FY 2025 Street Maintenance and Rehabilitation Project
87	127	State Transportation Tax	Public Works	107,935		SIDEWALK SHAVING - FY2020	Carryover FY 2024 funding to complete the project
88	127	State Transportation Tax	Public Works	200,000		FY2024 Sidewalk Repairs Program	Carryover FY 2024 funding for the continuation of the FY 2024 Sidewalk repairs Program
89	127	State Transportation Tax	Public Works	100,000		T1 Phase 2 Bollards	Carryover FY 2024 funding for Construction change order and invoices

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
90	127	State Transportation Tax	Public Works	50,000		Various Capital Projects	Carryover FY 2024 funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	127 Total			4,514,536	2,200,000		
91	128	CDBG	Public Works	1,075,311		WBSC Improvements	Carryover FY 2024 funding for the continuation of the WBSC Improvements project, moving into the construction phase
	128 Total			1,075,311	-		
92	130	Measure B - Local Streets & Roads	Public Works	1,380,537		Street Rehab FY 2024	Carryover FY 2024 funding for the continuation of the Street Rehab FY 2024 project
93	130	Measure B - Local Streets & Roads	Public Works		750,000	Street Rehab FY 2025	Appropriate Measure B Funds for the FY 2025 Street Rehab project
94	130	Measure B - Local Streets & Roads	Public Works	127,608		FY 2025 Street Maintenance and Rehabilitation Project	Carryover FY 2024 funds for the FY 2025 Street Maintenance and Rehabilitation Project
95	130	Measure B - Local Streets & Roads	Public Works	65,000		Southside Complete Streets	Carryover FY 2024 project budget for the continuation of the Southside Complete Streets project
96	130	Measure B - Local Streets & Roads	Public Works	657,699		Various Capital Projects Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
97	130	Measure B - Local Streets & Roads	Public Works	534,039		Woolsey-Eton Traffic Calming	Carryover FY 2024 funding for the continuation of the Woolsey-Eton Traffic Calming project
	130 Total			2,764,883	750,000		
98	131	Meas B - Bike and Pedestrian	Public Works	15,767		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	131 Total			15,767	-		
99	133	Measure F - Alameda County VRF Streets and Roads	Public Works	155,000		Street Rehab FY 2024	Carryover FY 2024 funding for the continuation of the Street Rehab FY 2024 project
100	133	Measure F - Alameda County VRF Streets and Roads	Public Works	300,000		FY2024 Sidewalk Repairs Program	Carryover FY 2024 funding for the continuation of the FY 2024 Sidewalk repairs Program
101	133	Measure F - Alameda County VRF Streets and Roads	Public Works	35,227		T1 Phase 2 Bollards	Carryover FY 2024 funding for Ongoing project
102	133	Measure F - Alameda County VRF Streets and Roads	Public Works	283,011		T1 Streets Project	Carryover FY 2024 funding for Ongoing project
103	133	Measure F - Alameda County VRF Streets and Roads	Public Works	1,260,000		T1 Streets Project	Carryover FY 2024 funding for Ongoing project
104	133	Measure F - Alameda County VRF Streets and Roads	Public Works	66,922		T1 PH 2 Sidewalk Mtc & Safety Rep	Carryover FY 2024 funding for the continuation of the construction phase of the T1 PH 2 Sidewalk Mtc & Safety Rep project

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105	133	Measure F - Alameda County VRF Streets and Roads	Public Works	15,000		MLK JR Vision Zero Quick Build	Carryover FY 2024 funding for the MLK JR Vision Zero Quick Build project
106	133	Measure F - Alameda County VRF Streets and Roads	Public Works	39,950		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	133 Total			2,155,110	-		
107	134	Measure BB - Local Streets & Roads	Public Works	115,000		Strawberry Creek Culvert Repairs	Carryover FY 2024 funding for the Strawberry Creek Culverts project
108	134	Measure BB - Local Streets & Roads	Public Works	164,892		FY 2022 Street Rehab	Carryover FY 2024 funding for the continuation of the FY 2022 Street Rehab Project
109	134	Measure BB - Local Streets & Roads	Public Works	3,501,709		Street Rehab FY 2024	Carryover FY 2024 funding for the continuation of the Street Rehab FY 2024 project
110	134	Meas BB - Local Streets and Rd	Public Works	74,400		STREET REHAB FY24	Carryover FY 2024 funding to continue the project in the construction phase
111	134	Measure BB - Local Streets & Roads	Public Works	36,150		LA LOMA SW Replacement	Carryover FY 2024 funding for the continuation of the La Loma SW Replacement project.
112	134	Measure BB - Local Streets & Roads	Public Works	851,687		FY2024 Sidewalk Repairs Program	Carryover FY 2024 funding for the continuation of the FY 2024 Sidewalk repairs Program
113	134	Measure B Bike & Ped	Public Works	251,533		T1 Phase 2 Bollards	Carryover FY 2024 funding for Ongoing project
114	134	Meas BB - Local Streets and Rd	Public Works		50,000	T1 PH 2 BOLLARDS	
115	134	Measure BB - Local Streets & Roads	Public Works	106,921		MLK JR Vision Zero Quick Build	Carryover FY 2024 funding for the MLK JR Vision Zero Quick Build project
116	134	Measure BB - Local Streets & Roads	Public Works	289,750	358,968	Southside Complete Streets	Carryover FY 2024 project budget for the continuation of the Southside Complete Streets project
117	134	Measure BB - Local Streets & Roads	Public Works	40,000		University Avenue Bus Stop	Carryover FY 2024 funding for the continuation of the University Avenue Bus Stop Project
118	134	Measure BB - Local Streets & Roads	Public Works	21,593		Vision Zero	Carryover FY 2024 funding for the Vision Zero project
119	134	Meas BB - Local Streets and Rd	Public Works	75,000		Traffic Calming	
120	134	Measure BB - Local Streets & Roads	Public Works	115,217		I-80 Gilman Interchange Phase 2	Carryover FY 2024 funding for the continuation of the I-80 Gilman Interchange Phase 2 project.
121	134	Meas BB - Local Streets and Rds	Public Works	1,453,642		Various Capital Projects	
122	134	Measure BB - Local Streets & Roads	Public Works		85,000	Hopkins Bike & Pedestrian	New appropriation in FY 2025 for Hopkins Bike & Pedestrian project
	134 Total			7,097,494	493,968		
123	135	Meas BB - Bike and Pedestrian	Public Works		114,316	NB BART/Sacramento Complete ST	To continue the project
124	135	Meas BB - Bike and Pedestrian	Public Works		9,027	Ohlone Greenway & Safety project	To continue the project

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
125	135	Meas BB - Bike and Pedestrian	Public Works	139,595		Addison Bike Blvd	Carryover FY 2024 to continue project
126	135	Measure BB - Bike & Pedestrian	Public Works	15,450		MLK JR Vision Zero Quick Build	Carryover FY 2024 funding for the MLK JR Vision Zero Quick Build project
127	135	Meas BB - Bike and Pedestrian	Public Works	472,485		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	135 Total			627,530	123,343		
128	136	MEAS BB - PARATRANSIT	HHCS		120,000	Taxi Scrip/BRSD/GoGo Technologies	To cover taxi scrip reimbursement and GoGo Technologies contract through FY25
	136 Total			-	120,000		
129	137	One-Time Funding	HHCS		303,000	Opioid Prevention Program	Outreach and education for opioid prevention in the high school setting. Funding made available through National Opioid Settlement funds.
130	137	One-Time Funding	Public Works	50,000		Street Rehab FY 2023	Carryover FY 2024 funding for the continuation of the Street Rehab FY 2023 Rehab project
131	137	One Time Funding	Public Works		16,800	Friends of the Fountain Walk contribution	To appropriate Friends of the Fountain Walk contribution
	137 Total			50,000	319,800		
132	138	Parks Tax	Parks, Recreation, and Waterfront	820,538		Civic Center Fountain Garden	Carryover FY 2024 funds for the Civic Center Fountain Garden project
133	138	Parks Tax	Parks, Recreation, and Waterfront	107,755		600 Addison Project	Carryover FY 2024 funding for the continuation of the 600 Addison Project
134	138	Parks Tax	Parks, Recreation, and Waterfront	33,500		FY24 Parks Minor Maintenance	Carryover FY 2024 funds to restore the Affordable Painting contract
135	138	Parks Tax	Parks, Recreation, and Waterfront	153,001		Court Resurfacing Project	Carryover for Court Resurfacing project to process a change order for First Serve.
136	138	Parks Tax	Parks, Recreation, and Waterfront	92,279		GROVE PARK PHASE 2	Carryover FY 2024 funding for the continuation of the Grove Park Phase 2 project.
137	138	Parks Tax	Parks, Recreation, and Waterfront	403,376		Tom Bates Restroom/ Community Space	Project is in design.
138	138	Parks Tax	Parks, Recreation, and Waterfront	1,793,321		Various	Carryover FY 2024 capital funding for various PRW capital projects for continuation of these projects in FY 2025.
	138 Total			3,403,771	-		
139	139	Street and Open Street Impr	Public Works	200,000		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	139 Total			200,000	-		
140	142	Street Lighting	Public Works	94,162	150,000	STREETLIGHT MAINTENANCE FY 2022	Carryover FY 2024 funding to complete the project
141	142	Street Lighting	Public Works	610,792		FY23 Streetlight Pole Replacement	Carryover FY 2024 funding for pole replacement work throughout the City
142	142	Street Lighting	Public Works	20,800		MLK JR Vision Zero Quick Build	Carryover FY 2024 funding for the MLK JR Vision Zero Quick Build project
	142 Total			725,754	150,000		
143	145	Bayer (Miles Lab)	Parks, Recreation, and Waterfront	49,613		Trees Make Life Better	Carryover of Bayer Funds for Rx Lodge Contract
	145 Total			49,613	-		
144	147	UC Settlement	Public Works	223,309		Piedmont/Channing Traffic Circle Ped/St.	
145	147	UC Settlement	Public Works	260,000		Restrooms in the Right of Way 2-3 (ROW)	Carryover FY 2024 funding for the continuation of the Restrooms in the Right of Way 2-3 (ROW) project.
146	147	UC Settlement	Public Works	817,433		Southside Complete Streets	Carryover FY 2024 funding for the continuation of the Southside Complete Streets project
	147 Total			1,300,742	-		
147	148	Cultural Trust	City Manager's Office		687,632	Various public art projects	These funds - generated from fees paid by private developers in lieu of implementing on-site public art per the Public Art on Private Development policy - are used to finance public art projects throughout the City. There are a number of pending Public Art projects to utilize this funding.
	148 Total			-	687,632		
148	149	Private Sidewalk	Public Works	780,001		FY2024 Sidewalk Repairs Program	Carryover FY 2024 funding for the continuation of the FY 2024 Sidewalk repairs Program

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
149	149	Private Sidewalk	Public Works	100,000		T1 Phase 2 Bollards	Carryover FY 2024 funding for ongoing project
150	149	Private Sidewalk	Public Works	25,000		T1 PH 2 Sidewalk Mtc & Safety Rep	Carryover FY 2024 funding for the continuation of the construction phase of the T1 PH 2 Sidewalk Mtc & Safety Rep project
	149 Total			905,001	-		
151	150	Public Art	City Manager's Office		66,500	Various public art projects	Funds for various art projects throughout the City
	150 Total			-	66,500		
152	156	Health State Aid Realignment	HHCS		36,020	Third Wave Contract Amendment	Upgrade of Electronic Health Record system at the Berkeley High School Health Center needed to meet reporting and billing requirements
153	156	Health State Aid Realignment	HHCS		500,000	NextGen HER Replacement	Essential EHR replacement for High School Health Center
154	156	Health State Aid Realignment	HHCS		18,997	PH FY25 Internal Services Charges - Tech Allocation	FY25 PH Tech Allocation Internal Services Charges. Division charges were incorrectly budgeted to TCM program budget.
155	156	Health State Aid Realignment	HHCS		38,409	PH FY25 Internal Services Charges - 1947 Center St Fac Main	FY25 PH 1947 Center Street Facilities Maintenance Internal Services Charges. Division charges were incorrectly budgeted to TCM program budget.
156	156	Health State Aid Realignment	HHCS		168,524	New PH Position Personnel Allocations - PCN #2024-02141 (SSS) & #2024-02142 (SSS)	New PH Position Personnel Allocations - PCN #2024-02141 (SSS) & #2024-02142 (SSS)
	156 Total			-	761,950		
157	159	Citizens Options	Police		150,000	Under cover vehicle contract, On-call Phlebotomists contract	Continue various contracts for support of police operations
	159 Total			-	150,000		
158	305	Capital Grants - Federal	Public Works	21,769		Southside Complete Streets	Carryover FY 2024 funding for the continuation of the Southside Compete Streets project
	305 Total			21,769	-		
159	306	Capital Grants - State	Public Works	138,223		University Bus Stop	Carryover FY 2024 funding to continue project
160	306	Capital Grants - State	Public Works		148,983	Parker - Addison Bikeway	Carryover FY 2024 funding to continue project
161	306	Capital Grants - State	Public Works	2,143,665		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	306 Total			2,281,888	148,983		
162	307	Capital Grants - Local	Parks, Recreation, and Waterfront	5,139,000		Pier/Ferry Project	Carryover of ACTC Funds for Pier Ferry Project
163	307	Capital Grants - Local	Public Works	738,876		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	307 Total			5,877,876	-		
164	309	OTS DUI Enforcement	Police		353,000	Office of Traffic Safety Grant	2024 OTS Grant (PT24016) Grant continues in FY25 & New 2025 OTS Grant
	309 Total			-	353,000		
165	310	Home	HHCS		1,199,834	HOME Grant Award	FY25 Confirmed grant amount (Revenue)
166	310	Home	HHCS		428,028	HOME Grant Award	FY25 Difference of confirmed award and estimate
	310 Total			-	1,627,862		
167	311	ESG	HHCS		237,965	ESG Grant Award	FY25 Confirmed grant amount (Revenue)
	311 Total			-	237,965		
168	312	HEALTH (GENERAL)	HHCS		78,759	WIC Contract Amendment #4 (A04) + #5 (A05)	WIC (Women, Infants & Children) Program Contract Amendment #4 & #5 Personnel Budget increase (off-cycle 10/1 - 9/30)
	312 Total			-	78,759		
169	313	Target Case Mgmt/Linkages	HHCS		289,011	Persimmony Contract NTE	Persimmony Contract NTE, Reso #71,028-N.S.
	313 Total			-	289,011		
170	320	SR. NUTRITION (TITLE III)	HHCS		20,572	C2 Meals on Wheels Grant	FY25 grant approved allocation
	320 Total			-	20,572		
171	327	Sr. Supportive Social Serv	HHCS		54,649	Information & Assistance Grant	FY25 grant approved allocation
	327 Total			-	54,649		

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
172	328	FAMILY CARE SUPPORT PROG	HHCS		55,318	Family Caregiver Support Grant	FY25 grant approved allocation
173	328	FAMILY CARE SUPPORT PROG	HHCS		15,538	Senior Center Activities	FY25 grant approved allocation
	328 Total			-	70,856		
174	329	CA INTEGRATED WASTE MGMT	Public Works	17,062		Used Oil Program	Carryover Used Oil award to pay for outstanding invoices
	329 Total			17,062	-		
175	331	Housing Mitigation	HHCS		52,232	Northern California Land Trust	The property at 2321 10th street requires urgent health and safety related repairs. The developer plans to begin rehabilitation work in Fall of 2024. If the funds are not available and the project will not go forward and occupants will be negatively impacted.
	331 Total			-	52,232		
176	334	CSBG	HHCS		7,000	Additional discretionary funds provided by CSBG for CY24 award. Amendment #2	Additional discretionary funds provided by CSBG for CY24 award. Amendment #2
	334 Total			-	7,000		
177	336	One-Time Grant	City Manager's Office		15,000	California For All Animals Grant	Appropriate funds for the California For All Animals Grant for supplies for unhoused animals. Approved by Council on 1/16/24 through Resolution No. 71,153-N.S.
178	336	One-Time Grant	City Manager's Office		5,395,637	ERF-3 Grant from State of California	This is a new State of California grant for master leasing the Howard Johnson motel as shelter. Grant was awarded by the State on 9/27/24
179	336	One-Time Grant	City Manager's Office		1,070,386	1619 University Avenue Campus Motel	Appropriate State of California Encampment Resolution Funds for the lease at 1619 University Avenue (Campus Motel, LLC) for the purpose of establishing a homeless shelter. Approved by Council on 7/11/23 through Ordinance No. 7,881-N.S.
180	336	One-Time Grant	Fire	100,000	348,000	CalFire (State) Grant	Carry Forward from FY2024 (Total Grant Award is \$448,000) Project Number FDEBRP2024 and adding in the balance of the grant of \$348k
181	336	One-Time Grant	HHCS		180,000	CCMU Additional Funding Allocation	CCMU Additional Funding Allocation, Reso #70,222-N.S.; \$70,000 of \$250,000 new allocation AAO'd in FY24, seeking remaining \$180,000 of allocation in FY25
182	336	One-Time Grant	HHCS		64,814	STD DIS Grant	FY25 grant approved allocation
183	336	One-Time Grant	HHCS		1,456,627	Insight Housing - Super 8 Motel -	Currently, Insight Housing is advancing the Dwight Way Construction project, which has incurred \$700,000 in expenses and pending COB payments. At present, Insight has enough operating cash to cover one month of operations in the event that they do not receive any payments from COB invoices.
184	336	One-Time Grant	Non-Departmental		100,000	San Francisco Foundation grant to support the Equitable Black Berkeley Initiative	Appropriate grant fund from the San Francisco Foundation to pay for expenses supporting the Equitable Black Berkeley Initiative. Approved by Council on June 25, 2024 Resolution No. 71,425-N.S.
185	336	One-Time Grant	Parks, Recreation, and Waterfront	3,000,000		Pier/Ferry Project	Carryover of WETA Funds for Pier Ferry Project
186	336	One-Time Grant	Parks, Recreation, and Waterfront	229,534	87,503	Urban Greening Program	Carryover and Adjustment to complete Urban Greening tree planting program.
187	336	One-Time Grant	Parks, Recreation, and Waterfront	410,321		Civic Center Fountain Garden	Carryover FY 2024 funds for the Civic Center Fountain Garden project
188	336	One-Time Grant	Parks, Recreation, and Waterfront	4,038,303		Santa Fe Right-of-Way	Carryover FY 2024 capital funding for various PRW capital projects for continuation of projects in FY 2025.
189	336	One-Time Grant	Parks, Recreation, and Waterfront		134,468	Trees Make Life Better	Adjustment to complete the Trees Make Life Better grant activities.
190	336	One-Time Grant	Planning	282,000		OPR Adaptation Planning Grant Program Grant	Carryover FY 2024 OPR Grant balance; projects are in progress
191	336	One-Time Grant	Police		112,000	CHP Cannabis Tax Fund Grant	New Cannabis Grant FY24-25
192	336	One-Time Grant	Police		170,000	DOJ Tobacco Grant	Grant continues in FY 2025

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
193	336	One-Time Grant	Police		60,000	BSCC Wellness and Mental Health Grant	Grant continues in FY 2025
194	336	One-Time Grant	Public Works	172,865		RRFB @ Shattuck/Berkeley Way	Carryover FY 2024 funds for the RRFB @ Shattuck/Berkeley Way
195	336	One-time Grant:No Cap	Public Works	15,000		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
196	336	One Time Grant	Public Works		174,290	PSB HVAC Repl & FS#6 Window Repl	Appropriate funding for Energy Efficiency and Conservation Block Grant
197	336	One Time Grant	Public Works		250,000	W.Berkeley Aquatic Park SD Imprv	Appropriate funding for EPA \$1.5M grant - FY25 appropriation \$250K
198	336	One Time Grant	Public Works	328,023		SB1383 Local Assistance Grant	Carryover FY24 funding to divert material that commercial generators would have otherwise composted.
	336 Total			8,576,046	9,618,725		
199	339	MTC	Public Works	22,552		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	339 Total			22,552	-		
200	340	FEMA	Fire		15,667	FEMA FY20 AFG Grant Cost Share Amount	Payment from Fire Nuggets Deposited for FY20 AFG Grant Cost Share Project Number FDFAFG20
201	340	FEMA	Fire		4,321	FEMA FY22 AFG Grant	Replace Funds used for FEMA AFG FY 20 Grant Project Number FDFAFG22
202	340	FEMA	Fire		1,449,664	FEMA FY24 SAFER Grant- Wages	SAFER Grant Salaries for (9) FF, year 1
203	340	FEMA	Fire		1,045,370	FEMA FY24 SAFER Grant- Benefits	SAFER Grant Benefits for (9) FF, year 1
204	340	FEMA	Parks, Recreation, and Waterfront		15,706	MLK Youth Services Center Renovation	Project is in final design.
	340 Total			-	2,530,728		
205	343	City County Beverage Payment Program	Public Works	31,213		City County Beverage Payment Program	Carryover funding for the Water Refill Stations for Parks & Recreation locations throughout Berkeley
	343 Total			31,213	-		
206	344	CalTrans Grant	Public Works	8,637		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	344 Total			8,637	-		
207	349	JAG Grant	Police		50,000	Justice Assistance Grant	Grant continues in FY 2025
	349 Total			-	50,000		
208	501	CIP Fund	Finance	946,400		ERMA AR/GB	Bus Lic /Tax Assess Replacement Funding to be used for ERMA AR/GB
209	501	CIP Fund	Parks, Recreation, and Waterfront	2,258		Pool Renovations Project	Carryover for the Pool Renovations Project
210	501	CIP Fund	Parks, Recreation, and Waterfront	36,454		D and E Dock Replacement	Carryover FY 2024 funding for the continuation of the D & E Dock Replacement project.
211	501	CIP Fund	Parks, Recreation, and Waterfront	4,350		Cesar Chavez Park-New Restroom	Carryover FY 2024 funding for the continuation of the Cesar Chavez Park-New Restroom project.
212	501	CIP Fund	Parks, Recreation, and Waterfront	160,600		B&C Restroom ADA Improvements	Carryover for the B&C Restroom ADA Improvements project
213	501	CIP Fund	Parks, Recreation, and Waterfront	58,500		Echo Lake ADA Project	Carryover funding as project is in construction.
214	501	CIP Fund	Parks, Recreation, and Waterfront	8,833		Various	Carryover FY 2024 capital funding for various PRW capital projects for continuation of these projects in FY 2025.
215	501	CIP Fund	Public Works	74,198		CY LIFT PITS-BLDG G	Carryover FY 2024 funding for the continuation of the CY LIFT PITS-BLDG G project
216	501	CIP Fund	Public Works	168,492		NBSC Upgrades - Kitchen & Data	Carryover FY 2024 funding for the NBSC Upgrades - Kitchen & Data project
217	501	CIP Fund	Public Works	505,381		CONTROL SYSTEMS UPGRADES- PSB JAIL	Carryover FY 2024 funding for the continuation of the Control Systems Upgrades - PSB Jail project
218	501	CIP Fund	Public Works	112,765		2180 MILVIA CARPET REPLACEMENT, PH3	Carryover FY 2024 funding for the continuation of the 2180 Milvia Carpet Replacement Phase 3 project
219	501	CIP Fund	Public Works	344,294		Stair Center ADA	Carryover FY 2024 funding for the Stair Center ADA project
220	501	CIP Fund	Public Works	100,000		EBCE SOLAR & STORAGE AT FS#3	Carryover FY 2024 funding for the continuation of the EBCE Solar and Storage project at FS#3

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
221	501	CIP Fund	Public Works	1,049,232		EV CHARGING STATION	Carryover FY 2024 funding for the continuation of the EV Charging Station project.
222	501	CIP Fund	Public Works	49,459		Retaining Wall & Storm Drain Repair	Carryover FY 2024 funding for the Retaining Wall & Storm Drain Repair project
223	501	CIP Fund	Public Works	1,135,831		Strawberry Creek Culvert Repairs	Carryover FY 2024 funding for the Strawberry Creek Culvert project
224	501	CIP Fund	Public Works	267,908		FY 2022 Street Rehab	Carryover FY 2024 funding for the FY 2022 Street Rehab project
225	501	CIP Fund	Public Works	6,093,117		Street Rehab FY 2024	Carryover FY 2024 funding for the continuation of the Street Rehab FY 2024 project
226	501	CIP Fund	Public Works	715,090		FY 2025 Street Maintenance and Rehabilitation Project	Carryover funding for the FY 2025 Street Maintenance and Rehabilitation Project
227	501	CIP Fund	Public Works	87,125		FY2024 Sidewalk Repairs Program	Carryover FY 2024 funding for the continuation of the FY 2024 Sidewalk repairs Program
228	501	CIP Fund	Public Works	38,570		MLK JR Vision Zero Quick Build	To continue the project in the construction phase
229	501	CIP Fund	Public Works	1,674,667		Southside Complete Streets	Carryover FY 2024 funding for the continuation of the Southside Complete Streets project
230	501	CIP Fund	Public Works	3,774,877		TELEGRAPH/CHANNING ELEVATOR UPGRADE	To continue the project into the construction phase
231	501	CIP Fund	Public Works	102,060		Traffic Calming	To continue project
232	501	CIP Fund	Public Works	199,650		Hopkins St. Corridor	To continue project
233	501	CIP Fund	Public Works	199,400		T1 Phase 2 Bollards	Carryover FY 2024 funding for ongoing project
234	501	CIP Fund	Public Works	168,492		NBSC UPGRADES - KITCHEN & DATA	For construction contract
235	501	CIP Fund	Public Works	121,818		PSB BICYCLE BUNKER ROOF REPAIR	To continue the project
236	501	CIP Fund	Public Works	15,019		Woolsey-Eton Traffic Calming	Carryover FY 2024 funding for the continuation of the Woolsey-Eton Traffic Calming project
237	501	CIP Fund	Public Works	50,000		SIDEWALK SHAVING - FY2020	To complete the project
238	501	CIP Fund	Public Works	150,000		T1 Streets Project	To continue the project
239	501	CIP Fund	Public Works	247,083		FIRE STATION #6 IMPRVMENTS	To continue the project
240	501	CIP Fund	Public Works	1,027,814		Various Capital Projects	Carryover FY 2024 capital funding for various PW capital projects for continuation of projects in FY 2025
241	501	CIP Fund	Public Works	148,218		T1 Streets Project (ADA)	Carryover FY 2024 ADA Implementation funding to continue in FY 2025
242	501	CIP Fund	Public Works	203,054		Fire Station #2	To continue the project
243	501	CIP Fund	Public Works		440,000	Milvia Stairwell Tower Windows	Emergency amendment for additional scope to remediate flaking paint and repaint interior perimeter walls at 2180 Milvia Street
244	501	CIP Fund	Public Works	60,000		Bike Station Payment to BART	Carryover to pay past due payments to BART in FY 2024.
	501 Total			20,101,009	440,000		
245	504	PEG Access Facilities	IT		267,210	Berkeley Community Media	To pay for Contract # 32400019 Public Access Television - Berkeley Community Media
	504 Total			-	267,210		
246	506	Measure M	Public Works	305,280		Retaining Wall & Storm Drain Repair	Carryover FY 2024 funding for the Retaining Wall & Storm Drain Repair project
247	506	Measure M	Public Works	8,000		Strawberry Creek Culvert Repairs	Carryover FY 2024 funding for the Strawberry Creek Culvert project
248	506	Measure M	Public Works	115,000		LA LOMA SW Replacement	Carryover FY 2024 funding for the continuation of the La Loma SW Replacement project.
249	506	Measure M	Public Works	194,475		T1 Phase 2 Pathway Repairs	Carryover FY 2024 funding for the T1 Phase 2 Pathways Project
250	506	Measure M	Public Works	99,004		Woolsey-Eton Traffic Calming	Carryover FY 2024 funding for the continuation of the Woolsey-Eton Traffic Calming project
	506 Total			721,759	-		
251	511	Measure T1	City Manager's Office	204,500		Various public art projects	Carryover FY 2024 funding for various art projects
252	511	Measure T1	Parks, Recreation, and Waterfront	1,014,220		Civic Center Fountain Garden	Carryover FY 2024 funds for the Civic Center Fountain Garden project
253	511	Measure T1	Parks, Recreation, and Waterfront	6,112,894		MLK Youth Services Center	Project is in design.
254	511	Measure T1	Parks, Recreation, and Waterfront	7,664,531		African American Holistic Resource	Carryover FY 2024 funding for the African American Holistic Resource Center Project

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
255	511	Measure T1	Parks, Recreation, and Waterfront	16,508		CAZADERO DINING HALL & ADA IMPRVMTS	
256	511	Measure T1	Parks, Recreation, and Waterfront	715,794		WILLARD CLUBHOUSE RESTROOM RPLCMNT	Carryover FY 2024 funding for the continuation of the Willard Clubhouse Restroom Replacement project.
257	511	Measure T1	Parks, Recreation, and Waterfront	1,480,931		Tom Bates Restroom/ Community Space	Project is in design.
258	511	Measure T1	Parks, Recreation, and Waterfront	146,975		Harrison Park - Restroom Renovation	Project is in design.
259	511	Measure T1	Parks, Recreation, and Waterfront	1,069,097		Ohlone Park - Restroom and Lighting	Carryover FY 2024 funding for Ohlone Park - Restroom and Lighting Project
260	511	Measure T1	Parks, Recreation, and Waterfront	10,001		King Pool Tile And Plaster Replacement	Post-construction costs.
261	511	Measure T1	Parks, Recreation, and Waterfront	167,888		D and E Dock Replacement	Carryover FY 2024 funding for the continuation of the D & E Dock Replacement project.
262	511	Measure T1	Parks, Recreation, and Waterfront	368,079		K Dock Restroom Renovation	Project is in design.
263	511	Measure T1	Parks, Recreation, and Waterfront	459,110		Cesar Chavez Park-New Restroom	Carryover FY 2024 funding for the continuation of the Cesar Chavez Park-New Restroom project.
264	511	Measure T1	Public Works	545,573		Restrooms in the Right of Way 2-3 (ROW)	Carryover FY 2024 funding for the continuation of the Restrooms in the Right of Way 2-3 (ROW) project.
265	511	Measure T1	Public Works	1,202,659		1947 Center Street Improvements	Carryover FY 2024 funding for the 1947 Center Street Improvements project
266	511	Measure T1	Public Works	115,000		T1 Phase 2 Bollards	Carryover FY 2024 funding for ongoing project
267	511	Measure T1	Public Works	146,125		T1 PH 2 Sidewalk Mtc & Safety Rep	Carryover FY 2024 funding for the continuation of the construction phase of the T1 PH 2 Sidewalk Mtc & Safety Rep project
268	511	Measure T1	Public Works	25,875		FIRE STATION #6 IMPRVMTS	Ongoing project for Fire Station #6
269	511	Measure T1	Public Works	1,265,750		Fire Station #2	Ongoing project going to bid out for construction
270	511	Measure T1	Public Works	271,416		Oxford/Telegraph Channing Garage Restroom project	Ongoing project going out to bid-funds needed for contract
271	511	Measure T1	Public Works	191,028		CY Improv- Wash Station	Ongoing project going out to bid-funds needed for contract
272	511	Measure T1	Public Works	1,276,583		CY- BLDG B - Green Room Project	Ongoing project
273	511	Measure T1	Public Works	99,872		CY-IMPROV- Deferred Mtc.	Ongoing project
274	511	Measure T1	Public Works	622,070		CY- BDG H - Roof Repair	Ongoing project
275	511	Measure T1	Public Works	127,321		South Berkeley Senior Center	Ongoing project
276	511	Measure T1	Public Works	3,950,000		T1 Streets	Ongoing project
277	511	Measure T1	Public Works	93,299		T1 Phase 2 Pathways Repairs	Carryover FY 2024 funding for the T1 Phase 2 Pathways Project
	511 Total			29,363,099	-		
278	512	Measure O - AFFORDABLE HOUSING	HHCS		2,000,000	BUSD Workforce Housing Development	Council will consider adding \$2M to the existing funding reservation for the BUSD Workforce Housing Development at their October 29th meeting. If approved, the project will close its City loan by February 2025. The funds will likely come from the next (2025) issuance of Measure O.
	512 Total			-	2,000,000		
279	601	Zero Waste	Public Works	6,295		Transfer Station Tipping Floor Emergency Repairs	Carryover FY 2024 funding for the Transfer Station Tipping Floor Emergency Repairs Project
280	601	Zero Waste	Public Works		67,429	Reclass vacant Field Representative to Program Manager I	To reclass vacant Field Representative to Program Manager I to manage compliance at the Closed Landfill and support the Transfer Station rebuild project
281	601	Zero Waste	Public Works	174,036		Closed Landfill Monitoring	Carryover FY24 funding for Past Due FY 2024 invoices SCS Engineering contract closed landfill monitoring
282	601	Zero Waste	Public Works		1,073,907	Closed Landfill Monitoring	Appropriate funding for Past Due FY 2024 invoices SCS Engineering contract/ increased monitoring FY 2025
283	601	Zero Waste	Public Works		603,196	Clean Cities Transfer Station dump fees	Appropriate funding for Out of period charges from prior fiscal years consumed FY 2025 budget.
	601 Total			180,331	1,744,532		
284	606	MAR - COASTAL CONSERVANCY	Parks, Recreation, and Waterfront	4,305,347		D and E Dock Replacement	Carryover FY 2024 funding for the continuation of the D & E Dock Replacement project.
285	606	MAR - COASTAL CONSERVANCY	Parks, Recreation, and Waterfront	936,000	221,733	South Cove West Parking	Carryover FY 2024 funding and appropriate additional funding for the South Cove West Parking Project

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
286	606	MAR - COASTAL CONSERVANCY	Parks, Recreation, and Waterfront	4,462,920		Waterfront Dredging	Carryover FY 2024 funding for the continuation of the Waterfront Dredging project.
287	606	MAR - COASTAL CONSERVANCY	Parks, Recreation, and Waterfront	1,936,074		Cesar Chavez Park Pathways	Carryover FY 2024 funding for Cesar Chavez Park Pathways
288	606	MAR - COASTAL CONSERVANCY	Parks, Recreation, and Waterfront	2,790,821		Pier/Ferry Project	Carryover of SCC Grant Funds for Pier Ferry Project
	606 Total			14,431,161	221,733		
289	607	MAR- Department of Boating & Waterways	Parks, Recreation, and Waterfront		60,000	DBAW 2023 Save Grant	Carryover of DBAW 2023 Save Grant for derelict vessels
290	607	MAR- Department of Boating & Waterways	Parks, Recreation, and Waterfront	18,366		DBAW 2022 Save Grant	Carryover of DBAW 2022 Save Grant for derelict vessels
	607 Total			18,366	60,000		
291	608	Marina Fund	Parks, Recreation, and Waterfront		6,000	DBAW 2023 Save Grant	Carryover of matching funds for DBAW 2023 Save Grant for derelict vessels
292	608	Marina Fund	Parks, Recreation, and Waterfront	387,883		D and E Dock Replacement	Carryover FY 2024 funding for the continuation of the D & E Dock Replacement project.
293	608	Marina Fund	Parks, Recreation, and Waterfront	62,037		K Dock Restroom Renovation	Project is in design.
294	608	Marina Fund	Parks, Recreation, and Waterfront	117,277		Cesar Chavez Park-New Restroom	Carryover FY 2024 funding for the continuation of the Cesar Chavez Park-New Restroom project.
295	608	Marina Fund	Parks, Recreation, and Waterfront	103,868		South Cove West Parking	Carryover FY 2024 funding for the South Cove West Parking Project
296	608	Marina Fund	Parks, Recreation, and Waterfront	195,833		O & K DOCK ELECTRICAL	Carryover FY 2024 funding for the continuation of the O & K Dock Electrical project.
297	608	Marina Fund	Parks, Recreation, and Waterfront	6,000		DBAW 2022 Save Grant	Carryover of matching funds for DBAW 2022 Save Grant for derelict vessels
298	608	Marina Fund	Parks, Recreation, and Waterfront	153,564		Various	Carryover FY 2024 capital funding for various PRW capital projects for continuation of these projects in FY 2025.
	608 Total			1,026,462	6,000		
299	611	Sanitary Sewer Operation	Public Works	452,782	500,342	Sanitary Sewer Master Plan	Carryover FY 2024 funding and appropriate new FY 2025 funds for the Sanitary Sewer Masterplan project
300	611	Sanitary Sewer Operation	Public Works		1,605,161	S Rehab Neilson, et al	FY25 New Appropriated Funding for S Rehab Neilson, et al project
301	611	Sanitary Sewer Operation	Public Works	2,357,828		SS Rehab Parker et al	Carryover FY 2024 funding for S Rehab Neilson, et al project
302	611	Sanitary Sewer Operation	Public Works	2,354,156		Sanitary Sewer Hearst Et Al	Carryover FY funding for the Sewer Rehab Heast Et Al Project
303	611	Sanitary Sewer Operation	Public Works	277,002		SSR-FY23 Urgent Repair (Various Capital Projects Locations)	Carryover FY 2024 funding for SSR-FY23 Urgent Repair (Various Capital Projects Locations) project
304	611	Sanitary Sewer Operation	Public Works	1,330,064		The Alameda, Keeler, Euclid, et.al	Carryover FY 2024 funding for the payment of outstanding invoices and continuation of The Alameda, Keeler, Euclid, et.al. project.
305	611	Sanitary Sewer Operation	Public Works	5,526,794		Sewer Rehab Virginia, Parker, Et Al	Carryover FY 2024 funds for the Sewer Rehab Virginia, Parker, Et al project
306	611	Sanitary Sewer Operation	Public Works	749,545		SSR - FY 24 Urgent Repair	Carryover FY 2024 funding for SSR - FY 24 Urgent Repair project
307	611	Sanitary Sewer Operation	Public Works	356,298		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	611 Total			13,404,469	2,105,503		
308	616	Clean Storm Water	Public Works	271,631		Retaining Wall & Storm Drain Repair	Carryover FY 2024 funding for the Retaining Wall & Storm Drain Repair project
309	616	Clean Storm Water	Public Works	611,408		MRP Trash Capture	Carryover FY 2024 funding for On-going project

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
310	616	Clean Storm Water	Public Works	50,189		Clean Water Program	Carryover FY 2024 funding for the continuation of the Clean Water program
311	616	Clean Storm Water	Public Works	137,200		WILDCAT CANYON ROAD REPAIRS	Carryover FY 2024 funding to continue the project into the construction phase
312	616	Clean Storm Water	Public Works	720,000		FY2024 Sidewalk Repairs Program	Carryover FY 2024 funding for the continuation of the FY 2024 Sidewalk repairs Program
313	616	Clean Storm Water	Public Works	272,683		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
	616 Total			2,063,111	-		
314	622	UNIFIED PROGRAM (CUPA)	Planning		22,077	Accela EnvisionConnect software license	The Toxics Management Division implemented new software this year, and we budgeted for that implementation and license. We didn't realized that Toxics is also contractually obligated to pay for their old Accela EnvisionConnect software license this year. Toxics doesn't have enough salary savings to date to cover the Accela invoice.
	622 Total			-	22,077		
315	627	Off-Street Parking Fund	Public Works		616,601	TELEGRAPH/CHANNING ELEVATOR UPGRADE	Appropriate funding to continue the project into the construction phase
316	627	Off-Street Parking Fund	Public Works	764		Various Capital Projects	Carryover FY 2024 capital funding for Various Capital Projects PW capital projects for continuation of projects in FY 2025
317	627	Off-Street Parking Fund	Public Works		919,815	SKIDATA Contract Amendment	Appropriate funds for the SKIDATA Inc. contract amendment to provide maintenance services and warranties for parking access and revenue control system equipment at the City parking garages
	627 Total			764	1,536,416		
318	631	Parking Meter Fund	Public Works	43,035		Dixon Resources Unlimited	From FY24 salary saving - To pay consultant to continue projects while waiting to hire Parking Manager
	631 Total			43,035	-		
319	636	Equipment Maintenance	Public Works		50,000	Janitorial Contract	1947- Center St.-To ensure continued services to City Buildings-Rate increase and Retro-active Rate increase initiated by Finance.Contract being taken over from Finance
320	636	Building Maintenance	Public Works		50,000	Security Contract (Allied extension)	Appropriate funding to ensure continued services to City Buildings- Contract being taken over from Finance
	636 Total			-	100,000		
321	671	Equipment Maintenance	Public Works	300,000		EV Charging Capital Projects - Loan to Division	Consultant assistance while staff are on leave
322	671	Equipment Maintenance	Public Works	411,000		Carry over of FY24, FY23 purchases	Need additional funding to allow for FY25 Vehicle Purchases, these are all planned replacements that have paid into the fund.
323	671	Equipment Maintenance	Public Works		200,000	Deposit on 641 Gilman - Loan to Division	To support the investigation/purchase of the property for the relocation of Equipment Maintenance
324	671	Equipment Maintenance	Public Works		2,000,000	Transfer to 672 Equipment Maintenance	To ensure continued fuel & maintenance to city Vehicles, includes encumbrances for vendors approved on 10/15/24 council agenda
	671 Total			711,000	2,200,000		
325	673	Building Maintenance	Public Works		250,000	Janitorial Contract	Appropriate funding to ensure continued services to City Buildings-Rate increase and Retro-active Rate increase initiated by Finance. Contract being taken over from Finance
326	673	Building Maintenance	Public Works		150,000	Security Contract (Allied extension)	Appropriate funding to ensure continued services to City Buildings- Contract being taken over from Finance
327	673	Building Maintenance	Public Works		200,000	Electrician for Buildings-Funding shift from 142/134	There is not a currently funded position for buildings.
328	673	Building Maintenance	Public Works		100,000	On-Call MSR HVAC	Appropriate funding to allow for timely repairs of City Buildings
329	673	Building Maintenance	Public Works		150,000	On-Call Painting Contractor	Appropriate funding to allow for timely repairs of City Buildings
330	673	Building Maintenance	Public Works		150,000	On-Call Roofing Constructors	Appropriate funding to allow for timely repairs of City Buildings
	673 Total			-	1,000,000		
331	679	Catastrophic Loss Fund	Non-Departmental		4,273,032	FY 2025 Bay Cities Joint Powers Insurance Authority Program Bill	Add additional funds for the FY 2025 Bay Cities Joint Powers Insurance Liability Program Insurance costs

Item #	Fund #	Fund Name	Department	Carryover Request	Adjustment Request	Description/Project name	Comments/Justification
	679 Total			-	4,273,032		
332	680	IT Cost Allocation	IT		2,900,000	Transfer from IT Cost Allocation Fund to the FUNDS\$ Replacement Fund	Fund Transfer from IT Cost Allocation (680) to FUNDS\$ Replacement Fund (503)
	680 Total			-	2,900,000		
333	781	Berkeley Tourism BID	City Manager's Office	90,207			This funding belongs to the BID and the City is obligated to disperse it.
	781 Total			90,207	-		
334	782	Elmwood BID	City Manager's Office	30,290			This funding belongs to the BID and the City is obligated to disperse it.
	782 Total			30,290	-		
335	783	Solano Avenue BID	City Manager's Office	20,136			This funding belongs to the BID and the City is obligated to disperse it.
	783 Total			20,136	-		
336	784	Telegraph PBID	City Manager's Office	157,831			This funding belongs to the BID and the City is obligated to disperse it.
	784 Total			157,831	-		
337	786	Dwnt Berk Prop & Imp	City Manager's Office	79,656			This funding belongs to the BID and the City is obligated to disperse it.
	786 Total			79,656	-		
338	801	Rent Stabilization Board	Rent Stabilization Board		1,741,272	FY 2025 Adopted Rent Board Budget	Revise Rent Board FY 2025 Budget to match the budget adopted by the Rent Stabilization Board
	801 Total			-	1,741,272		
	Grand Total			137,703,017	47,648,975		

FY 2025 Combined List of General Fund Budget Requests

Item #	Department	Item	Requesting Amount	Type of Request
FY 2025 Unfunded Items				
Tier 1B/1C				
1	City Manager	Grant Assistance	50,000	One-Time
2	City Clerk	2024 General Election	-	One-Time
3	Human Resources	Threat Assessment Team (Psychological Services)	75,000	On-Going
4	Information Technology	Infrastructure Vulnerability Scanner	60,000	On-Going
5	Planning	Citywide Historic Context Statement	200,000	One-Time
6	Parks, Rec., & Waterfront	South Cove Seawall-Additional Funded-Planning Only	250,000	One-Time
7	Public Works	Vision Zero Action Plan Consultant Costs	250,000	One-Time
8	Public Works	Low Income Rebate - Zero Waste	100,000	On-Going
9	Public Works	Low Income Rebate - Sewer	100,000	On-Going
10	Parks, Rec., & Waterfront	Marina Fund Operational Subsidy	347,348	One-Time
11	Parks, Rec., & Waterfront	Inflation Adjustment	32,210	Ongoing
12	Planning	Energy Manager Bill Processing Fee	8,000	One-Time
13	Police	Jail Control Panel Project	250,000	One-Time
14	Public Works	Codornicies Creek Restoration at 9th Street (PWENCR2402)	200,000	One-Time
15	ODPA	Communications Specialist (working title)	210,691	On-Going
16	ODPA	Internship Program	30,000	On-Going
17	ODPA	Assistant City Clerk (working title)	237,346	On-Going
18	ODPA	Office Specialist II	128,912	On-Going
Tier 2				
19	City Clerk	Paperless Contracts Software	400,000	On-Going
20	City Manager	Electronic message boards, road closure signage, cones	85,000	One-Time
21	City Manager	Strategic plan report	32,000	On-Going
22	City Manager	Veterinarian (new classification request)	184,756	On-Going
23	City Manager	Assistant Management Analyst	154,533	On-Going
24	City Manager	Associate Management Analyst	210,818	On-Going
25	City Manager	#Discovered in Berkeley – Berkeley Business Marketing & Communications Project: Continuation	25,000	On-Going
26	City Manager	Berkeley Ventures, Berkeley Values	10,000	On-Going
27	City Manager	Ongoing Grant Program for Retaining and Improving Creative Spaces	300,000	On-Going
28	City Manager	Consultants for Business Improvements	50,000	One-Time
29	City Manager	Recommendations on Public Safety/Crime Prevention for Women	250,000	One-Time
30	Finance	Reclassification of Associate to Sr Mgmt. Analyst	129,885	On-Going
31	HHCS	Second Deputy Director	289,438	On-Going
32	Human Resources	Reclassification of Assistant to Sr Mgmt. Analyst	68,472	On-Going

FY 2025 Combined List of General Fund Budget Requests

Item #	Department	Item	Requesting Amount	Type of Request
33	Information Technology	Upgrade to Microsoft G5 for improving security and compliance	500,000	One-Time
34	Information Technology	Data Center Relocation (CoLo or Cloud)	1,100,000	One-Time
35	Parks, Rec., & Waterfront	CIP Personnel	360,625	On-Going
36	Parks, Rec., & Waterfront	Restore FY24 CIP Baseline	2,000,000	On-Going
37	Parks, Rec., & Waterfront	Camps Fund Capital	550,000	One-Time
38	Parks, Rec., & Waterfront	Marina Fund Capital	1,010,000	One-Time
39	Planning	Rezone Gilman Project (FY25)	100,000	One-Time
40	Police	Senior Management Analyst	214,324	On-Going
41	Police	Program Manager II	258,076	On-Going
42	Public Works	Codornices Creek Restoration between UPRR & Caltrans (Behind Transfer Station)	400,000	One-Time
43	Public Works	BART Rent agreement for bike station	85,000	On-Going

Tier 3

44	City Manager	Assistant Management Analyst	41,724	On-Going
45	Police	Associate Management Analyst	192,917	On-Going
46	Public Works	Break even amount to shift costs from On-Street Parking Fund 631 to General Fund that support direct personnel and non-personnel in PD's Parking Enforcement Program	2,699,667	On-Going

Sub-Total: FY 2025 Unfunded items

14,231,742

FY 2024 Unfunded Council Budget Referrals (07/01/2023 - 06/30/2024)

47	Taplin, Robinson, and Humbert	51B BRT + University/Shattuck Corridor Mobility Improvements	150,000	One-Time
48	Robinson and Humbert	Opening the Dwight Triangle	25,000	One-Time
49	Humbert and Bartlett	Additional Security Cameras at Intersections Experiencing Increased Violent Crime	905,000	One-Time
50	Hahn, Humbert, Taplin, and Bartlett	Continue Market Match Program for Low-Income Berkeley Residents in the Event of Statewide Program Cuts	180,000	One-Time
51	Bartlett	Healthy Black Families Community Engagement - Ashby BART Development and Equitable Black Berkeley	60,000	One-Time
52	Hahn and Wengraf	Development of Voluntary Design Guidelines	200,000	One-Time
53	Humbert, Hahn, Taplin, and Lunaparra	Staff direction and budget referral for Practical Interventions to Clear and Keep Using Parking Spaces (PICKUPS)	125,000	One-Time
54	Hahn	Berkeley Faith & Justice Coalition – Grassroots Leader Support Project	25,000	One-Time
55	Mayor Arreguin	Berkeley Youth Alternatives Part-Time Garden Assistant	31,250	One-Time

Sub-Total: FY 2024 Unfunded Council Budget Referrals

1,701,250

New Council Referrals (07/01/2024 - 11/12/2024)

FY 2025 Combined List of General Fund Budget Requests

Item #	Department	Item	Requesting Amount	Type of Request
56	Mayor Arreguin	Ashby BART Area Enhanced Infrastructure Finance District (EIFD) Analysis	100,000	One-Time
57	Cecilian Lunaparra, Chair	Refer to the City Manager to fund and develop a Curb Management	250,000	One-Time
58	Kesarwani, Humbert, Tregub, and Wengraf	Independent Consultant to Conduct Analysis of Health Food Inspection Program	100,000	One-Time
59	Civic Arts Commission	Civic Arts Commission Fund Request - Mitigation Fee Nexus Study, Public Art on Private Development Requirement	125,000	One-Time
60	Hahn, Humbert, and Bartlett	Budget Referral and Technical Support for La Peña Cultural Center	150,000	One-Time
61	Bartlett	Funding for Speed Bump at Russell and Martin Luther King Jr. Way	7,000	One-Time
62	Bartlett	Funding for Replacement of Six Existing Wrought Iron Barriers for South Adeline Circular Planters	50,000	One-Time
63	Wengraf	Create a Five-Year Sustainable and Comprehensive Recovery Plan for the Arts and Culture Sector in Berkeley	150,000	One-Time
64	Humbert	Create a City park at Parkside Drive terminus median	150,000	One-Time
65	Humbert and Tregub	One-time \$70,000 bridge funding to the Bread Project	70,000	One-Time
66	Wengraf	Design and planning for replacement of play structures and ADA access improvements at Glendale La Loma Park	250,000	One-Time
67	Tregub	Install an Accessible Pedestrian Signal (APS) at the intersection of Sacramento Street and Allston Way	30,000	One-Time
68	Hahn	Budget Referral and Technical Support for the Berkeley Art Center	100,000	One-Time
69	Tregub and Hahn	Traffic Study and Pedestrian Safety Operations at the Pedestrian Crossing on Shattuck Avenue and Delaware Street	50,000	One-Time
70	Taplin	Afterschool Program Expansion	300,000	One-Time
71	Taplin	F and G Dock Deck Replacement	500,000	One-Time
72	Taplin	South Cove Seawall Design Project	250,000	One-Time

Sub-Total: Council Referrals 2,632,000

GF AAO1 - New Request

73	City Clerk	City Council Agenda Management; Digital Records; Records Online; Birth and Death Records	87,958	On-Going
74	City Clerk	2024 Special Elections additional costs	94,570	One-Time
75	City Clerk	2024 General Elections additional Costs	635,000	One-Time
76	City Manager's Office	Rodeway Inn Lease Costs	501,552	On-Going
77	Fire	UC Berkeley power chair lift so patients can be easily moved up and down the stadium seating (paid for by UC)	19,940	One-Time
78	Human Resources	Outside legal counsel services for labor negotiations	50,000	One-Time

FY 2025 Combined List of General Fund Budget Requests

Item #	Department	Item	Requesting Amount	Type of Request
79	Non-Departmental	General Fund Transfer to Catastrophic Loss Fund	1,043,546	One-Time
80	Non-Departmental	FY 2025 Bay Cities Joint Powers Insurance Authority Program Bill	244,355	One-Time
81	Non-Departmental	Transfer to the FUNDS\$ Replacement Fund for staffing costs working on General Fund projects	289,143	One-Time
82	Parks, Recreation, and Waterfront	Staffing and maintenance costs associated with BUSD use of James Kenney community center and park	149,325	One-Time
83	Parks, Recreation, and Waterfront	Increase cost of utilities at community centers and pools	275,000	On-Going
84	Parks, Recreation, and Waterfront	Fire Fuel Abatement- removal of hazardous vegetation, tree pruning/removal	225,000	One-Time
85	Public Works	Funding to advance the Stair Center ADA project to construction	676,807	One-Time
86	Public Works	Cost shift from Parking Meter Fund to pay for parking data analytics service (Turnstone Data Analysts)	223,500	On-Going
87	Public Works	Edgeworth/Cameras in ROW	60,010	One-Time
Sub-Total: GF AAO1 - New Request			4,575,706	

GF AAO1 - Carryover Request - Charter Offices

88	City Attorney's Office	Outside Counsel	317,510	One-Time
89	Office of the Director of Police Accountability	New Office Furniture (1X Expense)	20,000	One-Time
90	Office of the Director of Police Accountability	New Office IT Reconfiguration (1X)	20,000	One-Time
91	Office of the Director of Police Accountability	New Office A/V and misc. cost	20,000	One-Time
92	Office of the Director of Police Accountability	Stand-alone Website + social media program launch	32,076	One-Time
93	Office of the Director of Police Accountability	VIRTRA-Virtual training simulator (1X Expense)	58,118	One-Time
94	Office of the Director of Police Accountability	Software & Licenses for Board Members	20,000	One-Time
95	Office of the Director of Police Accountability	PAB/Community Training Academy	20,000	One-Time
96	Office of the Director of Police Accountability	PAB Committee + Training Stipends Adjustments	12,000	One-Time
97	Office of the Director of Police Accountability	Outreach (Promotional materials)	25,071	One-Time
98	Office of the Director of Police Accountability	Outreach (Community Engagement Meetings)	24,250	One-Time
99	Office of the Director of Police Accountability	Public Safety Pulse Survey	25,000	One-Time
Sub-Total: GF AAO1 - Carryover Request - Charter Offices			594,026	

GF AAO1 - Carryover Request - Departments

100	Mayor and Council	FY 2024 Council Carryover per Res#70,054 - Guideline and Procedures for City Council Office Budget	66,468	One-Time
101	City Clerk	2024 Special Elections additional costs	176,684	One-Time
102	City Manager's Office	Fencing for Civic Center Park	6,753	One-Time
103	City Manager's Office	Toolkit to assist staff communications	60,000	One-Time
104	City Manager's Office	Transportation fee/fines analysis for Reimagining Public Safety	145,500	One-Time

FY 2025 Combined List of General Fund Budget Requests

Item #	Department	Item	Requesting Amount	Type of Request
105	City Manager's Office	Office of Racial Equity: Re-Entry Employment and Guaranteed Income Programs	50,000	One-Time
106	Fire	WUI Vegetation Management	227,550	One-Time
107	HHCS	African American Holistic Resource Center Carryforward of unspent	52,037	One-Time
108	HHCS	OnBase upgrade - Konica Minolta	18,284	One-Time
109	HHCS	Environmental Health Landscaping Abatement Services	15,000	One-Time
110	HHCS	Square One	48,111	One-Time
111	HHCS	Hard Hats Ordinance (from social housing uncommitted funds)	50,000	One-Time
112	HHCS	Housing Development Consultant Support	25,000	One-Time
113	HHCS	Street Level Advisors	100,000	One-Time
114	HHCS	Healthy Black Families Contract	51,234	One-Time
115	HHCS	PGE NEM Charges	33,990	One-Time
116	HHCS	FY24 Community Agency contract amendments	137,780	One-Time
117	HHCS	FY24 Community Agency contract amendments	56,893	One-Time
118	Human Resources	Indeed Invoice	11,800	One-Time
119	Parks, Recreation, and Waterfront	Miyawaki Forest Project	140,000	One-Time
120	Parks, Recreation, and Waterfront	Willard Clubhouse Restroom Replacement	24,939	One-Time
121	Parks, Recreation, and Waterfront	D and E Dock Replacement	4,696,967	One-Time
122	Parks, Recreation, and Waterfront	Waterfront Dredging	803,033	One-Time
123	Parks, Recreation, and Waterfront	City survey of ballot measures in 2024	40,000	One-Time
124	Parks, Recreation, and Waterfront	Matching Funds to Repair Eight Deficient Tide Tubes to Avoid Catastrophic Structural Failure and Escalating Construction Costs	800,000	One-Time
125	Planning	BESO Implementation Funds	20,000	One-Time
126	Planning	Rezone Gilman Street	250,000	One-Time
127	Planning	Land Use Safety & Env Justice Update	300,000	One-Time
128	Planning	San Pablo Ave Specific Area Plan	150,000	One-Time
129	Planning	BART Stations Area Plan	275,215	One-Time
130	Planning	Transportation Impact Fee Analysis (to be reallocated to Hard Hat Ordinance in HHCS)	100,000	One-Time
131	Police	Unpaid contract PO invoices in FY 2024 (Stepford, DC Electric, and City of Fairfield)	40,000	One-Time
132	Public Works	EV Charging Station	1,413,550	One-Time
133	Public Works	Strawberry Creek Culvert Repairs	154,475	One-Time
134	Public Works	Ardurra Group Inc. & LCC Engineering & Surveying Inc.,	150,000	One-Time
135	Public Works	West Berkeley Senior Center Improvements	163,306	One-Time
136	Public Works	Use salary savings to fund consultants to continue projects	260,000	One-Time
137	Public Works	Oxford/University Corridor Studies	150,000	One-Time

FY 2025 Combined List of General Fund Budget Requests

Item #	Department	Item	Requesting Amount	Type of Request
138	Public Works	Edgeworth/Cameras in ROW	639,990	One-Time
139	Public Works	Continue various capital projects	619,470	One-Time
140	Public Works	Yield Signs at Two Unmarked Intersections	30,000	One-Time
141	Public Works	Vision Zero Improvements at 6th & Addison Intersection	85,000	One-Time
Sub-Total: GF AAO1 - Carryover Request - Other Departments			12,639,029	
Total: FY 2025 Combined List of Budget Requests			35,779,727	

Preliminary Fund Balance with Investment Policy

GENERAL FUND UNASSIGNED FUND BALANCE CALCULATION

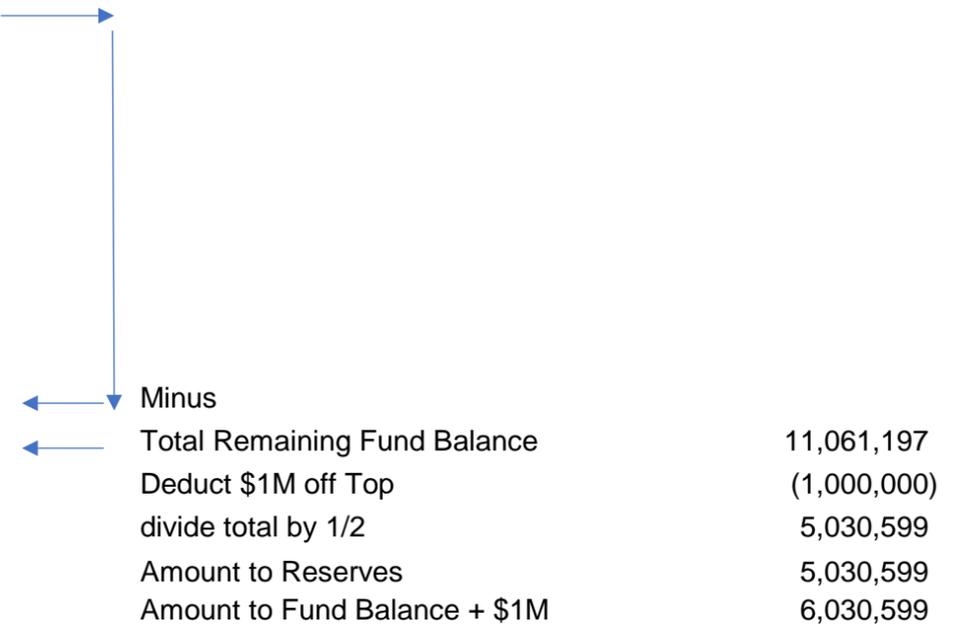
FY 2024 Beginning Fund Balance	\$ 85,414,079
FY 2024 Revenues	\$ 273,390,623
FY 2024 Expenditures	\$ (288,270,886)
FY 2024 GF Transfer of Revenue to Measure U1	\$ (6,322,118)
Investment Interest above baseline of \$6 million to Section 115 Trust	\$ (3,052,000)
Investment Interest above baseline of \$6 million to GF Reserves	\$ (3,052,000)
Investment Interest above baseline of \$6 million to Capital	\$ (3,052,000)
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	\$ 19,713,959
Less:	
ALL FY 2024 Department Carryover	\$ (12,639,029)
ALL FY 2024 Charter Offices Carryover Requests	\$ (594,026)
ALL FY 2025 Other Adjustments/New Requests	\$ (4,575,706)
Mayor's Funding Recommendations	
Total AAO#1 and other requests	\$ (17,808,761)
Balance After AAO #1 Items and other request	\$ 1,905,198
Allocation to Reserves	\$ 452,599
Remaining General Fund Balance Before Needing to Use Reserves	\$ 1,452,599

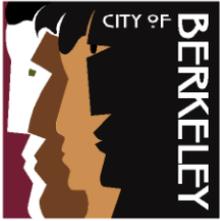


Minus	
Total Remaining Fund Balance	1,905,198
Deduct \$1M off Top	(1,000,000)
divide total by 1/2	452,599
Amount to Reserves	452,599
Amount to Fund Balance+\$1M	1,452,599

Preliminary Fund Balance without Investment Policy

GENERAL FUND UNASSIGNED FUND BALANCE CALCULATION	
FY 2024 Beginning 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	\$ -
Investment Interest above baseline of \$6 million to GF Reserves	\$ -
Investment Interest above baseline of \$6 million to Capital	\$ -
Excess Property Transfer Tax Available for Capital/Ops/Reserves (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 without Implementing Policy	\$ 28,869,958
Less:	
ALL FY 2024 Department Carryover	\$ (12,639,029)
ALL FY 2024 Charter Offices Carryover Requests	\$ (594,026)
ALL FY 2025 Other Adjustments/New Requests	\$ (4,575,706)
Mayor's Funding Recommendations	
Total AAO#1 and other request	\$ (17,808,761)
Balance After AAO #1 Items and other request	\$ 11,061,197
	Allocation to Reserves
	\$ 5,030,599
Remaining General Fund Balance Before Needing to Use Reserves	\$ 6,030,599





Office of the City Manager

Date: October 21, 2024
 To: City Council/Budget and Finance Policy Committee
 From: Paul Buddenhagen, City Manager
 Submitted by: Henry Oyekanmi, Finance Director
 Subject: FY 2024 End Of-Year Revenue Report

General Fund Revenue and Transfer In FY 2024 vs FY 2023 Comparison

Revenue Categories	FY 2024				FY 2023				Comparison FY24 vs FY23	
	Adopted (a)	Actual (b)	Variance c=(b) - (a)	% Received (d) = (b)/(a)	Adopted (e)	Actual (f)	Variance g=(f) - (e)	% Received (h) = (f)/(g)	Amount (i) = (b) - (f)	% (j) = (i)/(f)
Secured Property	\$84,725,717	\$84,850,061	\$124,344	100.15%	\$75,664,920	\$79,260,689	\$3,595,769	104.75%	5,589,372	7.05%
Redemptions -Regular	831,441	842,794	11,353	101.37%	831,441	738,032	-93,409	88.77%	104,762	14.19%
Supplemental Taxes	3,400,000	2,842,273	(557,727)	83.60%	2,000,000	3,561,752	1,561,752	178.09%	(719,479)	-20.20%
Unsecured Property Taxes	3,806,995	4,506,444	699,449	118.37%	3,516,000	3,830,697	314,697	108.95%	675,747	17.64%
Property Transfer Tax	22,873,786	17,549,598	(5,324,188)	76.72%	34,462,172	22,878,336	-11,583,836	66.39%	(5,328,738)	-23.29%
Property Transfer Tax-Measure P (New December 21, 2018)	10,189,500	6,272,861	(3,916,639)	61.56%	14,073,750	10,199,580	-3,874,170	72.47%	(3,926,719)	-38.50%
Sales Taxes	19,654,225	18,717,040	(937,185)	95.23%	19,016,546	19,194,971	178,425	100.94%	(477,931)	-2.49%
Soda Taxes	1,147,387	1,101,210	(46,177)	95.98%	990,210	1,162,310	172,100	117.38%	(61,100)	-5.26%
Utility Users Taxes	17,454,320	17,209,441	(244,879)	98.60%	13,800,000	17,634,565	3,834,565	127.79%	(425,124)	-2.41%
Transient Occupancy Taxes	8,374,588	8,224,852	(149,736)	98.21%	5,000,000	8,671,689	3,671,689	173.43%	(446,837)	-5.15%
Less: TOT rebates owed (3)		(1,245,529)				(1,193,778)			(51,751)	4.34%
Short-term Rentals	1,400,000	1,475,488	75,488	105.39%	1,000,000	1,372,439	372,439	1,000,000	103,049	7.51%
Business License Tax	21,560,783	23,755,728	2,194,945	110.18%	19,000,000	21,854,193	2,854,193	115.02%	1,901,535	8.70%
Recreational Cannabis	1,000,000	152,834	(847,166)	15.28%	1,400,000	997,572	-402,428	71.26%	(844,738)	-84.68%
U1 Revenues	5,900,000	6,322,118	422,118	107.15%	4,900,000	5,844,564	944,564	119.28%	477,554	8.17%
Other Taxes (excluding Redemptions-Regular)	2,593,129	4,460,116	1,866,987	172.00%	1,800,000	4,717,855	2,917,855	262.10%	(257,739)	-5.46%
Vehicle In-Lieu Taxes	17,811,134	17,875,821	64,687	100.36%	15,926,168	16,659,665	733,497	104.61%	1,216,156	7.30%
Parking Fines-Regular Collections	5,800,000	6,034,375	234,375	104.04%	4,326,450	5,875,858	1,549,408	135.81%	158,517	2.70%
Parking Fines-Booting Collections			0				0	#DIV/0!	-	#DIV/0!
Moving Violations	132,600	166,152	33,552	125.30%	132,600	149,420	16,820	112.68%	16,732	11.20%
Ambulance Fees	5,350,779	7,910,668	2,559,889	147.84%	3,880,779	5,143,120	1,262,341	132.53%	2,767,548	53.81%
Interest Income	8,826,211	15,155,999	6,329,788	171.72%	6,000,000	12,117,025	6,117,025	201.95%	3,038,974	25.08%
Franchise Fees	1,720,056	2,008,162	288,106	116.75%	1,613,283	1,822,528	209,245	112.97%	185,634	10.19%
Other Revenue	7,668,797	6,889,503	(779,294)	89.84%	6,729,977	9,043,937	2,313,960	134.38%	(2,154,434)	-23.82%
IDC Reimbursement	6,104,970	6,720,690	615,720	110.09%	5,490,000	6,758,577	1,268,577	123.11%	(37,887)	-0.56%
Transfers	13,591,924	13,591,924	0	100.00%	17,096,148	16,846,585	-249,563	98.54%	(3,254,661)	-19.32%
Total Revenue:	\$271,918,342	\$273,390,623	\$1,472,281	100.54%	\$258,650,444	\$275,142,181	\$16,491,737	106.38%	(\$1,751,558)	-0.64%

Notes: (1) This statement is presented on a budgetary basis (i.e., cash).
 (2) Current vendor no longer breaks out Regular and Booting Parking Fines Collections
 (3) Includes the amount of TOT rebates paid or owed for the period
 (4) Redemptions are Other Taxes that are shown separately on this spreadsheet

1. Summary of General Fund FY 2024 Revenue Comparative Results

General Fund revenue and transfers decreased \$1,751,558 or -.64%, from \$275,142,181 in FY 2023, to \$273,390,623 in FY 2024.

As staff warned in the FY 2023 General Fund Revenue report to Council, the City General Fund has, at least for the near term, lost at least two of its three primary drivers of annual growth (For the last two years, Property Transfer Taxes and Measure P Property Transfer Taxes experienced negative growth, and that led to lower growth for Secured Property Taxes and Vehicle in Lieu Taxes in FY 2024 and will lead to lower growth in FY 2025), as they've continued to decline sharply in FY 2024. The Secured Property Tax and Vehicle in Lieu revenue growth in FY 2024 and FY 2025 in the City's assessed value has dropped sharply from 10.8% in FY 2023 to 7.256% in FY 2024 and 6.39% for FY 2025.

In addition, the City is starting to see weakness in two other key General Fund business categories: Sales Taxes and TOT. The City's Sales Tax Consultant has noted softening in sales activity in several sales tax categories since the FY 2024 Adopted Budget was passed, and this has resulted in a decline in Sales Tax revenue and TOT revenue in FY 2024.

Notable General Fund Revenue Declines and Increases

A. Notable declines during FY 2024 were the following:

- 1. Supplemental Taxes \$ -719,479
- 2. Property Transfer Taxes -5,328,738
- 3. Measure P Property Transfer Taxes -3,926,719
- 4. Transfers In -3,254,661
- 5. Sales Taxes -477,931
- 6. TOT (after rebates) -498,588
- 7. Recreational Cannabis -844,738
- 8. Other Revenue -2,154,434

B. Notable increases during FY 2024 were the following:

- 1. Secured Property Taxes \$ +5,589,372
- 2. Unsecured Property Taxes +675,747
- 3. Business License Taxes +1,901,535
- 4. Ambulance Fees +2,767,548

5. Vehicle In Lieu Taxes	+1,216,156
6. Interest Income	+3,038,974

Several of these notable increases/decreases resulted in increases and decreases in the FY 2024 revenue projections for those revenue categories after the Adopted Budget was passed.

Excluding Transfers, General Fund revenue increased \$1,503,103 or .58%, from \$258,295,596 in FY 2023, to \$259,798,699 in FY 2024.

2. Continuing General Fund Revenue Challenges

Before getting into the FY 2024 General Fund revenue details, I also want to point out that the City's General Fund revenue challenges have not ended now that the Fed's has apparently started lowering short-term rates, for the following reasons:

1. The Fed's lowered the Federal Funds rate by .50% on September 18, 2024 and forecast that more rate cuts are on the way. The Fed's had previously said that it would not make that move until it was convinced that its favored method to measure inflation, the core Personal Consumption Expenditures index (Core PCE), was on a sustainable path to its policy goal of 2%. That rate fell to a level of 2.7% at the end of August 2024, still significantly above the Fed's target of 2%). It should be pointed out that after the Fed's lowered short-term rates by .50% on September 18, 2024, mortgage rates have actually risen, not declined, by approximately .50%.

One challenge is that if the core PCE move down to 2% is slow, then the Fed's will be reluctant to move rates significant lower (i.e., rates will stay higher for a longer period of time). As a result, mortgage and other consumer interest rates will remain high, resulting in lower consumer spending and property sales. Lower consumer spending will result in lower Sales Tax revenue, and lower property sales will result in less Property Transfer Tax revenue to the City. In addition, it will result in lower growth in assessed values, which will result in less Secured Property Tax revenue and Vehicle In Lieu Tax revenue to the City, since they change based on the changes in assessed value each year.

2. Increasing interest rates wasn't the only monetary tightening by the Fed's between March 17, 2022- July 26, 2023, when it raised the Federal Funds rate from a range of 0%-.25% to 5.25%-5.50%. At the same time, it also initiated a program called "quantitative tightening", whereby it sold \$95 billion/month of Treasury Bonds and Mortgage-backed securities from its mammoth Balance Sheet. By selling these securities, the Fed's increased the supply of Treasury Bonds and Mortgage-backed Bonds, thereby simultaneously lowering the market price of the bonds and increasing long-term rates, including mortgages. Another challenge facing the bond market is that the Fed's Balance Sheet has grown from \$.9 trillion right before the 2008 financial crisis to \$4.4 trillion after the crisis, and to \$9 trillion after the COVID-19 pandemic, as a result of the federal deficit spending done to respond to these crises. The Balance Sheet balance currently stands at a still staggering amount of \$7.4 trillion and needs to continue to be unwound. The problem is that when the Fed's sells these securities, they are purchased by investment banks and other financial institutions. When this happens, the banks and other financial institutions have less cash and reserves to lend money to companies and individuals, thereby negatively impacting the economy.

Fortunately, the Fed's partially alleviated this problem in June 2024 by slowing the pace of asset paring to \$60 billion/month and eliminating the securities as they matured (instead of selling them), without reinvesting the proceeds.

3. Another challenge is the proposed \$1.8 trillion federal budget deficit for the upcoming fiscal year. This will require the issuance of additional \$1.8 trillion in Treasury Bonds to fund the deficit. This will put upward pressure on long-term interest rates, including mortgage rates.

4. Another challenge is the potential impacts from the November 2024 presidential election. Specifically, both candidates have promised huge tax cuts and credits, which if enacted, could significantly increase the federal budget deficit and put even more upward pressure on interest rates.

The additional huge amount of bonds that will need to be issued as a result of these macroeconomic challenges will probably overwhelm demand for long-term bonds and continue to put pressure on long-term interest rates, including mortgage rates and rates on General Obligation Bonds the City may need to issue in the future. In addition to reducing consumer spending and slowing down the economy, it will keep mortgage rates high. Keep in mind that the Fed's can only control short-term rates. The impact of its actions on long-term interest rates is controlled solely by the bond market.

One positive note is that the negative impacts on the City of rising interest rates is partially offset by a significant increase in Interest Income the City generated through its investment portfolio.

3. FY 2024 GENERAL FUND REVENUE DETAILS

Secured Property Tax (+\$5,589,372 more than FY 2023 Actual)

During FY 2024, Secured Property Tax revenues totaled \$84,850,061, which was \$5,589,372 or 7.05% more than the \$79,260,689 received in FY 2023. This result was consistent with the County's Certification of Assessed Valuation (received from the County in August 2023 after the Adopted Budget was passed), which reflected growth of 7.256%. Changes in Secured Property Tax revenues are based on the growth in assessed values.

Supplemental Taxes (-\$719,479 less than FY 2023 Actual)

Supplemental taxes come into play where there is a reassessment of property value triggered by changes such as new ownership, significant upgrades, or the completion of new construction. The County Assessor's Office determines the updated assessed value, calculates the difference between the previous and new assessed values, and prorates the difference, based on the remaining months in the fiscal year after the ownership transfer or the completion of improvements.

During FY 2024, Supplemental Taxes totaled \$2,842,273, which was \$719,479 or 20.2% less than the \$3,561,752 received in FY 2023, likely due to the significant decline in property sales during FY 2023 and FY 2024.

Unsecured Property Tax (+\$675,747 more than FY 2023 Actual)

During FY 2024, Unsecured Property Tax revenues totaled \$4,506,444, which was \$675,747 or 17.6% more than the amount of \$3,830,697 received in FY 2023. This amount is greater than the County's Certification of Assessed Valuation growth of 9.1% for FY 2024.

The Unsecured Property Tax Revenue projection was increased after the Mid-year budget report from \$3,806,995 to \$4,648,038.

Property Transfer Tax (-\$5,328,738 less than FY 2023 Actual)

During FY 2024, Property Transfer Tax totaled \$17,549,598, which was \$5,328,738 or 23.29% less than the \$22,878,336 received in FY 2023.

The primary reasons for the \$5,328,738 decrease in Property Transfer Tax were the following:

- (1) The dollar value of property sales decreased by \$.433.2 billion or 26.2%, from \$1.655.8 billion in FY 2023 to \$1.222.6 billion in FY 2024, as illustrated in Table 1 below.
- (2) There were 11 property sales of \$10 million or more, with total sales of \$421 million in FY 2023 compared to five property sales of \$10 million or more, with total sales of \$89.9 million in FY 2024; and,
- (3) The number of property sales transactions decreased by 83 or 10.0% from 833 in FY 2023 to 750 in FY 2024, as illustrated in the Table 2 below.

This decline in real estate activity was generally attributed to high mortgage rates and a slowing economy resulting from the Federal Reserve Board's aggressive actions to reduce the money supply and slow down the US economy in order to reduce inflation, by sharply raising interest rates and selling \$95 billion/month of Agency and Mortgage-Backed Bonds from its Balance Sheet.

Table 1- Property Sales In Million \$

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2024	\$129.2	\$152.5	\$99.9	\$95.7	\$95.8	\$94.4	\$667.5
FY 2023	188.9	320.0	134.6	113.9	254.9	142.4	1,154.7
Change	-59.7	-167.5	-34.7	-18.2	159.1	-48.0	-487.2
% Change	-31.6%	-52.3%	-25.8%	-16.0%	-62.4%	-33.7%	-42.2%

Table 1- Property Sales In Million \$

	Jan	Feb	Mar	Apr	May	June	Total
FY 2024	65.8	49.8	66.3	93.2	123.3	156.7	\$1,222.6
FY 2023	86.5	72.2	53.4	96.3	73.8	118.9	1,655.8
Change	-20.7	-22.4	12.9	-3.1	49.5	37.8	-433.2
% Change	-23.9%	-31.0%	24.2%	3.2%	-67.1	31.8	-26.2%

Table 2-Number of Property Sales Transactions

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2024	79	73	64	61	67	62	406
FY 2023	113	101	108	79	74	57	532
Change	-34	-28	-44	-18	-7	5	-126
% Change	-.30.1%	-27.7%	40.7%	-22.8%	-9.5%	8.8%	-23.7%

Table 2-Number of Property Sales Transactions

	Jan	Feb	Mar	Apr	May	June	Total
FY 2024	41	34	45	61	77	86	750
FY 2023	40	37	31	64	50	79	833
Change	1	-3	14	-3	27	7	-83
f% Change	2.5%	-8.1%	45.2%	-4.7%	54%	8.9%	-10.0%

The Property Transfer Tax Revenue projection was decreased from the Adopted Budget amount of \$22,873,786 to \$16,873,786.

Measure P-Property Transfer Tax (-\$3,926,719 less than FY 2023 Actual)

Measure P taxes totaling \$6,272,861 was collected during FY 2024, which was \$3,926,719 or 38.5% less than the \$10,199,580 collected during FY 2023. This decrease resulted primarily from the following: (1) A decrease of 40.0% in the dollar value of property sales amount in FY 2024 versus those in FY 2023 as reflected in Table 3; (2) The number of property sales transactions decreased by 99 or 34.1% in FY 2024, as illustrated in the Table 4 below; and,(3) There were only five property sales of \$10 million or more totaling \$89.9 million in FY 2024, compared to 11 transactions with total property sales of \$421 million in FY 2023.

Table 3- Property Sales \$1.5 million+ In Million \$

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2024	\$62.8	\$87.2	\$48.5	\$51.9	\$33.6	\$42.5	\$326.5
FY 2023	114.4	271.1	84.1	63.3	203.7	99.8	836.4
Change	- 51.6	-183.9	-35.6	-11.4	-170.1	-57.3	-509.9
% Change	-45.1%	-67.8%	-42.3%	-18.0%	-83.5%	-57.4%	-61.0%

Table 3- Property Sales \$1.5 million+ In Million \$

	Jan	Feb	Mar	Apr	May	June	Total
FY 2024	20.5	22.3	31.4	54.0	67.8	99.8	\$622.3
FY 2023	34.3	28.0	20.2	49.9	30.8	37.6	1,037.2
Change	-13.8	-5.7	11.2	4.1	37.0	62.2	-414.9
% Change	40.2%	-20.4%	55.4%	8.2%	120.1%	165.4	-40.0%

Table 4- Property Transactions \$1.5 Million and Above

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2024	18	17	12	15	12	10	84
FY 2023	52	41	48	31	24	19	215
Change	-34	-24	-36	-16	-12	-9	-131
% Change	-.65.4%	-58.5%	-75.0%	-51.6%	-50.0%	-47.4%	-60.9%

Table 4- Property Transactions \$1.5 Million and Above

	Jan	Feb	Mar	Apr	May	June	Total
FY 2024	3	8	13	24	26	33	191

FY 2023	12	10	9	19	11	14	290
Change	-9	-2	4	5	15	19	-99
% Change	-75.0%	-20.0%	44.4%	26.3%	136.4%	135.7%	-34.1%

The Measure P1 Property Transfer Tax Revenue projection was decreased after the Mid-year budget report from \$10,189,500 to \$4,500,000.

Sales Tax (-\$477,931 less than FY 2023 Actual)

For FY 2024, Sales Tax revenue totaled \$18,717,040, which was \$477,931 or 2.5% less than the \$19,194,971 received in FY 2023. This was better than the revised FY 2024 projection of \$18,540,921 during the mid year results. After the first quarter of FY 2024, the City's Sales Tax Consultant noticed a significant softening of sales in several categories since the Adopted Budget was passed, and revised revenue projections to \$18,540,921.

Fiscal Year 2024 decrease were in the following categories: General Retail was down 7.8%; Food Products was down 1.1%; Transportation was down 15.7%; Construction was down 3.7%; and, Business To Business was down 4.9%.

Utility Users Taxes (-\$425,124 less than FY 2023 Actual)

Utility Users Tax revenue for FY 2024 totaled \$17,209,441, which was \$425,124 or 2.41% less than the \$17,634,565 received for FY 2023.

This decrease of \$425,124 resulted from increases/decreases in the following categories:

FY 2024 Actual Revenues Compared to FY 2023 Actual Revenues				
	FY2024	FY 2023	\$ Change	% Change
Telephone	\$ 997,098	\$ 1,070,064	\$ -72,966	-6.82%
Cellular	1,750,399	1,792,979	-42,580	-2.37%
Cable	956,816	1,009,980	-53,165	-5.26%
Electric	9,975,518	9,175,141	800,376	8.72%
Gas	3,529,611	4,586,401	-1,056,789	-23.04%
Total	\$17,209,441	\$17,634,565	\$-425,124	2.41%

Franchise Fees (+\$185,634 more than FY 2023 Actual)

Franchise Fees revenue for FY 2024 totaled \$2,008,162, which was \$185,634 or 10.2% more than the \$1,822,528 received for FY 2023.

This increase of \$185,634 resulted from increases/decreases in the following categories:

FY 2024 Actual Revenues Compared to FY 2023 Actual Revenues				
	FY2024	FY 2023	\$ Change	% Change
Cable TV	\$ 603,692	\$ 526,332	\$ 77,360	14.7%
Electric	851,258	741,123	110,135	14.9%
Gas	553,212	555,073	-1,861	-.3%
Total	\$2,008,162	\$1,822,528	\$185,634	10.2%

Transient Occupancy Tax (-\$446,837 less than FY 2023 Actual)

Gross Transient Occupancy Tax (TOT before rebates are subtracted) revenue in FY 2024 totaled \$8,224,852, a decline of \$446,837 or 5.2% from the gross TOT of \$8,671,689 received in FY 2023. The primary reason for the decline of \$446,837 was that the gross TOT reported in FY 2024 for the six largest hotels in Berkeley increased by only \$48,661 or .7%, from \$7,256,856 in FY 2023 to \$7,305,517.

In addition, TOT rebates paid totaled \$1,245,529 in FY 2024, an increase of \$51,751 or 4.34% from the \$1,193,778 TOT rebates paid in FY 2023.

Short-Term Rentals (+\$103,049 more than FY 2023 Actual)

Short-Term Rentals revenue in FY 2024 totaled \$1,475,488, which was \$103,049 or 7.51% more than the \$1,372,439 received in FY 2023.

Business License Taxes (+1,901,535 more than FY 2023 Actual)

Business license Taxes (BLT) revenue in FY 2024 totaled \$23,755,728, which was \$1,901,535 or 8.7% more than the \$21,854,193 received in FY 2023. This increase was due primarily to the following: (1) Staff renewed 13,138 license applications in FY 2024 versus 12,799 in FY 2023; 2) A check at the nine month point of FY 2024 showed the average Business License Tax renewal averaging approximately nine percent and, (3) The average Business License tax renewal (including U1 monies) was approximately \$2,322 in FY 2024 versus \$2,335 in FY 2023.

After the FY2024 Mid-year budget results, the Business License Tax revenue projection was increased from \$21,560,783 to \$23,200,000.

Recreational Cannabis Taxes (-\$844,738 less than FY 2023 Actual)

Recreational Cannabis Taxes (BLT) revenue in FY 2024 totaled \$152,834, which was \$844,738 or 84.6% less than the \$997,572 received in FY 2023. This decline was due to Council adopting a temporary exemption from the collection of taxes under BMC Chapter 9.04.136(D) from non-medical and medical cannabis businesses. This temporary exemption was retroactive to January 2023.

As a result, the FY 2024 Recreational Cannabis Taxes projection was decreased from \$1,000,000 to \$112,000 after the FY2024 Mid-year budget results.

U1 Revenues (+\$477,554 more than FY 2023 Actual)

U1 revenues in FY 2024 totaled \$6,322,118, which was \$477,554 or 8.17% more than the \$5,844,564 received in FY 2023.

Vehicle In Lieu Taxes (+\$1,216,156 more than FY 2023 Actual)

Vehicle In Lieu Taxes (VLF) in FY 2024 totaled \$17,875,821, which was \$1,216,156 or 7.30% more than the \$16,659,665 received in FY 2023. This result was consistent with the County's Certification of Assessed Valuation (received in August 2022), which reflects growth of 7.256%. Changes in VLF revenues are based on the growth in assessed values.

Other Taxes (-\$257,739 less than FY 2023 Actual)

Other Taxes (excluding Redemptions-Regular) in FY 2024 totaled \$4,460,116, which was \$257,739 or 5.46% less than the \$4,717,855 received in FY 2023. The decrease was accounted for by the following: (1) an increase of \$352,722 in Parking Lot Taxes; (2) a decline of \$668,253 in BLT penalties; (3) a decline of \$111,768 in BLT interest; and, (4) and an increase of \$170,427 in Transportation Network Company User Tax (i.e., a tax on ride sharing companies enacted during the height of the COVID-19 pandemic).

The FY 2024 Other Taxes projection was increased after the FY2024 Mid-year budget results from \$2,593,129 to \$4,621,618.

Parking Fines (+\$158,517 more than FY 2023 Actual)

Parking Fines revenue in FY 2024 totaled \$6,034,375, which was \$158,517 or 2.7% more than the \$5,875,858 received in FY 2023. The primary reason for the increase was the increase in ticket writing in FY 2024.

For FY 2024, ticket writing increased by 18,520 or 14.9% from 124,603 in FY 2023 to 143,123 in FY 2024, as follows:

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2024	12,582	14,180	13,235	13,063	12,472	11,688	77,220
FY 2023	8,939	9,706	9,430	10,916	10,965	10,250	60,206
Difference	3,643	4,474	3,805	2,147	1,507	1,438	17,014
% Difference	40.8%	46.1%	40.3%	19.7%	13.7%	14.0%	28.3%

	Jan	Feb	Mar	Apr	May	June	Total
FY 2024	11,270	11,657	12,278	13,002	11,593	6,103	143,123
FY 2023	9,742	9,764	11,514	10,717	11,576	11,084	124,603
Difference	1,528	1,893	764	2,285	17	-4,981	18,520
% Difference	15.7%	19.4%	6.6%	21.3%	.1%	-44.9%	14.9%

Ambulance Fees (+\$2,767,548 more than FY 2023 Actual)

Ambulance Fees revenue in FY 2024 totaled \$7,910,668, which was \$2,767,548 or 53.8% more than the \$5,143,120 received in FY 2023. This increase was primarily due to (1) an increase of 495 or 8.4% in the number of transports in FY 2024, from 5,879 to 6,374; and (2) the Public Provider Ground Emergency Medical Transportation (PPGEMT) program replaced the Quality Assurance Fee Program (QAF); The MEDI-CAL and MCAL HMO reimbursement rate increased to \$1,062 under the PPGEMT Program from \$339 under the QAF Program in FY 2023; There were additional rate increases effective April 1, 2023 and November 1, 2023.

As a result, the FY 2024 Ambulance Fee revenue projection was increased after the FY2024 Mid-year budget results from \$5,350,779 to \$7,234,813.

Interest Income (+\$3,038,974 more than FY 2023 Actual)

For the FY 2024, Interest Income totaled \$15,155,999, which was \$3,038,974 or 25.1% more than the total of \$12,117,025 received in FY 2023. This increase was primarily attributable to a significant increase in average interest rates earned after the Federal Reserve raised interest rates sharply between March 17, 2022-July 26, 2023. Primarily as a result of the Fed's actions, the net interest rate earned by the City increased from a range of 1.84%-3.06% during FY 2023, to a range of 2.84%-3.44% during FY 2024, as reflected in the Monthly Net Interest Rate Earned table below. In addition, the increase was partially attributable to an increase in interest income received from its short-term balances in its Fidelity Money Market Fund and interest earned from the Custodial Bank, as a result of the inversion of the yield curve for most of the year (i.e, where short-term rates were greater than long-term rates):

Monthly Net Interest Rate Earned:

FY	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
2024	3.10%	3.02%	2.95%	2.95%	2.88%	2.84%	3.18%	3.05%	3.11%	3.24%	3.33%	3.44%
2023	1.84%	2.03%	1.97%	2.26%	2.39%	2.62%	2.74%	2.71%	2.83%	2.94%	3.06%	3.04%

The FY 2024 Interest Income projection was increased from \$8,826,211 to \$14,000,000 after the FY2024 Mid-year budget results.

Indirect Cost Reimbursements (-\$37,887 less than FY 2023 Actual)

IDC Reimbursement (IDC) decreases result from decreases in the indirect cost allocation base (i.e., total direct salaries and wages in the fund), a decrease in the indirect cost rate or a combination of decreases or increases in both factors.

Indirect Cost Reimbursements (IDC) in FY 2024 totaled \$6,720,690, which was \$37,887 or .56% less than the \$6,758,577 received in FY 2023. This decrease was primarily accounted for by the decrease in the indirect cost allocation rate for the Marina Fund from 25% to 17%, which more than offset an increase of 3.9% in the total indirect cost allocation base (total direct salaries and wages) from \$30,332,425 in FY 2023 to \$31,515,239 in FY 2024.

The FY 2024 IDC revenue projection was increased after the FY2024 Mid-year budget results from \$6,104,970 to \$6,893,749.

Transfers (-\$3,254,661 less than FY 2023 Actual)

Transfers from other funds in FY 2024 totaled \$13,591,924 which was \$3,254,661 or 19.3% less than the \$16,846,585 received in FY 2023. This was primarily attributable to (1) a decline of \$8,766,305 in the Transfer from the American Rescue Plan Fund to recover from the impact of the COVID-19 pandemic from \$12,022,049 in FY 2023, to \$3,255,744 in FY 2024; and, (2) an increase of \$5,500,000 in transfers from the Workers' Compensation Fund in FY 2024.

Other Revenues (-\$2,154,434 less than FY 2023 Actual)

Other Revenues primarily consist of licenses and permits; grants; preferential parking fees; general government charges for services; public safety charges for services; health charges for services; culture and recreation charges for services; rents and royalties; and other miscellaneous revenues that are not considered major.

Other Revenues in FY 2024 totaled \$6,889,503 which was \$2,154,434 or 23.82% less than the \$9,043,937 received in FY 2023. This decrease of \$2,154,434 was primarily attributable to (1) operating grants of \$1,062,914 received in FY 2023, but not in FY 2024; (2) a total of \$415,872 for work for private parties received in FY 2023 versus \$2,197 received in FY 2024; and (3) an increase of \$687,680 in the premium received on the issuance of the Tax and Revenue Anticipation Notes (TRAN) in FY 2023. The premium paid to the City was not actually revenue; it was a liability that was paid by the purchaser of the City's Notes when the coupon interest rate was higher than the market rate when the Notes were issued. It was appropriately used to offset the interest expense paid by the City on the Notes, rather than being recorded as revenue.

5 YEARS PROJECTED GENERAL FUND REVENUES

	Projected General Fund Revenue						
	FY 2024 Adopted	FY 2024 Actual	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Undesignated Revenues							
Secured Property Taxes	84,725,717	84,850,061	90,271,980	95,236,939	98,570,232	102,020,190	105,590,896
Supplemental Taxes	3,400,000	2,842,273	2,700,000	3,400,000	3,400,000	3,400,000	3,400,000
Unsecured Property Taxes	3,806,995	4,506,444	4,648,038	4,648,038	4,648,038	4,648,038	4,648,038
Property Transfer Taxes	12,500,000	17,549,598	18,000,000	18,900,000	19,845,000	20,837,250	21,879,113
Property Transfer Tax - Measure P	10,189,500	6,272,861	8,199,600	8,609,580	9,040,059	9,492,062	9,966,665
Sales Taxes	19,654,225	18,717,040	18,490,000	19,025,000	19,321,000	19,597,000	19,840,000
Soda Tax	1,147,387	1,101,210	1,147,387	1,147,387	1,147,387	1,147,387	1,147,387
Utility Users Taxes	17,454,320	17,209,441	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000
Transient Occupancy Taxes(TOT)	8,374,588	8,224,852	8,624,591	8,797,083	8,973,024	9,152,485	9,335,535
TOT Rebates		-1,245,529	-1,160,450	-1,195,264	-1,231,122	-1,268,055	-1,306,097
Short-term Rentals	1,400,000	1,475,488	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Business License Taxes	21,560,783	23,755,728	23,700,000	23,700,000	23,700,000	23,700,000	23,700,000
Recreational Cannabis	1,000,000	152,834	160,000	160,000	160,000	160,000	160,000
Measure U1	5,900,000	6,322,118	6,300,000	6,300,000	6,300,000	6,300,000	6,300,000
Vacancy Tax					5,000,000	5,150,000	5,304,500
Other Taxes	3,424,570	5,302,910	5,453,059	5,453,059	5,453,059	5,453,059	5,453,059
Vehicle In Lieu Taxes	17,811,134	17,875,821	19,172,891	20,227,400	20,935,359	21,668,096	22,426,479
Parking Fines - Regular Collections	5,800,000	6,034,375	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000
Parking Fines - Booting Collections	-	-	-	-	-	-	-
Moving Violations	132,600	166,152	132,600	132,600	135,252	137,957	137,957
Ambulance Fees	5,350,779	7,910,668	7,856,365	7,856,365	7,856,365	7,856,365	7,856,365
Interest Income	8,826,211	15,155,999	14,000,000	13,500,000	12,500,000	12,500,000	12,500,000
Franchise Fees	1,720,056	2,008,162	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Other Revenues	7,668,797	6,889,503	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Indirect cost reimbursements	6,104,970	6,720,690	6,855,104	6,992,206	7,132,050	7,274,691	7,420,185
Transfers	8,091,924	13,591,924	10,355,777	4,472,621	4,562,074	4,562,074	4,653,315
Total Undesignated Revenues	256,044,556	273,390,623	278,606,941	281,063,013	291,147,777	297,488,599	304,113,397
Designated Revenues							
Prop. Transfer Taxes for capital imp	10,373,786		1,000,000	3,000,000	5,000,000	5,000,000	5,000,000
Total Designated Revenues	10,373,786	0	1,000,000	3,000,000	5,000,000	5,000,000	5,000,000
TOTAL REVENUES AND TRANSFERS	266,418,342	273,390,623	279,606,941	284,063,013	296,147,777	302,488,599	309,113,397

Secured Property Taxes

The collapse in the real estate market during the third and fourth quarters of FY 2023 continued throughout FY 2024 (discussed below in the Property Transfer Tax section), and resulted in a decline in Secured Property Tax revenue growth from 10.8% in FY 2023 to 7.256% in FY 2024. Staff projects growth of 6.39% in FY 2025, growth of 5.5% in FY 2026, and growth for FY 2027 through FY 2029 of 3.5%.

Sales Taxes

This revenue source is back to pre-pandemic levels. However, for FY 2024, Sales Tax revenue totaled \$18,717,040, which was \$477,931 or 2.5% less than the \$19,194,971 received in FY 2023. After the first quarter of FY 2024, the City's Sales Tax Consultant noticed a significant softening of sales in several categories since the FY 2024 Adopted Budget was passed, and the Sales Tax revenue projection was lowered. The \$18,717,040 actual revenue was better than the City's Sales Tax Consultant's revised FY 2024 projection of \$18,540,921. Key FY 2024 Sales Tax Category declines were the following: General Retail was down 7.8%; Food Products was down 1.1%; Transportation was down 15.7%; Construction was down 3.7%; and, Business to Business was down 4.9%.

Sales Tax revenue is projected to decrease 1.2% in FY 2025, increase 2.9% in FY 2026, increase 1.6% in FY 2027, increase 1.4% in FY 2028 and increase 1.2% in FY 2029.

Business License Taxes

Business license Taxes (BLT) revenue in FY 2024 totaled \$23,755,728, which was \$1,901,535 or 8.7% more than the \$21,854,193 received in FY 2023. This increase was due primarily to the following: (1) Staff renewed 13,138 license applications in FY 2024 versus 12,799 in FY 2023; (2) A check at the nine month point of FY 2024 showed the average Business License Tax renewal averaging

approximately nine percent and, (3) The average Business License tax renewal (including U1 monies) was approximately \$2,322 in FY 2024 versus \$2,335 in FY 2023.

Staff is projecting flat growth in Business License Tax revenue from FY 2025 through FY 2029. Long-term projections will be adjusted as the impact of the recent dramatic interest rates changes on the post-pandemic economic environment becomes clearer.

Transient Occupancy Tax

Gross Transient Occupancy Tax (TOT before rebates are subtracted) revenue in FY 2024 totaled \$8,224,852, a decline of \$446,837 or 5.2% from the gross TOT revenue of \$8,671,689 received in FY 2023. The primary reason for the decline of \$446,837 was that the gross TOT reported in FY 2024 for the six largest hotels in Berkeley increased by only \$48,661 or .7%, from \$7,256,856 in FY 2023 to \$7,305,517. Staff is projecting annual gross growth (TOT revenue increase (TOT before deducting rebates owed) of 4.9% in FY 2025, and 2% from FY 2026 through FY 2029. Staff will continue to monitor the major hotels' projections of future occupancies and will adjust long-term projections as necessary.

Utility Users Tax

Staff projects UUT revenue to be flat in FY 2025 through FY 2029, after jumping to a significantly higher level in FY 2023 due to rate increases approved by the Public Utilities Commission and higher usage due to colder-than-normal temperatures.

Property Transfer Tax

The dramatic slowdown in the real estate market that began in the third and fourth quarters of FY 2023 continued throughout FY 2024, primarily due to the Federal Reserve Board keeping the Federal Funds rate at a range of 5.25%-5.50%. This kept mortgage rates high and significantly slowed real estate activity.

During FY 2024, Property Transfer Tax totaled \$17,528,223, which was \$5,350,113 or 23.4% less than the \$22,878,336 received in FY 2023.

The primary reasons for the \$5,350,113 decrease in Property Transfer Tax were the following: The dollar value of property sales decreased by \$.433.2 billion or 26.2%, from \$1.655.8 billion in FY 2023 to \$1.222.6 billion in FY 2024; There were 11 property sales of \$10 million or more, with total sales of \$421 million in FY 2023 compared to five property sales of \$10 million or more, with total sales of \$89.9 million in FY 2024; and, The number of property sales transactions decreased by 83 or 10.0% from 833 in FY 2023 to 750 in FY 2024.

This decline in real estate activity was generally attributed to high mortgage rates and a slowing economy resulting from the Federal Reserve Board's aggressive actions to reduce the money supply and slow down the US economy in order to reduce inflation, by sharply raising interest rates and selling \$95 billion/month of Agency and Mortgage-Backed Bonds from its Balance Sheet.

Over the 5 years prior to the pandemic, Property Transfer Tax revenues grew 6% per year on average, but the high level of mortgage rates makes potential real estate buyers and sellers reluctant; the reduced activity will continue to negatively impact sales prices and volumes somewhat in the next few years. After the sharp decline in FY 2023 and FY 2024, staff projects an 8.26% increase in FY 2025, an increase of 15.26% in FY 2026, an increase of 13.45% in FY 2027, and 4.0% increases in FY 2028 and FY 2029.

Staff expects growth in revenues from Measure P supplemental tax on high value property transfers of 30.7% in FY 2025 and then increases at a rate of 5% from FY 2026 through FY 2029.

Interest Income

The sharp rise in interest rates triggered by the Feds is a double-edged sword: While the rise in interest rates negatively impacts the City's Property Transfer Taxes (through less property sales) and Secured Property Taxes and Vehicle In Lieu Taxes (through lower assessed values), it results in an increase in Interest Income. For FY 2024, Interest Income totaled \$15,155,999, which was \$3,038,974 or 25.1% more than the \$12,117,025 received in FY 2023. It was also \$6,329,788 more than the adopted budget amount of \$8,826,211.

The Feds changed monetary policy and started by lowering the Federal Funds rate by .50%, from a range of 5.25%-5.50% to 4.75%-5.00% on September 18, 2024. The Fed's economic model projects that the Federal Funds rate will be at 4.4% by the end of CY 2024 (which assumes a .50% decline at the November 2024 Fed meeting), drop to 3.4% by the end of CY 2025, and be at 2.9% by the end of CY 2026 and CY 2027. However, staff believes the following: (1) the Feds will lower the Federal Funds rate by .25%, instead of .50%, at the November 2024 Feds meeting, and be at a range of 4.50%-4.75% by the end of CY 2024; or (2) the Feds will leave the Federal Funds rate unchanged at the November 2024 Feds meeting, at a rate of 4.75%-5.00% by the end of CY 2024. Staff locked in a significant portion of the City's portfolio at rates ranging between 4% and 5%. Those securities will be unaffected by the Fed's moves to lower short-term interest rates. Staff's projected interest income assumes a 7.6% decline in FY 2025, a decline of 3.57% in FY 2026, a decline of 7.4% in FY 2027 and flat growth in FY 2028 and FY 2029.

Ambulance Fees

Ambulance Fees revenue in FY 2024 totaled \$7,910,668, which was \$2,767,548 or 53.8% more than the \$5,143,120 received in FY 2023. This increase was primarily due to (1) an increase of 495 or 8.4% in the number of transports in FY 2024, from 5,879 to 6,374; and (2) the Public Provider Ground Emergency Medical Transportation (PPGEMT) program replaced the Quality Assurance Fee Program (QAF); The MEDI-CAL and MCAL HMO reimbursement rate increased to \$1,062 under the PPGEMT Program from \$339 under the QAF Program in FY 2023; There were additional rate increases effective April 1, 2023 and November 1, 2023.

Staff is projecting flat Ambulance Fees revenue in FY 2025 through FY 2029.

Conclusion

Projecting revenues many years into the future is inherently difficult to do with accuracy, as shifts in the macroeconomic environment can cause asset valuations and economic output to fluctuate in ways not able to be anticipated at the time projections are made. Staff use the best assumptions available, based on historic trends, observation of leading economic indicators, and known changes in the regulatory environment. The current environment, however, presents heightened uncertainty due to several macroeconomic factors that could impact future City revenues.

First, while the health emergency related to the COVID-19 pandemic has finally receded, and the restrictions that had constrained economic activity have been lifted, there is a possibility that the local economy has been reshaped in ways that will not return to a pre-pandemic "normal." The increase in telecommuting that occurred in the past couple of years may not fully recede. This could have effects

on spending activities of residents and employees of City businesses and institutions, as well as the desirability of certain locations for home purchases. City management continues to study and analyze these trends, and will make adjustments as more data comes in.

Second, as reported last year, inflation rose to unacceptably high levels, causing the Federal Reserve Board to tighten monetary policy significantly to combat inflation. As a result, the Feds raised interest rates from a range of 0%-.25% in March 2022 to a range of 5.25%-5.50% before the Feds made the first move in four years to lower them by .50% on September 18, 2024. During this period the average mortgage rose from a little over 4.1% to as high as 8.0%; currently, a 15-year fixed mortgage is around 6.15% and a 30-year fixed mortgage is around 6.62%. In addition to raising interest rates between March, 2022 and July 2023, the Feds began a program to sell \$95 billion/month (or \$1.14 trillion) of Agency and Mortgage-Backed Bonds from its Balance Sheet, which increased the supply of these securities and put additional upward pressure on long-term rates, such as mortgage rates. This significantly reduced consumer spending and real estate market activity in the City and the Bay Area.

Fortunately, the Feds partially alleviated this problem in June 2024 by slowing the pace of asset paring to \$60 billion/month and eliminating the securities as they matured (instead of selling them), without reinvesting the proceeds. However, the Feds Balance Sheet currently consists of \$7.4 trillion of Treasury Bonds and Mortgaged-backed Bonds that need to be unwound to a level close to the \$.9 trillion level that existed before the federal government spending responses to the 2008 financial crisis and the COVID-19 pandemic.

Third, gigantic and ongoing federal budget deficits, stubborn inflation and the Federal Reserve Board's slowness in loosening monetary policy have replaced the COVID-19 pandemic as the biggest headwinds to economic growth in the City in the near term. The Feds Chairman previously said the Feds would keep interest rates at a high level until its preferred inflation index (i.e., Core Personal Consumption Expenditure Index or core PCE Index) declines at or below its target of 2%, and the Feds is convinced it will remain so. It reached 2.70% at the end of August 2024 (it was 3.88% at the same time last year), but it is still significantly above the Feds target rate. Despite that, the Feds lowered the Federal Funds rate by .50% on September 18, 2024.

Staff believes the Feds has engineered a soft landing for the economy (i.e., Reducing inflation, and slowing the economy by tightening the money supply, but not creating a recession), and that there will be no recession in the near future, assuming the US does not face some major, unexpected catastrophic event (s). However, the out-of-control federal deficit spending is concerning and staff believes this situation will not only impact major General Fund revenues in the future, but may start affecting federal and state grant funding for City programs: (1)The projected \$1.8 trillion federal budget deficit for the upcoming fiscal year will require the issuance of an additional \$1.8 trillion in Treasury Bonds to fund the deficit; and, (2) Another concern is the potential impact from the November 2024 presidential election. Specifically, both candidates have promised significant tax cuts and credits, which if enacted, could significantly increase the federal budget deficit and put even more upward pressure on long-term interest rates. This additional huge need to issue bonds will overwhelm demand for Treasury Bonds and put further upward pressure on long-term interest rates. Declines in short-term interest rates will not necessarily result in a decline in long-term interest rates, like mortgage rates. In fact, since the Fed lowered the Federal Funds rate by .50% on September 18, 2024, mortgage rates have actually increased by approximately .50%.

Although the Federal Reserve Board changed monetary policy and started the loosening process by lowering the Federal Funds rate by .50% on September 18, 2024, as discussed under Secured Property Taxes, Property Transfer Taxes and Interest Income, the upward pressure on mortgage rates will likely continue and will result in lower growth rates for projected Secured Property Taxes, Vehicle In Lieu Taxes and Property Transfer Taxes, until mortgage rates decline significantly. As a result, the City General Fund has, at least for the near term, lost its three primary drivers of significant annual growth, and the overall growth in General Fund revenue will struggle to remain positive. One positive outcome from this situation has been a significant surge in Interest Income in FY 2023 and FY 2024, and that is expected to continue at least in the near term.

Fourth, wars in the Middle East between Israel and Hamas in Palestine and Israel and Hezbollah in Lebanon, and maybe Israel and Iran in the coming weeks, have joined the continuing war in Europe between Ukraine and Russia. This situation and the manipulation of oil supplies by OPEC+ have the potential to dramatically reshape global markets, especially if Russian and/or Iranian oil and natural gas are cut off from the rest of the world. This would drive fuel and transportation prices higher, with downstream effects on the prices of most goods. This could keep the inflation rate and interest rates higher for a longer period of time, and negatively impact consumer spending.

Any one or a combination of these factors could necessitate further revision of the projections presented here. Staff will continue to monitor the revenues we actually receive and changes in the economic environment, so that we may update or revise our projections if changes in our forecasts are warranted.

City Council Fiscal Policies

On June 28, 2022, the City Council adopted Resolution No. 70, 442-N.S, which codified the adoption of the FY 23 and FY 24 Biennial Budget and revised fiscal policies as outlined 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 based upon the City's adopted General Fund Reserve policy and using the goal of reaching a reserve of 30% of General Fund revenues by 2027 as a guideline.
3. Developing long-term strategies to reduce unfunded liabilities.
4. Controlling labor costs while minimizing layoffs and promoting recruitment and retention of City staff.
5. Primarily allocating one-time revenue for one-time expenditures (e.g., capital investments and deferred maintenance).
6. Requiring enterprise and grant funds to balance and new programs to pay for themselves.
7. Any new expenditure requires new revenue or expenditure reductions.
8. Property transfer tax:
 - A. Allocate excess property transfer tax over the baseline to short-term operational needs, General Fund reserves and the City's capital infrastructure plan, including funding an approach to returning and maintaining the City's roads at an acceptable Pavement Condition Index.
 - B. Increase the property transfer tax baseline for operational needs to \$18.0 million for fiscal years 2023 and 2024, with a permanent adjustment to \$16.0 million beginning in fiscal year 2025.
9. Revenue generated from Measure P is excluded (exempt) from this policy.
10. 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.
11. Allocating annual savings derived from the prepayment of the annual CalPERS unfunded liability payments to the City's Section 115 Pension Trust up to \$5.5 million per fiscal year or as advised by the City's actuarial and staff.
12. Allocating any additional revenue earned from investments that is over the annual (fiscal year) baseline of \$6 million in the following manner:
 - a. 1/3 to the Section 115 Pension Trust up to \$5.5 million per fiscal year or as advised by the City's actuarial and staff,

- b. 1/3 to General Fund reserves up to 30% of General Fund revenue or as recommended by Council policy, and
- c. 1/3 to address the City's capital infrastructure plan.

RESOLUTION NO. 67,821-N.S.

ESTABLISHING THE CITY COUNCIL'S POLICY FOR THE GENERAL FUND RESERVES

WHEREAS, the General Fund Reserves ensure the City's ability to maintain vital services to the community during times of economic uncertainty; and

WHEREAS, the City is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, and floods; and

WHEREAS, the prior General Fund Reserve level of 8% is not consistent with GFOA's best practice recommended minimum General Fund Reserve level of 16.7%; and

WHEREAS, specific portions of the reserve should be designated for catastrophic and stabilization purposes and should be reported separately from the General Fund Balance; and

WHEREAS, the use and replenishment of the General Fund Reserves should be defined.

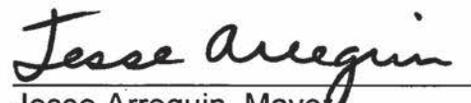
NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the attached exhibit titled General Fund Reserve Policy is hereby adopted.

The foregoing Resolution was adopted by the Berkeley City Council on January 24, 2017 by the following vote:

Ayes: Bartlett, Davila, Droste, Hahn, Maio, Wengraf, Worthington and Arreguin.

Noes: None.

Absent: None.



Jesse Arreguin, Mayor

Attest: 

Mark Numainville, City Clerk

City of Berkeley General Fund Reserve Policy

Policy

The General Fund is the City's primary operating fund. It is not connected to any one revenue source and may be used at the City's discretion. The General Fund is the operation fund that pays for general services provided by the City as well as public safety and capital improvements. The General Fund accounts for all general revenues and expenditures of the City related to the delivery of the City's general services not specifically collected or levied for other City funds.

The City of Berkeley is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, floods, and economic volatility. A key attribute of a financially stable organization is appropriate reserves. Strong reserves position an organization to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies such as natural disasters and other catastrophic events. Establishing an adequate General Fund reserve policy allows the City to mitigate current and future financial risks resulting from economic instability or catastrophic loss.

Functions of Reserves: Stability and Catastrophic

The City of Berkeley will establish and maintain an adequate General Fund Reserve ("Reserve") to prepare for the impact of economic cycles and catastrophic events and assure fluctuations in revenue do not impede the City's ability to meet expenditure obligations. When revenues fail to meet the City's normal operating requirements, or the need for disbursements temporarily exceeds receipts, General Fund reserves, upon a two-thirds vote of the City Council, may be used in accordance with the standards set forth herein.

The Reserve shall be comprised of two elements: a Stability Reserve and a Catastrophic Reserve. The Reserve shall not be used for ongoing or new programs or services.

A Stability Reserve will be maintained to mitigate loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls, and not to serve as a funding source for new programs or projects.

A Catastrophic Reserve will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other

catastrophic event. The Catastrophic Reserve will be used to respond to extreme, onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. The Catastrophic Reserve will not be accessed to meet operational shortfalls or to fund new programs or projects.

Funding and Functions that are NOT Part of the General Fund Reserves

Not included in the General Fund Reserves are funds that are set aside for a specific purpose. This would include restricted, committed, and assigned funds.

- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action by the City Council.
- Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Target Reserve Levels

The General Fund Reserve consists of the total of the Stability Reserve and the Catastrophic Reserve. 55% of the Reserve shall be allocated to the Stability Reserve and 45% to the Catastrophic Reserve.

Effective immediately, the target level for the Reserve shall be a minimum of 13.8% of 2017 Adopted General Fund Revenues with an Intermediate Goal of a minimum of 16.7% by the end of Fiscal Year 2020, if financially feasible.

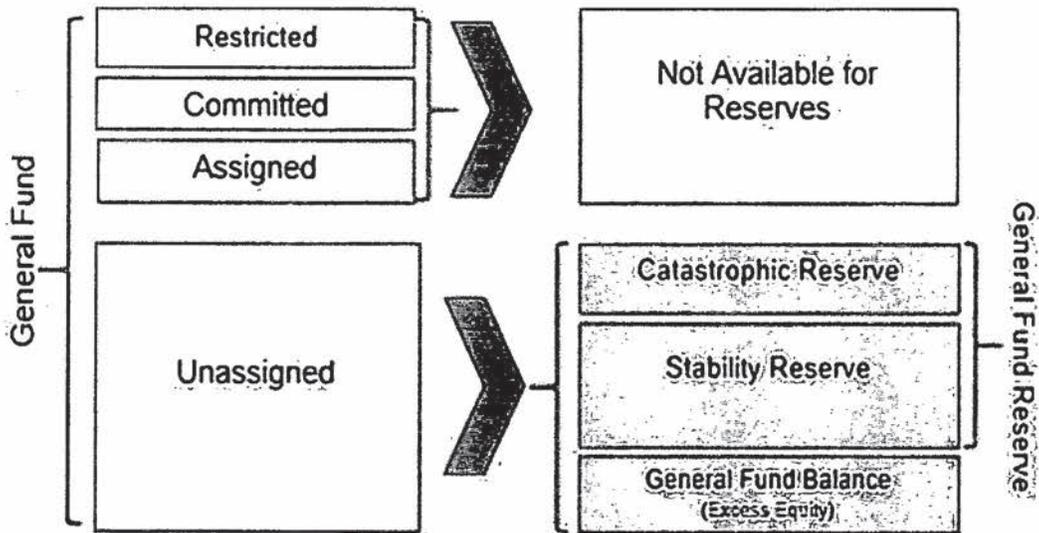
The Council hereby adopts a Long Term Goal of a Reserve of a minimum of 30% of General Fund Revenues, to be achieved within no more than 10 years. Based on a risk assessment (according to best practices), to be updated at least every five years, the Council may consider increasing or lowering the General Fund Reserve level.

Starting in Fiscal Year 2018, to achieve the City's Intermediate and Long Term Reserve Goals, 50% of Excess Equity above the first \$1M shall be allocated to Reserves. Additional Excess Equity may be allocated to Reserves by a majority vote of the City Council.

Methodology to Meet Reserve Levels

The General Fund Reserve is separate from the General Fund Balance. The sum of the Stability Reserve and the Catastrophic Reserve and the amount determined to be

Excess Equity is deemed to be General Fund Unassigned Fund Balance. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The following graphic shows the relation between these funds as well as other restricted, committed, and assigned general fund monies.



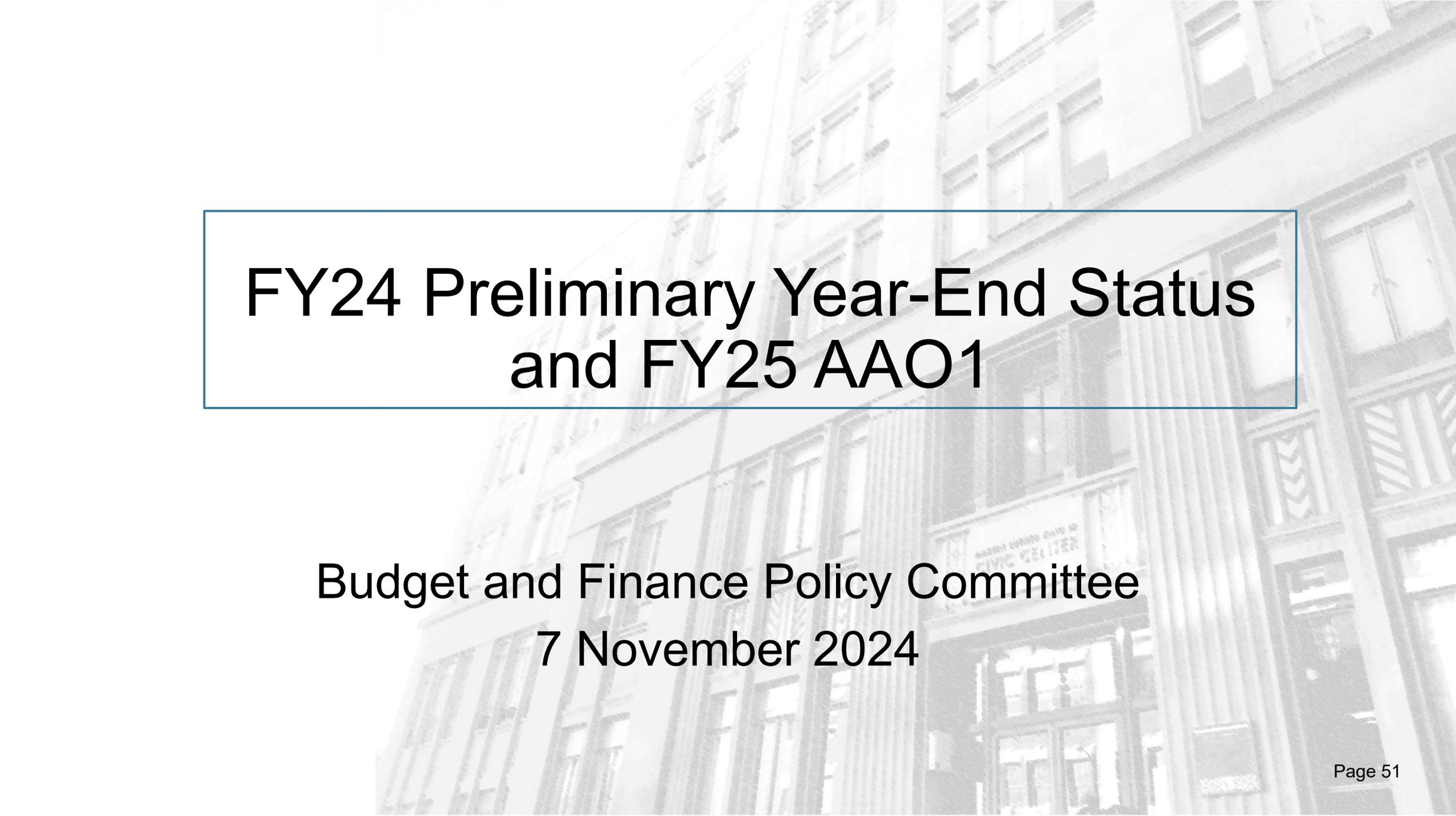
Excess Equity is most commonly a non-recurring source of revenue and shall only be used for one-time, nonrecurring expenditure needs of the City. Excess Equity should be reported separately from the General Fund Reserves .

Attaining the Long Term Goal of 30% Reserves is important to the long-term financial health and stability of the City

Replenishment of the General Fund Reserves

The City Manager shall recommend a replenishment schedule for all monies proposed for appropriation from the General Fund Reserves. The replenishment schedule shall be adopted simultaneous with the appropriation to withdraw Reserve funds or, if infeasible due to emergency circumstances, no more than 3 months from the date of the withdrawal appropriation. Repayment shall begin no more than 5 years from the date of withdrawal and be completed within 10 years from the date of withdrawal.

While staff envisions that, in most cases, repayment will start as soon as possible, the repayment guidelines are meant to reflect a commitment to maintain a sufficient Reserve, while also recognizing that a use of Reserve funds may occur during an economic downturn and it may be necessary to postpone repayment while the economy improves.



FY24 Preliminary Year-End Status and FY25 AAO1

Budget and Finance Policy Committee
7 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 Requests
 - Fund Balance Calculations
- Discussion

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, slightly less than anticipated**

FY24 GENERAL FUND REVENUES

- Secured property tax **up** \$5.6M or 7% more than in FY23
- Property transfer tax **down** -\$5.3M or 23% compared to FY23
- Measure P **down** \$-3.9M or 39% in FY24
- Secured Property Tax and Vehicle in Lieu revenue growth **decrease** to 10.8% in FY 2023 to 7.256% in FY 2024 and 6.39% for FY 2025.
- Interest Income **up** \$3.0M or 25.1% more than FY 2023.
- Business license Taxes **up** \$1.9M or 8.7% more
- Weakness in two other key General Fund business categories: Sales Taxes and TOT.

FY 2023 AND 2024 GENERAL FUND REVENUES

Revenue Categories	FY 2024				FY 2023				Comparison FY24 vs FY23	
	Adopted	Actual	Variance	% Received	Adopted	Actual	Variance	% Received	Amount	%
	(a)	(b)	c=(b) - (a)	(d) = (b)/(a)	(e)	(f)	g=(f) - (e)	(h) = (f)/(g)	(i) = (b) - (f)	(j) = (i)/(f)
Secured Property	\$84,725,717	\$84,850,061	\$124,344	100.15%	\$75,664,920	\$79,260,689	\$3,595,769	104.75%	5,589,372	7.05%
Redemptions -Regular	831,441	842,794	11,353	101.37%	831,441	738,032	-93,409	88.77%	104,762	14.19%
Supplemental Taxes	3,400,000	2,842,273	(557,727)	83.60%	2,000,000	3,561,752	1,561,752	178.09%	(719,479)	-20.20%
Unsecured Property Taxes	3,806,995	4,506,444	699,449	118.37%	3,516,000	3,830,697	314,697	108.95%	675,747	17.64%
Property Transfer Tax	22,873,786	17,549,598	(5,324,188)	76.72%	34,462,172	22,878,336	-11,583,836	66.39%	(5,328,738)	-23.29%
Property Transfer Tax-Measure P (New December 21, 2018)	10,189,500	6,272,861	(3,916,639)	61.56%	14,073,750	10,199,580	-3,874,170	72.47%	(3,926,719)	-38.50%
Sales Taxes	19,654,225	18,717,040	(937,185)	95.23%	19,016,546	19,194,971	178,425	100.94%	(477,931)	-2.49%
Soda Taxes	1,147,387	1,101,210	(46,177)	95.98%	990,210	1,162,310	172,100	117.38%	(61,100)	-5.26%
Utility Users Taxes	17,454,320	17,209,441	(244,879)	98.60%	13,800,000	17,634,565	3,834,565	127.79%	(425,124)	-2.41%
Transient Occupancy Taxes	8,374,588	8,224,852	(149,736)	98.21%	5,000,000	8,671,689	3,671,689	173.43%	(446,837)	-5.15%
Less: TOT rebates owed (a)		(1,245,529)				(1,193,778)			(51,751)	4.34%
Short-term Rentals	1,400,000	1,475,488	75,488	105.39%	1,000,000	1,372,439	372,439	1,000,000	103,049	7.51%
Business License Tax	21,560,783	23,755,728	2,194,945	110.18%	19,000,000	21,854,193	2,854,193	115.02%	1,901,535	8.70%
Recreational Cannabis	1,000,000	152,834	(847,166)	15.28%	1,400,000	997,572	-402,428	71.26%	(844,738)	-84.68%
U1 Revenues	5,900,000	6,322,118	422,118	107.15%	4,900,000	5,844,564	944,564	119.28%	477,554	8.17%
Other Taxes (excluding Redemptions-Regular)	2,593,129	4,460,116	1,866,987	172.00%	1,800,000	4,717,855	2,917,855	262.10%	(257,739)	-5.46%
Vehicle In-Lieu Taxes	17,811,134	17,875,821	64,687	100.36%	15,926,168	16,659,665	733,497	104.61%	1,216,156	7.30%
Parking Fines-Regular Collections	5,800,000	6,034,375	234,375	104.04%	4,326,450	5,875,858	1,549,408	135.81%	158,517	2.70%
Parking Fines-Booting Collections			0				0	#DIV/0!	-	#DIV/0!
Moving Violations	132,600	166,152	33,552	125.30%	132,600	149,420	16,820	112.68%	16,732	11.20%
Ambulance Fees	5,350,779	7,910,668	2,559,889	147.84%	3,880,779	5,143,120	1,262,341	132.53%	2,767,548	53.81%
Interest Income	8,826,211	15,155,999	6,329,788	171.72%	6,000,000	12,117,025	6,117,025	201.95%	3,038,974	25.08%
Franchise Fees	1,720,056	2,008,162	288,106	116.75%	1,613,283	1,822,528	209,245	112.97%	185,634	10.19%
Other Revenue	7,668,797	6,889,503	(779,294)	89.84%	6,729,977	9,043,937	2,313,960	134.38%	(2,154,434)	-23.82%
IDC Reimbursement	6,104,970	6,720,690	615,720	110.09%	5,490,000	6,758,577	1,268,577	123.11%	(37,887)	-0.56%
Transfers	13,591,924	13,591,924	0	100.00%	17,096,148	16,846,585	-249,563	98.54%	(3,254,661)	-19.32%
			-				0		-	
Total Revenue:	\$271,918,342	\$273,390,623	\$1,472,281	100.54%	\$258,650,444	\$275,142,181	\$16,491,737	106.38%	(\$1,751,558)	-0.64%

FY24 GENERAL FUND EXPENDITURES

Department	FY 2024 Adopted	FY 2024 Adjusted	Year-End Actuals	Balance	Percent Expended
Mayor and Council	4,772,190	5,015,865	4,214,204.25	801,661	84%
City Auditor	3,136,323	3,056,436	3,086,586.01	-30,150	101%
Rent Board	550,000	554,216	554,214.06	2	100%
Police Accountability	1,142,593	1,500,502	1,212,487.43	288,014	81%
City Manager's Office	13,150,234	15,932,008	15,467,856.17	464,152	97%
City Attorney	4,304,039	6,147,342	5,342,910.08	804,432	87%
City Clerk	2,547,276	2,495,516	2,120,066.87	375,449	85%
Finance	8,179,370	8,557,762	7,205,766.34	1,351,996	84%
Human Resources	3,467,541	3,852,911	3,826,825.99	26,085	99%
Information Technology	1,526,760	1,759,177	1,077,795.91	681,381	61%
Health, Housing & Community Services	31,429,102	39,372,752	36,900,801.45	2,471,950	94%
Parks, Recreation, and Waterfront	9,359,349	18,275,666	12,650,269.77	5,625,396	69%
Planning	3,277,246	4,526,313	3,161,113.73	1,365,200	70%
Public Works	6,558,529	11,980,902	7,108,574.64	4,872,327	59%
Police	83,606,570	86,646,613	86,417,408.80	229,626	100%
Fire	39,546,063	40,121,637	47,931,969.11	-7,810,332	119%
Non-Departmental	59,995,782	69,765,715	49,992,035.75	19,773,679	72%
Total	276,548,969	319,561,332	288,270,886	31,290,867	90%

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 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	Requested Encumbrance	Requested Carryover	Requested Adjustments	Total
General Fund (011)	\$30,334,347	\$12,497,294	\$5,640,640	\$48,472,281
CIP Fund (501)	\$6,521,803	\$18,004,308	\$690,000	\$25,216,111
All Other Funds	\$74,208,703	\$103,709,690	\$28,672,834	\$206,591,227
Total	\$111,064,853	\$134,211,292	\$35,003,474	\$280,279,619

ADJUSTMENT TYPES

- **Encumbrance Rollovers** are contractual obligations entered into in fiscal year 2024 which had not been paid as of June 30, 2024. Funding for these “encumbered” obligations is brought forward into the current fiscal year to provide for payment of these commitments.
- **Unencumbered Carryover** – funds that were appropriated in the **previous** fiscal year for specific one-time commitments and projects that were not spent and will be needed to start or continue those specific commitments in the current fiscal year.
 - Savings from prior fiscal year not intended to support unfunded discretionary expenditures in current fiscal year or increase baseline
 - Salary savings are one-time and cannot support ongoing personnel costs or other ongoing operational costs. Savings typically go 100% toward fund balance
- **Other Adjustments-** either obligations that occurred after budget adoption (i.e. labor agreement) or requests for new funding

SUMMARY OF FUNDING REQUESTS

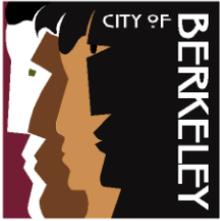
List of Budget Requests	Amount
Mayor's Supplemental Budget Recommendation	16,568,492
Council Referrals (07-01-2024 through 11-12-2024)	2,632,000
General Fund AAO 1 - New Request	4,600,706
General Fund AAO 1 - Carryover Request - Charter Offices	594,026
General Fund AAO 1 - Carryover Request - Department	12,639,029
Total	<u>37,034,253</u>

FUND BALANCE CONSIDERATIONS

- Investment policy to allocate income over baseline to Section 115 Trust, Reserves and Capital
 - FY25 Adopted Budget includes use of \$3M of Trust for pension costs
- Fund balance amount not allocated to reserves to address future budget deficits, address other unexpected operating costs that are not emergencies that require use of reserves
- Once fund balance is used, the only way to replenish is to either have savings (greater revenue return and/or decreased spending)

FY25 AAO AMENDMENT TIMING

- Budget and Finance Policy Committee November 7 and 14
- 1st reading Council November 19
- 2nd reading Council December 3



Office of the City Manager

Date: October 21, 2024
 To: City Council/Budget and Finance Policy Committee
 From: Paul Buddenhagen, City Manager
 Submitted by: Henry Oyekanmi, Finance Director
 Subject: FY 2024 End Of-Year Revenue Report

General Fund Revenue and Transfer In FY 2024 vs FY 2023 Comparison

Revenue Categories	FY 2024				FY 2023				Comparison FY24 vs FY23	
	Adopted (a)	Actual (b)	Variance c=(b) - (a)	% Received (d) = (b)/(a)	Adopted (e)	Actual (f)	Variance g=(f) - (e)	% Received (h) = (f)/(g)	Amount (i) = (b) - (f)	% (j) = (i)/(f)
Secured Property	\$84,725,717	\$84,850,061	\$124,344	100.15%	\$75,664,920	\$79,260,689	\$3,595,769	104.75%	5,589,372	7.05%
Redemptions -Regular	831,441	842,794	11,353	101.37%	831,441	738,032	-93,409	88.77%	104,762	14.19%
Supplemental Taxes	3,400,000	2,842,273	(557,727)	83.60%	2,000,000	3,561,752	1,561,752	178.09%	(719,479)	-20.20%
Unsecured Property Taxes	3,806,995	4,506,444	699,449	118.37%	3,516,000	3,830,697	314,697	108.95%	675,747	17.64%
Property Transfer Tax	22,873,786	17,549,598	(5,324,188)	76.72%	34,462,172	22,878,336	-11,583,836	66.39%	(5,328,738)	-23.29%
Property Transfer Tax-Measure P (New December 21, 2018)	10,189,500	6,272,861	(3,916,639)	61.56%	14,073,750	10,199,580	-3,874,170	72.47%	(3,926,719)	-38.50%
Sales Taxes	19,654,225	18,717,040	(937,185)	95.23%	19,016,546	19,194,971	178,425	100.94%	(477,931)	-2.49%
Soda Taxes	1,147,387	1,101,210	(46,177)	95.98%	990,210	1,162,310	172,100	117.38%	(61,100)	-5.26%
Utility Users Taxes	17,454,320	17,209,441	(244,879)	98.60%	13,800,000	17,634,565	3,834,565	127.79%	(425,124)	-2.41%
Transient Occupancy Taxes	8,374,588	8,224,852	(149,736)	98.21%	5,000,000	8,671,689	3,671,689	173.43%	(446,837)	-5.15%
Less: TOT rebates owed (3)		(1,245,529)				(1,193,778)			(51,751)	4.34%
Short-term Rentals	1,400,000	1,475,488	75,488	105.39%	1,000,000	1,372,439	372,439	1,000,000	103,049	7.51%
Business License Tax	21,560,783	23,755,728	2,194,945	110.18%	19,000,000	21,854,193	2,854,193	115.02%	1,901,535	8.70%
Recreational Cannabis	1,000,000	152,834	(847,166)	15.28%	1,400,000	997,572	-402,428	71.26%	(844,738)	-84.68%
U1 Revenues	5,900,000	6,322,118	422,118	107.15%	4,900,000	5,844,564	944,564	119.28%	477,554	8.17%
Other Taxes (excluding Redemptions-Regular)	2,593,129	4,460,116	1,866,987	172.00%	1,800,000	4,717,855	2,917,855	262.10%	(257,739)	-5.46%
Vehicle In-Lieu Taxes	17,811,134	17,875,821	64,687	100.36%	15,926,168	16,659,665	733,497	104.61%	1,216,156	7.30%
Parking Fines-Regular Collections	5,800,000	6,034,375	234,375	104.04%	4,326,450	5,875,858	1,549,408	135.81%	158,517	2.70%
Parking Fines-Booting Collections			0				0	#DIV/0!	-	#DIV/0!
Moving Violations	132,600	166,152	33,552	125.30%	132,600	149,420	16,820	112.68%	16,732	11.20%
Ambulance Fees	5,350,779	7,910,668	2,559,889	147.84%	3,880,779	5,143,120	1,262,341	132.53%	2,767,548	53.81%
Interest Income	8,826,211	15,155,999	6,329,788	171.72%	6,000,000	12,117,025	6,117,025	201.95%	3,038,974	25.08%
Franchise Fees	1,720,056	2,008,162	288,106	116.75%	1,613,283	1,822,528	209,245	112.97%	185,634	10.19%
Other Revenue	7,668,797	6,889,503	(779,294)	89.84%	6,729,977	9,043,937	2,313,960	134.38%	(2,154,434)	-23.82%
IDC Reimbursement	6,104,970	6,720,690	615,720	110.09%	5,490,000	6,758,577	1,268,577	123.11%	(37,887)	-0.56%
Transfers	13,591,924	13,591,924	0	100.00%	17,096,148	16,846,585	-249,563	98.54%	(3,254,661)	-19.32%
Total Revenue:	\$271,918,342	\$273,390,623	\$1,472,281	100.54%	\$258,650,444	\$275,142,181	\$16,491,737	106.38%	(\$1,751,558)	-0.64%

Notes: (1) This statement is presented on a budgetary basis (i.e., cash).
 (2) Current vendor no longer breaks out Regular and Booting Parking Fines Collections
 (3) Includes the amount of TOT rebates paid or owed for the period
 (4) Redemptions are Other Taxes that are shown separately on this spreadsheet

1. Summary of General Fund FY 2024 Revenue Comparative Results

General Fund revenue and transfers decreased \$1,751,558 or -.64%, from \$275,142,181 in FY 2023, to \$273,390,623 in FY 2024.

As staff warned in the FY 2023 General Fund Revenue report to Council, the City General Fund has, at least for the near term, lost at least two of its three primary drivers of annual growth (For the last two years, Property Transfer Taxes and Measure P Property Transfer Taxes experienced negative growth, and that led to lower growth for Secured Property Taxes and Vehicle in Lieu Taxes in FY 2024 and will lead to lower growth in FY 2025), as they've continued to decline sharply in FY 2024. The Secured Property Tax and Vehicle in Lieu revenue growth in FY 2024 and FY 2025 in the City's assessed value has dropped sharply from 10.8% in FY 2023 to 7.256% in FY 2024 and 6.39% for FY 2025.

In addition, the City is starting to see weakness in two other key General Fund business categories: Sales Taxes and TOT. The City's Sales Tax Consultant has noted softening in sales activity in several sales tax categories since the FY 2024 Adopted Budget was passed, and this has resulted in a decline in Sales Tax revenue and TOT revenue in FY 2024.

Notable General Fund Revenue Declines and Increases

A. Notable declines during FY 2024 were the following:

- 1. Supplemental Taxes \$ -719,479
- 2. Property Transfer Taxes -5,328,738
- 3. Measure P Property Transfer Taxes -3,926,719
- 4. Transfers In -3,254,661
- 5. Sales Taxes -477,931
- 6. TOT (after rebates) -498,588
- 7. Recreational Cannabis -844,738
- 8. Other Revenue -2,154,434

B. Notable increases during FY 2024 were the following:

- 1. Secured Property Taxes \$ +5,589,372
- 2. Unsecured Property Taxes +675,747
- 3. Business License Taxes +1,901,535
- 4. Ambulance Fees +2,767,548

5. Vehicle In Lieu Taxes	+1,216,156
6. Interest Income	+3,038,974

Several of these notable increases/decreases resulted in increases and decreases in the FY 2024 revenue projections for those revenue categories after the Adopted Budget was passed.

Excluding Transfers, General Fund revenue increased \$1,503,103 or .58%, from \$258,295,596 in FY 2023, to \$259,798,699 in FY 2024.

2. Continuing General Fund Revenue Challenges

Before getting into the FY 2024 General Fund revenue details, I also want to point out that the City's General Fund revenue challenges have not ended now that the Fed's has apparently started lowering short-term rates, for the following reasons:

1. The Fed's lowered the Federal Funds rate by .50% on September 18, 2024 and forecast that more rate cuts are on the way. The Fed's had previously said that it would not make that move until it was convinced that its favored method to measure inflation, the core Personal Consumption Expenditures index (Core PCE), was on a sustainable path to its policy goal of 2%. That rate fell to a level of 2.7% at the end of August 2024, still significantly above the Fed's target of 2%). It should be pointed out that after the Fed's lowered short-term rates by .50% on September 18, 2024, mortgage rates have actually risen, not declined, by approximately .50%.

One challenge is that if the core PCE move down to 2% is slow, then the Fed's will be reluctant to move rates significant lower (i.e., rates will stay higher for a longer period of time). As a result, mortgage and other consumer interest rates will remain high, resulting in lower consumer spending and property sales. Lower consumer spending will result in lower Sales Tax revenue, and lower property sales will result in less Property Transfer Tax revenue to the City. In addition, it will result in lower growth in assessed values, which will result in less Secured Property Tax revenue and Vehicle In Lieu Tax revenue to the City, since they change based on the changes in assessed value each year.

2. Increasing interest rates wasn't the only monetary tightening by the Fed's between March 17, 2022- July 26, 2023, when it raised the Federal Funds rate from a range of 0%-.25% to 5.25%-5.50%. At the same time, it also initiated a program called "quantitative tightening", whereby it sold \$95 billion/month of Treasury Bonds and Mortgage-backed securities from its mammoth Balance Sheet. By selling these securities, the Fed's increased the supply of Treasury Bonds and Mortgage-backed Bonds, thereby simultaneously lowering the market price of the bonds and increasing long-term rates, including mortgages. Another challenge facing the bond market is that the Fed's Balance Sheet has grown from \$.9 trillion right before the 2008 financial crisis to \$4.4 trillion after the crisis, and to \$9 trillion after the COVID-19 pandemic, as a result of the federal deficit spending done to respond to these crises. The Balance Sheet balance currently stands at a still staggering amount of \$7.4 trillion and needs to continue to be unwound. The problem is that when the Fed's sells these securities, they are purchased by investment banks and other financial institutions. When this happens, the banks and other financial institutions have less cash and reserves to lend money to companies and individuals, thereby negatively impacting the economy.

Fortunately, the Fed's partially alleviated this problem in June 2024 by slowing the pace of asset paring to \$60 billion/month and eliminating the securities as they matured (instead of selling them), without reinvesting the proceeds.

3. Another challenge is the proposed \$1.8 trillion federal budget deficit for the upcoming fiscal year. This will require the issuance of additional \$1.8 trillion in Treasury Bonds to fund the deficit. This will put upward pressure on long-term interest rates, including mortgage rates.

4. Another challenge is the potential impacts from the November 2024 presidential election. Specifically, both candidates have promised huge tax cuts and credits, which if enacted, could significantly increase the federal budget deficit and put even more upward pressure on interest rates.

The additional huge amount of bonds that will need to be issued as a result of these macroeconomic challenges will probably overwhelm demand for long-term bonds and continue to put pressure on long-term interest rates, including mortgage rates and rates on General Obligation Bonds the City may need to issue in the future. In addition to reducing consumer spending and slowing down the economy, it will keep mortgage rates high. Keep in mind that the Fed's can only control short-term rates. The impact of its actions on long-term interest rates is controlled solely by the bond market.

One positive note is that the negative impacts on the City of rising interest rates is partially offset by a significant increase in Interest Income the City generated through its investment portfolio.

3. FY 2024 GENERAL FUND REVENUE DETAILS

Secured Property Tax (+\$5,589,372 more than FY 2023 Actual)

During FY 2024, Secured Property Tax revenues totaled \$84,850,061, which was \$5,589,372 or 7.05% more than the \$79,260,689 received in FY 2023. This result was consistent with the County's Certification of Assessed Valuation (received from the County in August 2023 after the Adopted Budget was passed), which reflected growth of 7.256%. Changes in Secured Property Tax revenues are based on the growth in assessed values.

Supplemental Taxes (-\$719,479 less than FY 2023 Actual)

Supplemental taxes come into play where there is a reassessment of property value triggered by changes such as new ownership, significant upgrades, or the completion of new construction. The County Assessor's Office determines the updated assessed value, calculates the difference between the previous and new assessed values, and prorates the difference, based on the remaining months in the fiscal year after the ownership transfer or the completion of improvements.

During FY 2024, Supplemental Taxes totaled \$2,842,273, which was \$719,479 or 20.2% less than the \$3,561,752 received in FY 2023, likely due to the significant decline in property sales during FY 2023 and FY 2024.

Unsecured Property Tax (+\$675,747 more than FY 2023 Actual)

During FY 2024, Unsecured Property Tax revenues totaled \$4,506,444, which was \$675,747 or 17.6% more than the amount of \$3,830,697 received in FY 2023. This amount is greater than the County's Certification of Assessed Valuation growth of 9.1% for FY 2024.

The Unsecured Property Tax Revenue projection was increased after the Mid-year budget report from \$3,806,995 to \$4,648,038.

Property Transfer Tax (-\$5,328,738 less than FY 2023 Actual)

During FY 2024, Property Transfer Tax totaled \$17,549,598, which was \$5,328,738 or 23.29% less than the \$22,878,336 received in FY 2023.

The primary reasons for the \$5,328,738 decrease in Property Transfer Tax were the following:

- (1) The dollar value of property sales decreased by \$.433.2 billion or 26.2%, from \$1.655.8 billion in FY 2023 to \$1.222.6 billion in FY 2024, as illustrated in Table 1 below.
- (2) There were 11 property sales of \$10 million or more, with total sales of \$421 million in FY 2023 compared to five property sales of \$10 million or more, with total sales of \$89.9 million in FY 2024; and,
- (3) The number of property sales transactions decreased by 83 or 10.0% from 833 in FY 2023 to 750 in FY 2024, as illustrated in the Table 2 below.

This decline in real estate activity was generally attributed to high mortgage rates and a slowing economy resulting from the Federal Reserve Board's aggressive actions to reduce the money supply and slow down the US economy in order to reduce inflation, by sharply raising interest rates and selling \$95 billion/month of Agency and Mortgage-Backed Bonds from its Balance Sheet.

Table 1- Property Sales In Million \$

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2024	\$129.2	\$152.5	\$99.9	\$95.7	\$95.8	\$94.4	\$667.5
FY 2023	188.9	320.0	134.6	113.9	254.9	142.4	1,154.7
Change	-59.7	-167.5	-34.7	-18.2	159.1	-48.0	-487.2
% Change	-31.6%	-52.3%	-25.8%	-16.0%	-62.4%	-33.7%	-42.2%

Table 1- Property Sales In Million \$

	Jan	Feb	Mar	Apr	May	June	Total
FY 2024	65.8	49.8	66.3	93.2	123.3	156.7	\$1,222.6
FY 2023	86.5	72.2	53.4	96.3	73.8	118.9	1,655.8
Change	-20.7	-22.4	12.9	-3.1	49.5	37.8	-433.2
% Change	-23.9%	-31.0%	24.2%	3.2%	-67.1	31.8	-26.2%

Table 2-Number of Property Sales Transactions

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2024	79	73	64	61	67	62	406
FY 2023	113	101	108	79	74	57	532
Change	-34	-28	-44	-18	-7	5	-126
% Change	-.30.1%	-27.7%	40.7%	-22.8%	-9.5%	8.8%	-23.7%

Table 2-Number of Property Sales Transactions

	Jan	Feb	Mar	Apr	May	June	Total
FY 2024	41	34	45	61	77	86	750
FY 2023	40	37	31	64	50	79	833
Change	1	-3	14	-3	27	7	-83
f% Change	2.5%	-8.1%	45.2%	-4.7%	54%	8.9%	-10.0%

The Property Transfer Tax Revenue projection was decreased from the Adopted Budget amount of \$22,873,786 to \$16,873,786.

Measure P-Property Transfer Tax (-\$3,926,719 less than FY 2023 Actual)

Measure P taxes totaling \$6,272,861 was collected during FY 2024, which was \$3,926,719 or 38.5% less than the \$10,199,580 collected during FY 2023. This decrease resulted primarily from the following: (1) A decrease of 40.0% in the dollar value of property sales amount in FY 2024 versus those in FY 2023 as reflected in Table 3; (2) The number of property sales transactions decreased by 99 or 34.1% in FY 2024, as illustrated in the Table 4 below; and,(3) There were only five property sales of \$10 million or more totaling \$89.9 million in FY 2024, compared to 11 transactions with total property sales of \$421 million in FY 2023.

Table 3- Property Sales \$1.5 million+ In Million \$

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2024	\$62.8	\$87.2	\$48.5	\$51.9	\$33.6	\$42.5	\$326.5
FY 2023	114.4	271.1	84.1	63.3	203.7	99.8	836.4
Change	- 51.6	-183.9	-35.6	-11.4	-170.1	-57.3	-509.9
% Change	-45.1%	-67.8%	-42.3%	-18.0%	-83.5%	-57.4%	-61.0%

Table 3- Property Sales \$1.5 million+ In Million \$

	Jan	Feb	Mar	Apr	May	June	Total
FY 2024	20.5	22.3	31.4	54.0	67.8	99.8	\$622.3
FY 2023	34.3	28.0	20.2	49.9	30.8	37.6	1,037.2
Change	-13.8	-5.7	11.2	4.1	37.0	62.2	-414.9
% Change	40.2%	-20.4%	55.4%	8.2%	120.1%	165.4	-40.0%

Table 4- Property Transactions \$1.5 Million and Above

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2024	18	17	12	15	12	10	84
FY 2023	52	41	48	31	24	19	215
Change	-34	-24	-36	-16	-12	-9	-131
% Change	-.65.4%	-58.5%	-75.0%	-51.6%	-50.0%	-47.4%	-60.9%

Table 4- Property Transactions \$1.5 Million and Above

	Jan	Feb	Mar	Apr	May	June	Total
FY 2024	3	8	13	24	26	33	191

FY 2023	12	10	9	19	11	14	290
Change	-9	-2	4	5	15	19	-99
% Change	-75.0%	-20.0%	44.4%	26.3%	136.4%	135.7%	-34.1%

The Measure P1 Property Transfer Tax Revenue projection was decreased after the Mid-year budget report from \$10,189,500 to \$4,500,000.

Sales Tax (-\$477,931 less than FY 2023 Actual)

For FY 2024, Sales Tax revenue totaled \$18,717,040, which was \$477,931 or 2.5% less than the \$19,194,971 received in FY 2023. This was better than the revised FY 2024 projection of \$18,540,921 during the mid year results. After the first quarter of FY 2024, the City's Sales Tax Consultant noticed a significant softening of sales in several categories since the Adopted Budget was passed, and revised revenue projections to \$18,540,921.

Fiscal Year 2024 decrease were in the following categories: General Retail was down 7.8%; Food Products was down 1.1%; Transportation was down 15.7%; Construction was down 3.7%; and, Business To Business was down 4.9%.

Utility Users Taxes (-\$425,124 less than FY 2023 Actual)

Utility Users Tax revenue for FY 2024 totaled \$17,209,441, which was \$425,124 or 2.41% less than the \$17,634,565 received for FY 2023.

This decrease of \$425,124 resulted from increases/decreases in the following categories:

FY 2024 Actual Revenues Compared to FY 2023 Actual Revenues				
	FY2024	FY 2023	\$ Change	% Change
Telephone	\$ 997,098	\$ 1,070,064	\$ -72,966	-6.82%
Cellular	1,750,399	1,792,979	-42,580	-2.37%
Cable	956,816	1,009,980	-53,165	-5.26%
Electric	9,975,518	9,175,141	800,376	8.72%
Gas	3,529,611	4,586,401	-1,056,789	-23.04%
Total	\$17,209,441	\$17,634,565	\$-425,124	2.41%

Franchise Fees (+\$185,634 more than FY 2023 Actual)

Franchise Fees revenue for FY 2024 totaled \$2,008,162, which was \$185,634 or 10.2% more than the \$1,822,528 received for FY 2023.

This increase of \$185,634 resulted from increases/decreases in the following categories:

FY 2024 Actual Revenues Compared to FY 2023 Actual Revenues				
	FY2024	FY 2023	\$ Change	% Change
Cable TV	\$ 603,692	\$ 526,332	\$ 77,360	14.7%
Electric	851,258	741,123	110,135	14.9%
Gas	553,212	555,073	-1,861	-.3%
Total	\$2,008,162	\$1,822,528	\$185,634	10.2%

Transient Occupancy Tax (-\$446,837 less than FY 2023 Actual)

Gross Transient Occupancy Tax (TOT before rebates are subtracted) revenue in FY 2024 totaled \$8,224,852, a decline of \$446,837 or 5.2% from the gross TOT of \$8,671,689 received in FY 2023. The primary reason for the decline of \$446,837 was that the gross TOT reported in FY 2024 for the six largest hotels in Berkeley increased by only \$48,661 or .7%, from \$7,256,856 in FY 2023 to \$7,305,517.

In addition, TOT rebates paid totaled \$1,245,529 in FY 2024, an increase of \$51,751 or 4.34% from the \$1,193,778 TOT rebates paid in FY 2023.

Short-Term Rentals (+\$103,049 more than FY 2023 Actual)

Short-Term Rentals revenue in FY 2024 totaled \$1,475,488, which was \$103,049 or 7.51% more than the \$1,372,439 received in FY 2023.

Business License Taxes (+1,901,535 more than FY 2023 Actual)

Business license Taxes (BLT) revenue in FY 2024 totaled \$23,755,728, which was \$1,901,535 or 8.7% more than the \$21,854,193 received in FY 2023. This increase was due primarily to the following: (1) Staff renewed 13,138 license applications in FY 2024 versus 12,799 in FY 2023; 2) A check at the nine month point of FY 2024 showed the average Business License Tax renewal averaging approximately nine percent and, (3) The average Business License tax renewal (including U1 monies) was approximately \$2,322 in FY 2024 versus \$2,335 in FY 2023.

After the FY2024 Mid-year budget results, the Business License Tax revenue projection was increased from \$21,560,783 to \$23,200,000.

Recreational Cannabis Taxes (-\$844,738 less than FY 2023 Actual)

Recreational Cannabis Taxes (BLT) revenue in FY 2024 totaled \$152,834, which was \$844,738 or 84.6% less than the \$997,572 received in FY 2023. This decline was due to Council adopting a temporary exemption from the collection of taxes under BMC Chapter 9.04.136(D) from non-medical and medical cannabis businesses. This temporary exemption was retroactive to January 2023.

As a result, the FY 2024 Recreational Cannabis Taxes projection was decreased from \$1,000,000 to \$112,000 after the FY2024 Mid-year budget results.

U1 Revenues (+\$477,554 more than FY 2023 Actual)

U1 revenues in FY 2024 totaled \$6,322,118, which was \$477,554 or 8.17% more than the \$5,844,564 received in FY 2023.

Vehicle In Lieu Taxes (+\$1,216,156 more than FY 2023 Actual)

Vehicle In Lieu Taxes (VLF) in FY 2024 totaled \$17,875,821, which was \$1,216,156 or 7.30% more than the \$16,659,665 received in FY 2023. This result was consistent with the County's Certification of Assessed Valuation (received in August 2022), which reflects growth of 7.256%. Changes in VLF revenues are based on the growth in assessed values.

Other Taxes (-\$257,739 less than FY 2023 Actual)

Other Taxes (excluding Redemptions-Regular) in FY 2024 totaled \$4,460,116, which was \$257,739 or 5.46% less than the \$4,717,855 received in FY 2023. The decrease was accounted for by the following: (1) an increase of \$352,722 in Parking Lot Taxes; (2) a decline of \$668,253 in BLT penalties; (3) a decline of \$111,768 in BLT interest; and, (4) and an increase of \$170,427 in Transportation Network Company User Tax (i.e., a tax on ride sharing companies enacted during the height of the COVID-19 pandemic).

The FY 2024 Other Taxes projection was increased after the FY2024 Mid-year budget results from \$2,593,129 to \$4,621,618.

Parking Fines (+\$158,517 more than FY 2023 Actual)

Parking Fines revenue in FY 2024 totaled \$6,034,375, which was \$158,517 or 2.7% more than the \$5,875,858 received in FY 2023. The primary reason for the increase was the increase in ticket writing in FY 2024.

For FY 2024, ticket writing increased by 18,520 or 14.9% from 124,603 in FY 2023 to 143,123 in FY 2024, as follows:

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2024	12,582	14,180	13,235	13,063	12,472	11,688	77,220
FY 2023	8,939	9,706	9,430	10,916	10,965	10,250	60,206
Difference	3,643	4,474	3,805	2,147	1,507	1,438	17,014
% Difference	40.8%	46.1%	40.3%	19.7%	13.7%	14.0%	28.3%

	Jan	Feb	Mar	Apr	May	June	Total
FY 2024	11,270	11,657	12,278	13,002	11,593	6,103	143,123
FY 2023	9,742	9,764	11,514	10,717	11,576	11,084	124,603
Difference	1,528	1,893	764	2,285	17	-4,981	18,520
% Difference	15.7%	19.4%	6.6%	21.3%	.1%	-44.9%	14.9%

Ambulance Fees (+\$2,767,548 more than FY 2023 Actual)

Ambulance Fees revenue in FY 2024 totaled \$7,910,668, which was \$2,767,548 or 53.8% more than the \$5,143,120 received in FY 2023. This increase was primarily due to (1) an increase of 495 or 8.4% in the number of transports in FY 2024, from 5,879 to 6,374; and (2) the Public Provider Ground Emergency Medical Transportation (PPGEMT) program replaced the Quality Assurance Fee Program (QAF); The MEDI-CAL and MCAL HMO reimbursement rate increased to \$1,062 under the PPGEMT Program from \$339 under the QAF Program in FY 2023; There were additional rate increases effective April 1, 2023 and November 1, 2023.

As a result, the FY 2024 Ambulance Fee revenue projection was increased after the FY2024 Mid-year budget results from \$5,350,779 to \$7,234,813.

Interest Income (+\$3,038,974 more than FY 2023 Actual)

For the FY 2024, Interest Income totaled \$15,155,999, which was \$3,038,974 or 25.1% more than the total of \$12,117,025 received in FY 2023. This increase was primarily attributable to a significant increase in average interest rates earned after the Federal Reserve raised interest rates sharply between March 17, 2022-July 26, 2023. Primarily as a result of the Fed's actions, the net interest rate earned by the City increased from a range of 1.84%-3.06% during FY 2023, to a range of 2.84%-3.44% during FY 2024, as reflected in the Monthly Net Interest Rate Earned table below. In addition, the increase was partially attributable to an increase in interest income received from its short-term balances in its Fidelity Money Market Fund and interest earned from the Custodial Bank, as a result of the inversion of the yield curve for most of the year (i.e, where short-term rates were greater than long-term rates):

Monthly Net Interest Rate Earned:

FY	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
2024	3.10%	3.02%	2.95%	2.95%	2.88%	2.84%	3.18%	3.05%	3.11%	3.24%	3.33%	3.44%
2023	1.84%	2.03%	1.97%	2.26%	2.39%	2.62%	2.74%	2.71%	2.83%	2.94%	3.06%	3.04%

The FY 2024 Interest Income projection was increased from \$8,826,211 to \$14,000,000 after the FY2024 Mid-year budget results.

Indirect Cost Reimbursements (-\$37,887 less than FY 2023 Actual)

IDC Reimbursement (IDC) decreases result from decreases in the indirect cost allocation base (i.e., total direct salaries and wages in the fund), a decrease in the indirect cost rate or a combination of decreases or increases in both factors.

Indirect Cost Reimbursements (IDC) in FY 2024 totaled \$6,720,690, which was \$37,887 or .56% less than the \$6,758,577 received in FY 2023. This decrease was primarily accounted for by the decrease in the indirect cost allocation rate for the Marina Fund from 25% to 17%, which more than offset an increase of 3.9% in the total indirect cost allocation base (total direct salaries and wages) from \$30,332,425 in FY 2023 to \$31,515,239 in FY 2024.

The FY 2024 IDC revenue projection was increased after the FY2024 Mid-year budget results from \$6,104,970 to \$6,893,749.

Transfers (-\$3,254,661 less than FY 2023 Actual)

Transfers from other funds in FY 2024 totaled \$13,591,924 which was \$3,254,661 or 19.3% less than the \$16,846,585 received in FY 2023. This was primarily attributable to (1) a decline of \$8,766,305 in the Transfer from the American Rescue Plan Fund to recover from the impact of the COVID-19 pandemic from \$12,022,049 in FY 2023, to \$3,255,744 in FY 2024; and, (2) an increase of \$5,500,000 in transfers from the Workers' Compensation Fund in FY 2024.

Other Revenues (-\$2,154,434 less than FY 2023 Actual)

Other Revenues primarily consist of licenses and permits; grants; preferential parking fees; general government charges for services; public safety charges for services; health charges for services; culture and recreation charges for services; rents and royalties; and other miscellaneous revenues that are not considered major.

Other Revenues in FY 2024 totaled \$6,889,503 which was \$2,154,434 or 23.82% less than the \$9,043,937 received in FY 2023. This decrease of \$2,154,434 was primarily attributable to (1) operating grants of \$1,062,914 received in FY 2023, but not in FY 2024; (2) a total of \$415,872 for work for private parties received in FY 2023 versus \$2,197 received in FY 2024; and (3) an increase of \$687,680 in the premium received on the issuance of the Tax and Revenue Anticipation Notes (TRAN) in FY 2023. The premium paid to the City was not actually revenue; it was a liability that was paid by the purchaser of the City's Notes when the coupon interest rate was higher than the market rate when the Notes were issued. It was appropriately used to offset the interest expense paid by the City on the Notes, rather than being recorded as revenue.

5 YEARS PROJECTED GENERAL FUND REVENUES

	Projected General Fund Revenue						
	FY 2024 Adopted	FY 2024 Actual	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Undesignated Revenues							
Secured Property Taxes	84,725,717	84,850,061	90,271,980	95,236,939	98,570,232	102,020,190	105,590,896
Supplemental Taxes	3,400,000	2,842,273	2,700,000	3,400,000	3,400,000	3,400,000	3,400,000
Unsecured Property Taxes	3,806,995	4,506,444	4,648,038	4,648,038	4,648,038	4,648,038	4,648,038
Property Transfer Taxes	12,500,000	17,549,598	18,000,000	18,900,000	19,845,000	20,837,250	21,879,113
Property Transfer Tax - Measure P	10,189,500	6,272,861	8,199,600	8,609,580	9,040,059	9,492,062	9,966,665
Sales Taxes	19,654,225	18,717,040	18,490,000	19,025,000	19,321,000	19,597,000	19,840,000
Soda Tax	1,147,387	1,101,210	1,147,387	1,147,387	1,147,387	1,147,387	1,147,387
Utility Users Taxes	17,454,320	17,209,441	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000
Transient Occupancy Taxes(TOT)	8,374,588	8,224,852	8,624,591	8,797,083	8,973,024	9,152,485	9,335,535
TOT Rebates		-1,245,529	-1,160,450	-1,195,264	-1,231,122	-1,268,055	-1,306,097
Short-term Rentals	1,400,000	1,475,488	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Business License Taxes	21,560,783	23,755,728	23,700,000	23,700,000	23,700,000	23,700,000	23,700,000
Recreational Cannabis	1,000,000	152,834	160,000	160,000	160,000	160,000	160,000
Measure U1	5,900,000	6,322,118	6,300,000	6,300,000	6,300,000	6,300,000	6,300,000
Vacancy Tax					5,000,000	5,150,000	5,304,500
Other Taxes	3,424,570	5,302,910	5,453,059	5,453,059	5,453,059	5,453,059	5,453,059
Vehicle In Lieu Taxes	17,811,134	17,875,821	19,172,891	20,227,400	20,935,359	21,668,096	22,426,479
Parking Fines - Regular Collections	5,800,000	6,034,375	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000
Parking Fines - Booting Collections	-	-	-	-	-	-	-
Moving Violations	132,600	166,152	132,600	132,600	135,252	137,957	137,957
Ambulance Fees	5,350,779	7,910,668	7,856,365	7,856,365	7,856,365	7,856,365	7,856,365
Interest Income	8,826,211	15,155,999	14,000,000	13,500,000	12,500,000	12,500,000	12,500,000
Franchise Fees	1,720,056	2,008,162	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Other Revenues	7,668,797	6,889,503	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Indirect cost reimbursements	6,104,970	6,720,690	6,855,104	6,992,206	7,132,050	7,274,691	7,420,185
Transfers	8,091,924	13,591,924	10,355,777	4,472,621	4,562,074	4,562,074	4,653,315
Total Undesignated Revenues	256,044,556	273,390,623	278,606,941	281,063,013	291,147,777	297,488,599	304,113,397
Designated Revenues							
Prop. Transfer Taxes for capital imp	10,373,786		1,000,000	3,000,000	5,000,000	5,000,000	5,000,000
Total Designated Revenues	10,373,786	0	1,000,000	3,000,000	5,000,000	5,000,000	5,000,000
TOTAL REVENUES AND TRANSFERS	266,418,342	273,390,623	279,606,941	284,063,013	296,147,777	302,488,599	309,113,397

Secured Property Taxes

The collapse in the real estate market during the third and fourth quarters of FY 2023 continued throughout FY 2024 (discussed below in the Property Transfer Tax section), and resulted in a decline in Secured Property Tax revenue growth from 10.8% in FY 2023 to 7.256% in FY 2024. Staff projects growth of 6.39% in FY 2025, growth of 5.5% in FY 2026, and growth for FY 2027 through FY 2029 of 3.5%.

Sales Taxes

This revenue source is back to pre-pandemic levels. However, for FY 2024, Sales Tax revenue totaled \$18,717,040, which was \$477,931 or 2.5% less than the \$19,194,971 received in FY 2023. After the first quarter of FY 2024, the City's Sales Tax Consultant noticed a significant softening of sales in several categories since the FY 2024 Adopted Budget was passed, and the Sales Tax revenue projection was lowered. The \$18,717,040 actual revenue was better than the City's Sales Tax Consultant's revised FY 2024 projection of \$18,540,921. Key FY 2024 Sales Tax Category declines were the following: General Retail was down 7.8%; Food Products was down 1.1%; Transportation was down 15.7%; Construction was down 3.7%; and, Business to Business was down 4.9%.

Sales Tax revenue is projected to decrease 1.2% in FY 2025, increase 2.9% in FY 2026, increase 1.6% in FY 2027, increase 1.4% in FY 2028 and increase 1.2% in FY 2029.

Business License Taxes

Business license Taxes (BLT) revenue in FY 2024 totaled \$23,755,728, which was \$1,901,535 or 8.7% more than the \$21,854,193 received in FY 2023. This increase was due primarily to the following: (1) Staff renewed 13,138 license applications in FY 2024 versus 12,799 in FY 2023; (2) A check at the nine month point of FY 2024 showed the average Business License Tax renewal averaging

approximately nine percent and, (3) The average Business License tax renewal (including U1 monies) was approximately \$2,322 in FY 2024 versus \$2,335 in FY 2023.

Staff is projecting flat growth in Business License Tax revenue from FY 2025 through FY 2029. Long-term projections will be adjusted as the impact of the recent dramatic interest rates changes on the post-pandemic economic environment becomes clearer.

Transient Occupancy Tax

Gross Transient Occupancy Tax (TOT before rebates are subtracted) revenue in FY 2024 totaled \$8,224,852, a decline of \$446,837 or 5.2% from the gross TOT revenue of \$8,671,689 received in FY 2023. The primary reason for the decline of \$446,837 was that the gross TOT reported in FY 2024 for the six largest hotels in Berkeley increased by only \$48,661 or .7%, from \$7,256,856 in FY 2023 to \$7,305,517. Staff is projecting annual gross growth (TOT revenue increase (TOT before deducting rebates owed) of 4.9% in FY 2025, and 2% from FY 2026 through FY 2029. Staff will continue to monitor the major hotels' projections of future occupancies and will adjust long-term projections as necessary.

Utility Users Tax

Staff projects UUT revenue to be flat in FY 2025 through FY 2029, after jumping to a significantly higher level in FY 2023 due to rate increases approved by the Public Utilities Commission and higher usage due to colder-than-normal temperatures.

Property Transfer Tax

The dramatic slowdown in the real estate market that began in the third and fourth quarters of FY 2023 continued throughout FY 2024, primarily due to the Federal Reserve Board keeping the Federal Funds rate at a range of 5.25%-5.50%. This kept mortgage rates high and significantly slowed real estate activity.

During FY 2024, Property Transfer Tax totaled \$17,528,223, which was \$5,350,113 or 23.4% less than the \$22,878,336 received in FY 2023.

The primary reasons for the \$5,350,113 decrease in Property Transfer Tax were the following: The dollar value of property sales decreased by \$.433.2 billion or 26.2%, from \$1.655.8 billion in FY 2023 to \$1.222.6 billion in FY 2024; There were 11 property sales of \$10 million or more, with total sales of \$421 million in FY 2023 compared to five property sales of \$10 million or more, with total sales of \$89.9 million in FY 2024; and, The number of property sales transactions decreased by 83 or 10.0% from 833 in FY 2023 to 750 in FY 2024.

This decline in real estate activity was generally attributed to high mortgage rates and a slowing economy resulting from the Federal Reserve Board's aggressive actions to reduce the money supply and slow down the US economy in order to reduce inflation, by sharply raising interest rates and selling \$95 billion/month of Agency and Mortgage-Backed Bonds from its Balance Sheet.

Over the 5 years prior to the pandemic, Property Transfer Tax revenues grew 6% per year on average, but the high level of mortgage rates makes potential real estate buyers and sellers reluctant; the reduced activity will continue to negatively impact sales prices and volumes somewhat in the next few years. After the sharp decline in FY 2023 and FY 2024, staff projects an 8.26% increase in FY 2025, an increase of 15.26% in FY 2026, an increase of 13.45% in FY 2027, and 4.0% increases in FY 2028 and FY 2029.

Staff expects growth in revenues from Measure P supplemental tax on high value property transfers of 30.7% in FY 2025 and then increases at a rate of 5% from FY 2026 through FY 2029.

Interest Income

The sharp rise in interest rates triggered by the Fed is a double-edged sword: While the rise in interest rates negatively impacts the City's Property Transfer Taxes (through less property sales) and Secured Property Taxes and Vehicle In Lieu Taxes (through lower assessed values), it results in an increase in Interest Income. For FY 2024, Interest Income totaled \$15,155,999, which was \$3,038,974 or 25.1% more than the \$12,117,025 received in FY 2023. It was also \$6,329,788 more than the adopted budget amount of \$8,826,211.

The Fed's changed monetary policy and started by lowering the Federal Funds rate by .50%, from a range of 5.25%-5.50% to 4.75%-5.00% on September 18, 2024. The Fed's economic model projects that the Federal Funds rate will be at 4.4% by the end of CY 2024 (which assumes a .50% decline at the November 2024 Fed meeting), drop to 3.4% by the end of CY 2025, and be at 2.9% by the end of CY 2026 and CY 2027. However, staff believes the following: (1) the Fed's will lower the Federal Funds rate by .25%, instead of .50%, at the November 2024 Fed's meeting, and be at a range of 4.50%-4.75% by the end of CY 2024; or (2) the Fed's will leave the Federal Funds rate unchanged at the November 2024 Fed's meeting, at a rate of 4.75%-5.00% by the end of CY 2024. Staff locked in a significant portion of the City's portfolio at rates ranging between 4% and 5%. Those securities will be unaffected by the Fed's moves to lower short-term interest rates. Staff's projected interest income assumes a 7.6% decline in FY 2025, a decline of 3.57% in FY 2026, a decline of 7.4% in FY 2027 and flat growth in FY 2028 and FY 2029.

Ambulance Fees

Ambulance Fees revenue in FY 2024 totaled \$7,910,668, which was \$2,767,548 or 53.8% more than the \$5,143,120 received in FY 2023. This increase was primarily due to (1) an increase of 495 or 8.4% in the number of transports in FY 2024, from 5,879 to 6,374; and (2) the Public Provider Ground Emergency Medical Transportation (PPGEMT) program replaced the Quality Assurance Fee Program (QAF); The MEDI-CAL and MCAL HMO reimbursement rate increased to \$1,062 under the PPGEMT Program from \$339 under the QAF Program in FY 2023; There were additional rate increases effective April 1, 2023 and November 1, 2023.

Staff is projecting flat Ambulance Fees revenue in FY 2025 through FY 2029.

Conclusion

Projecting revenues many years into the future is inherently difficult to do with accuracy, as shifts in the macroeconomic environment can cause asset valuations and economic output to fluctuate in ways not able to be anticipated at the time projections are made. Staff use the best assumptions available, based on historic trends, observation of leading economic indicators, and known changes in the regulatory environment. The current environment, however, presents heightened uncertainty due to several macroeconomic factors that could impact future City revenues.

First, while the health emergency related to the COVID-19 pandemic has finally receded, and the restrictions that had constrained economic activity have been lifted, there is a possibility that the local economy has been reshaped in ways that will not return to a pre-pandemic "normal." The increase in telecommuting that occurred in the past couple of years may not fully recede. This could have effects

on spending activities of residents and employees of City businesses and institutions, as well as the desirability of certain locations for home purchases. City management continues to study and analyze these trends, and will make adjustments as more data comes in.

Second, as reported last year, inflation rose to unacceptably high levels, causing the Federal Reserve Board to tighten monetary policy significantly to combat inflation. As a result, the Feds raised interest rates from a range of 0%-.25% in March 2022 to a range of 5.25%-5.50% before the Feds made the first move in four years to lower them by .50% on September 18, 2024. During this period the average mortgage rose from a little over 4.1% to as high as 8.0%; currently, a 15-year fixed mortgage is around 6.15% and a 30-year fixed mortgage is around 6.62%. In addition to raising interest rates between March, 2022 and July 2023, the Feds began a program to sell \$95 billion/month (or \$1.14 trillion) of Agency and Mortgage-Backed Bonds from its Balance Sheet, which increased the supply of these securities and put additional upward pressure on long-term rates, such as mortgage rates. This significantly reduced consumer spending and real estate market activity in the City and the Bay Area.

Fortunately, the Feds partially alleviated this problem in June 2024 by slowing the pace of asset paring to \$60 billion/month and eliminating the securities as they matured (instead of selling them), without reinvesting the proceeds. However, the Feds Balance Sheet currently consists of \$7.4 trillion of Treasury Bonds and Mortgaged-backed Bonds that need to be unwound to a level close to the \$.9 trillion level that existed before the federal government spending responses to the 2008 financial crisis and the COVID-19 pandemic.

Third, gigantic and ongoing federal budget deficits, stubborn inflation and the Federal Reserve Board's slowness in loosening monetary policy have replaced the COVID-19 pandemic as the biggest headwinds to economic growth in the City in the near term. The Feds Chairman previously said the Feds would keep interest rates at a high level until its preferred inflation index (i.e., Core Personal Consumption Expenditure Index or core PCE Index) declines at or below its target of 2%, and the Feds is convinced it will remain so. It reached 2.70% at the end of August 2024 (it was 3.88% at the same time last year), but it is still significantly above the Feds target rate. Despite that, the Feds lowered the Federal Funds rate by .50% on September 18, 2024.

Staff believes the Feds has engineered a soft landing for the economy (i.e., Reducing inflation, and slowing the economy by tightening the money supply, but not creating a recession), and that there will be no recession in the near future, assuming the US does not face some major, unexpected catastrophic event (s). However, the out-of-control federal deficit spending is concerning and staff believes this situation will not only impact major General Fund revenues in the future, but may start affecting federal and state grant funding for City programs: (1)The projected \$1.8 trillion federal budget deficit for the upcoming fiscal year will require the issuance of an additional \$1.8 trillion in Treasury Bonds to fund the deficit; and, (2) Another concern is the potential impact from the November 2024 presidential election. Specifically, both candidates have promised significant tax cuts and credits, which if enacted, could significantly increase the federal budget deficit and put even more upward pressure on long-term interest rates. This additional huge need to issue bonds will overwhelm demand for Treasury Bonds and put further upward pressure on long-term interest rates. Declines in short-term interest rates will not necessarily result in a decline in long-term interest rates, like mortgage rates. In fact, since the Fed lowered the Federal Funds rate by .50% on September 18, 2024, mortgage rates have actually increased by approximately .50%.

Although the Federal Reserve Board changed monetary policy and started the loosening process by lowering the Federal Funds rate by .50% on September 18, 2024, as discussed under Secured Property Taxes, Property Transfer Taxes and Interest Income, the upward pressure on mortgage rates will likely continue and will result in lower growth rates for projected Secured Property Taxes, Vehicle In Lieu Taxes and Property Transfer Taxes, until mortgage rates decline significantly. As a result, the City General Fund has, at least for the near term, lost its three primary drivers of significant annual growth, and the overall growth in General Fund revenue will struggle to remain positive. One positive outcome from this situation has been a significant surge in Interest Income in FY 2023 and FY 2024, and that is expected to continue at least in the near term.

Fourth, wars in the Middle East between Israel and Hamas in Palestine and Israel and Hezbollah in Lebanon, and maybe Israel and Iran in the coming weeks, have joined the continuing war in Europe between Ukraine and Russia. This situation and the manipulation of oil supplies by OPEC+ have the potential to dramatically reshape global markets, especially if Russian and/or Iranian oil and natural gas are cut off from the rest of the world. This would drive fuel and transportation prices higher, with downstream effects on the prices of most goods. This could keep the inflation rate and interest rates higher for a longer period of time, and negatively impact consumer spending.

Any one or a combination of these factors could necessitate further revision of the projections presented here. Staff will continue to monitor the revenues we actually receive and changes in the economic environment, so that we may update or revise our projections if changes in our forecasts are warranted.

Agenda Committee 1/16/2024

Item 10 - City Council Legislative Systems Redesign

Discussion Items - Part 1

Background:

The Agenda Committee presented materials and solicited input from the City Council during fall of 2023 regarding possible Legislative Systems Redesign options. The goal of Systems Redesign is to improve processes for developing, introducing, vetting, passing, funding, and implementation of Major Council Items and initiatives. Based on City Council input, the Agenda Committee has been tasked with proposing a new set of improvements to:

1. Consider possible refinements to the definition of Major Items
2. Make the Council Item Guidelines mandatory for Major Items (formerly referred to as "Policy Track Items")
3. Establish transparent deadlines for budget processes and clarity about what kind of "asks" can be submitted/considered at each budget cycle
4. Strengthen the Committee System to provide more in-depth review and vetting of Major Items
5. Clarify levels of input from Staff and City Attorney at all stages, from development to implementation
6. Clarify processes and timelines for implementation of items once passed and funded
7. Establish protocols for one-time vetting/disposition of currently backlogged items
8. Consider yearly prioritization processes in light of the intended outcome of fewer, more fully considered Major Items in the queue

To facilitate focused discussion, this memo only addresses proposals related to items 1, 2, and 3, above. Additional considerations will be discussed at subsequent meetings.

1. Consider possible refinements to the definition of Major Items

"Major Items" are items meeting the current definition of *Policy Committee Track Items*:

"Moderate to significant administrative, operational, budgetary, resource, or programmatic impacts."

Some Councilmembers expressed that the definition might be further clarified. After discussing a variety of options, and considering times when the definition might have

proved problematic, it was decided that no changes should be proposed; the definition appears to provide good guidance to members of the Agenda & Rules Committee and has not been a source of controversy to date.

Consideration was given to potentially require all Ordinance changes to be labeled Major Items, but on further discussion, it was concluded that only Ordinance changes/new Ordinances with “moderate to significant administrative, operations, budgetary, resources, or programmatic impacts” would be worthy of being considered as Major Items - thus reinforcing the appropriateness of the existing definition.

One possible improvement could be to add examples of items that may be considered Major Items, rather than to amend the rule:

“Examples may include, but are not limited to Items that:

- *Clarify or extend existing Plans, Programs, Policies and Laws in moderate to significantly impactful ways*
- *Change/Amend existing Plans, Programs, Policies and Laws in moderate to major ways*
- *Create a new and meaningful exception to existing Plans, Programs, Policies and Laws*
- *Reverse/change existing Plans, Programs, Policies and Laws in moderate to significant ways*
- *May require moderate to significant increases in funding or additional FTE for start-up and/or ongoing operations”*

Recommendation: Keep existing definition, add examples, and revisit should controversies occur.

2. Make the Council Item Guidelines mandatory for Major Items (formerly referred to as “Policy Track Items”)

In discussing this seemingly straightforward concept, a number of considerations arose that are addressed in the following proposed path forward.

The Council Rules of Procedure and Order already include an outline of what is “required” for Council items, in Section XXX of the Rules. The Guidelines – suggested but not required and included in an Appendix to the Rules – were built from the Rules, providing more elaboration and specificity.

As suggested but not required, the Guidelines have not been “in conflict” with the Rules. However, adopting the Guidelines as requirements changes this equation; *the existing Rules and the Guidelines cannot both be simultaneously required*. The proposed path forward addresses the potential conflict that arises when the Guidelines are adopted as mandatory for Major Items.

In addition, if the Guidelines are mandatory only for Major Items, we must consider what will be mandatory for “all other” items – hereinafter referred to as “Standard Items.” The proposed path forward thus addresses both Major Item and Standard Item requirements.

Another consideration is how the Agenda Committee will evaluate whether an item - Major or Standard - is in compliance with mandatory requirements, and what the Agenda Committee must or may do if it finds an item falls short of the requirements. The following proposal addresses these issues as well.

Finally, the Guidelines were reviewed to identify any possible edits that might be suggested prior to adoption of the Guidelines as mandatory.

Proposal:

1. Make Edits to Guidelines:
 - a. Remove “preamble” language
 - b. Make light changes to the Guidelines and expand illustrative examples
 - c. *See Edited Version of the Guidelines*

2. Remove/eliminate existing Rules about how to present/write Items and adopt a two-tiered set of Rules for **Standard Items** and **Major Items**, based on the Guidelines.
 - a. For **Major Items**, make the full Guidelines MANDATORY
 - b. For **Standard Items**, make elements **1, 2, 3, 4, 5, 14 and 15** of the Guidelines MANDATORY, with other elements RECOMMENDED.
 - c. **Drafting Consideration** - Keep the Guidelines as an Appendix – incorporated by reference into the Rules – rather than “pasting” the full Guidelines directly into the Rules.

- d. **Clerk Templates** - the Clerk's Office will create updated, more user-friendly and easily accessible templates for Major and Standard Items, as well as for Supplemental, Late, and other Submissions.
 - e. For "**Speciality Items**" such as D13 Account grants, letters and resolutions in support of State or Federal Legislation, and other "special" Item types, the Clerk's Office will provide updated RECOMMENDED templates.
3. **For MANDATORY elements of both Major and Standard Items**, suggest adopting the following (or similar) standard for review by the Agenda Committee:

If a Major or Standard Item, as submitted by the Primary Author, does not substantially and materially meet reasonably applicable Mandatory Elements of the Guidelines, the Agenda & Rules Committee shall request, and may require, that the Primary Author provide additional analysis and/or consultation to fulfill Guideline requirements.

If the Agenda & Rules Committee requests or requires the Primary Author to provide additional analysis or consultation, the Item may or shall be referred back to the Primary Author and may be resubmitted for a future Agenda.

4. **For RECOMMENDED elements of Standard Items and Speciality Items**, authorize the Agenda Committee to do what it currently has the power to do under Rules Section (C)(1) (with some edits):

Refer the item back to the Primary Author for adherence to ~~required~~ recommended form or for additional analysis as ~~required~~ recommended in Section III.B.2 (Primary Author may decline and request Policy Committee assignment).

5. **For Emergency/Time Sensitive Items**, Items can bypass mandatory Guidelines requirements if the Agenda Committee makes the findings for a Time Critical Track Item (existing definition).

Proposed Standard for allowing Emergency/Time Sensitive Items to go forward without fulfilling the Mandatory Guidelines:

The Agenda Committee may make an exception to Mandatory Guidelines requirements for a Major or Standard Item if the Item meets the definition of a Time Critical Track Item, as provided in Section (3)(g)(1) of the Rules, in which case the Item may go forward as submitted on the Action Calendar for the Agenda under consideration with a notation, added by the Clerk's Office, that additional materials have been requested by the Agenda Committee. The Primary Author shall submit such additional materials as a Supplemental 1 filing.

Time Critical Track Item Definition (existing, Section (3)(g)(1)):

A Time Critical item is defined as a matter that is considered urgent by the sponsor and that has a deadline for action that is prior to the next meeting of the Council.

6. Appeals - provide a mechanism to appeal Agenda Committee decisions to the full Council?

May be advisable to have a bypass mechanism - or not?

3. Establish transparent deadlines for budget processes and clarity about what kind of "asks" can be submitted/considered at each budget cycle

The Council did not support a single, yearly cycle for submitting Council items, but expressed a desire for clear deadlines to be established for submission/consideration of items for various budget processes. In addition, questions have arisen regarding what kinds of requests can/should be submitted for consideration at various junctures in the yearly/biennial budget cycle.

Overall, it was determined that *the Agenda Committee should formally ask the Budget Committee for guidance on these questions*, as they fall more squarely into the Budget Committee's purview.

- By when should Standard and Major Items with budgetary considerations be passed out from Council to be considered in the June budget adoption/update?
- Working back from that date, by when should a Major Item or Standard Item be submitted, to allow time for consideration by the appropriate

Policy Committee and/or the City Council? (This may be a question for Agenda & Rules Committee to determine, once B&F sets the deadline)

- What kinds of budget requests are allowed/appropriate for the June budget?
- Consider establishing deadlines for the City Manager to bring Budget Updates (Fall and Spring) to the City Council.
- With established deadlines for Budget Updates, work back to establish deadlines for Major and Standard items to be submitted for consideration at each Budget Update. (This may be a question for Agenda & Rules Committee to determine, once B&F sets the deadline)
- What kinds of budget requests will be considered at Fall and Spring updates - from both Council and from the City Manager/Staff?
- If only emergency/time sensitive requests will be considered (or, for example, expansions of existing programs but not new programs, etc.), how will excess funds, if any, be rolled over and made available for Council priorities at the next June budget?

APPENDIX B. GUIDELINES FOR DEVELOPING AND WRITING COUNCIL AGENDA ITEMS

~~These guidelines are derived from the requirements for Agenda items listed in the Berkeley City Council Rules of Procedure and Order, Chapter III, Sections B(1) and (2), reproduced below. In addition, Chapter III Section C(1)(a) of the Rules of Procedure and Order allows the Agenda & Rules Committee to request that the Primary Author of an item provide “additional analysis” if the item as submitted evidences a “significant lack of background or supporting information” or “significant grammatical or readability issues.”~~

~~These guidelines provide a more detailed and comprehensive overview of elements of a complete Council item. These Guidelines are mandatory for all Major Items and strongly recommended for all other council reports Standard Items. While not all elements ~~would be~~ are applicable to every type of A ~~agenda~~ item, the Guidelines ~~are intended to~~ prompt Authors to consider important elements of a complete item and to present ~~presenting~~ items with as much relevant information and analysis as possible.~~

~~Chapter III, Sections (B)(1) and (2) of Council Rules of Procedure and Order:~~

- ~~2. Agenda items shall contain all relevant documentation, including the following as Applicable:~~
 - ~~a. A descriptive title that adequately informs the public of the subject matter and general nature of the item or report and action requested;~~
 - ~~b. Whether the matter is to be presented on the Consent Calendar or the Action Calendar or as a Report for Information;~~
 - ~~c. Recommendation of the City Manager, if applicable (these provisions shall not apply to Mayor and Council items.);~~
 - ~~d. Fiscal impacts of the recommendation;~~
 - ~~e. A description of the current situation and its effects;~~
 - ~~f. Background information as needed;~~
 - ~~g. Rationale for recommendation;~~
 - ~~h. Alternative actions considered;~~
 - ~~i. For awards of contracts; the abstract of bids and the Affirmative Action Program of the low bidder in those cases where such is required (these provisions shall not apply to Mayor and Council items.);~~
 - ~~j. Person or persons to contact for further information, with telephone number. If the Primary Author of any report believes additional background information, beyond the basic report, is necessary to Council understanding of the subject, a separate compilation of such background information may be developed and copies will be available for Council and for public review in the City Clerk Department, and the City Clerk shall provide limited distribution of such background information depending upon quantity of pages to be~~

~~duplicate. In such case the agenda item distributed with the packet shall so indicate.~~

Guidelines for City Council Items:

1. Title
2. Consent/Action/Information Calendar
3. Recommendation
4. Summary Statement/Current situation and its effects
5. Background
6. Review of Existing Plans, Programs, Policies and Laws
7. Actions/Alternatives Considered
8. Consultation/Outreach Overview and Results
9. Rationale for Recommendation
10. Implementation, Administration and Enforcement
11. Environmental Sustainability
12. Fiscal ~~Impacts~~ Considerations
13. Outcomes and Evaluation
14. Contact Information
15. Attachments/Supporting Materials

1. Title

A descriptive title that adequately informs the public of the subject matter and general nature of the item or report and action requested.

2. Consent/Action/Information Calendar

Whether the matter is to be presented on the Consent Calendar or the Action Calendar or as a Report for Information.

3. Recommendation

Clear, succinct statement of action(s) to be taken. Recommendations can be further detailed within the item, by specific reference.

Common action options, that can be presented singularly or in combination with others, include:

- Adopt first reading of ordinance
- Adopt a resolution
- Referral to the City Manager (City Manager decides if it is a short term referral or is placed on the RRV ranking list)
- Direction to the City Manager (City Manager is directed to execute the recommendation right away, ~~it is not placed on any referral list~~)
- Referral to a Commission, ~~or to a Standing or Ad Hoc~~ Council Policy Committee, or other Legislative Body

- Referral to the budget process
- Send letter of support
- Accept, Approve, Modify or Reject a recommendation from a Commission or Committee
- Designate members of the Council to perform some action

4. Summary Statement/“Current situation and its effects”

A short resume of the circumstances that give rise to the need for the recommended action(s).

- Briefly state the opportunity/problem/concern that has been identified, and the proposed solution.
- Example (fictional):
Winter rains are lasting longer than expected. Berkeley’s winter shelters are poised to close in three weeks, but forecasts suggest rain for another two months. If they do not remain open until the end of the rainy season, hundreds of people will be left in the rain 24/7. Therefore, this item seeks authorization to keep Berkeley’s winter shelters open until the end of April, and refers to the Budget Process \$40,000 to cover costs of an additional two months of shelter operations.

5. Background

A full discussion of the history, circumstances and concerns to be addressed by the item.

- For the above fictional example, Background would include *information and data about the number and needs of homeless individuals in Berkeley, the number and availability of permanent shelter beds that meet their needs, the number of winter shelter beds that would be lost with closure, the impacts of such closure on this population, the weather forecasts, etc.*

6. Review of Existing Plans, Programs, Policies and Laws

Review, identify and discuss relevant/applicable Plans, Programs, Policies and Laws, and how the proposed actions conform with, compliment, are supported by, differ from or run contrary to them. What gaps were found that need to be filled? What existing policies, programs, plans and laws need to be changed/supplemented/improved/repealed? What is missing altogether that needs to be addressed?

Review of all pertinent/applicable sections of:

- The City Charter
- Berkeley Municipal Code
- Administrative Regulations
- Council Resolutions
- Staff training manuals

Review of all applicable City Plans:

- The General Plan
- Area Plans
- The Climate Action Plan
- Resilience Plan
- Equity Plan
- Capital Improvements Plan
- Zero Waste Plan
- Bike Plan
- Pedestrian Plan
- Other relevant precedents and plans

Review of the City's Strategic Plan

Review of similar legislation previously introduced/passed by Council

Review of County, State and Federal laws/policies/programs/plans, if applicable

7. Actions/Alternatives Considered

- What solutions/measures have **other jurisdictions** adopted that serve as models/cautionary tales?
- What solutions/measures are recommended by **advocates, experts, organizations**?
- What is the range of actions considered, and what are some of their major pros and cons?
- Why were other solutions not as feasible/advisable?

8. Consultation/Outreach Overview and Results

- Review/list external and internal stakeholders that were consulted, as relevant.
 - **External:** constituents, communities, neighborhood organizations, businesses and not for profits, advocates, people with lived experience, faith organizations, industry groups, people/groups that might have concerns about the item, etc.
 - **Internal:** staff who would implement policies, the City Manager and/or deputy CM, Department Heads, City Attorney, City Clerk, etc.
 - **Commissions:** what Commissions were or will be consulted and what were their recommendations/concerns/suggestions?
- What reports, articles, books, websites and other materials were consulted?
- What was learned from these sources?
- What changes or approaches did they advocate for that were accepted or rejected?

9. Rationale for Recommendation

A clear and concise statement as to whether the item proposes actions that:

- Conform to, clarify or extend existing Plans, Programs, Policies and Laws

- Change/Amend existing Plans, Programs, Policies and Laws in **minor** ways
- Change/Amend existing Plans, Programs, Policies and Laws in **major** ways
- Create an exception to existing Plans, Programs, Policies and Laws
- Reverse/go contrary to or against existing Plans, Programs, Policies and Laws

Argument/summary of argument in support of recommended actions. The argument likely has already been made via the information and analysis already presented, but should be presented/restated/summarized. ~~Plus~~In addition, further elaboration of terms for recommendations, if any, should be spelled out with clarity.

- Example: Keeping winter shelters open for an extra three months extends the City's existing Winter Shelter program in a minor way. The shelters have been open during inclement weather every year for decades, and have been extended to accommodate extended rainy and cold seasons in previous years. Keeping winter shelters open through April ensures our homeless neighbors will continue to have a place to keep dry and warm and supports the City's strategic plan goal of providing services to those with critical needs in our community. All services associated with the Winter Shelter program, including but not limited to meal and storage services, are specifically included in the direction to extend the program.

10. Implementation, Administration and Enforcement

Discuss how the recommended action(s) would be implemented, administered and enforced. What staffing (internal or via contractors/consultants) and materials/facilities are likely required for implementation? Initial, high-level consultation with the City Manager and/or the City Attorney regarding implementation, administration, and enforcement is strongly recommended, but not required.

11. Environmental Sustainability

Discuss the impacts of the recommended action(s), if any, on the environment and the recommendation's positive and/or negative implications with respect to the City's Climate Action, Resilience, and other sustainability goals.

12. Fiscal Impacts Considerations

Review the recommended action's potential to generate funds or savings for the City in the short and long-term, as well as the potential direct and indirect costs and benefits. Initial, high-level consultation with the City Manager and/or the City Attorney regarding the fiscal impacts of the proposal is strongly recommended, but not required.

13. Outcomes and Evaluation

State the specific outcomes expected, if any.

- ~~(i.e., Example: “it is expected that 100-300 homeless people will be referred to housing every year able to access dry and warm shelter during the 3-month extension of the winter shelter program”)~~

Also state and what reporting or evaluation is recommended. _

- Example: The shelter operator shall keep an accounting of the number and any available demographic information about individuals who use the shelter during the extension period and report to the City Council, through the City Manager, on success or challenges of the program extension).

14. Contact Information

15. Attachments/Supporting Materials

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- Referral to the budget process
- Send letter of support
- Accept, Approve, Modify or Reject a recommendation from a Commission or Committee
- Designate members of the Council to perform some action

4. Summary Statement

A short resume of the circumstances that give rise to the need for the recommended action(s).

- Briefly state the opportunity/problem/concern that has been identified, and the proposed solution.
- Example (fictional):
Winter rains are lasting longer than expected. Berkeley's winter shelters are poised to close in three weeks, but forecasts suggest rain for another two months. If they do not remain open until the end of the rainy season, hundreds of people will be left in the rain 24/7. Therefore, this item seeks authorization to keep Berkeley's winter shelters open until the end of April, and refers to the Budget Process \$40,000 to cover costs of an additional two months of shelter operations.

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Review of similar legislation previously introduced/passed by Council

Review of County, State and Federal laws/policies/programs/plans, if applicable

7. Actions/Alternatives Considered

- What solutions/measures have **other jurisdictions** adopted that serve as models/cautionary tales?
- What solutions/measures are recommended by **advocates, experts, organizations**?
- What is the range of actions considered, and what are some of their major pros and cons?
- Why were other solutions not as feasible/advisable?

8. Consultation/Outreach Overview and Results

- Review/list external and internal stakeholders that were consulted, as relevant.
 - **External:** constituents, communities, neighborhood organizations, businesses and not for profits, advocates, people with lived experience, faith organizations, industry groups, people/groups that might have concerns about the item, etc.
 - **Internal:** staff who would implement policies, the City Manager and/or deputy CM, Department Heads, City Attorney, City Clerk, etc.
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Argument/summary of argument in support of recommended actions. The argument likely has already been made via the information and analysis already presented, but should be presented/restated/summarized. In addition, further elaboration of terms for recommendations, if any, should be spelled out with clarity.

- *Example: Keeping winter shelters open for an extra three months extends the City's existing Winter Shelter program in a minor way. The shelters have been open during inclement weather every year for decades, and have been extended to accommodate extended rainy and cold seasons in previous years. Keeping winter shelters open through April ensures our homeless neighbors will continue to have a place to keep dry and warm and supports the City's strategic plan goal of providing services to those with critical needs in our community. All services associated with the Winter Shelter program, including but not limited to meal and storage services, are specifically included in the direction to extend the program.*

10. Implementation, Administration and Enforcement

Discuss how the recommended action(s) would be implemented, administered and enforced. What staffing (internal or via contractors/consultants) and materials/facilities are likely required for implementation? Initial, high-level consultation with the City Manager and/or the City Attorney regarding implementation, administration, and enforcement is strongly recommended, but not required.

11. Environmental Sustainability

Discuss the impacts of the recommended action(s), if any, on the environment and the recommendation's positive and/or negative implications with respect to the City's Climate Action, Resilience, and other sustainability goals.

12. Fiscal Considerations

Review the recommended action's potential to generate funds or savings for the City in the short and long-term, as well as the potential direct and indirect costs and benefits. Initial, high-level consultation with the City Manager and/or the City

Attorney regarding the fiscal impacts of the proposal is strongly recommended, but not required.

13. Outcomes and Evaluation

State the specific outcomes expected, if any.

- Example: *“It is expected that 300 homeless people will be able to access dry and warm shelter during the 3-month extension of the winter shelter program.”*

Also state what reporting or evaluation is recommended.

- Example: *“The shelter operator shall keep an accounting of the number and any available demographic information about individuals who use the shelter during the extension period and report to the City Council, through the City Manager, on success or challenges of the program extension).”*

14. Contact Information

15. Attachments/Supporting Materials

RESOLUTION NO. 67,821-N.S.

ESTABLISHING THE CITY COUNCIL'S POLICY FOR THE GENERAL FUND RESERVES

WHEREAS, the General Fund Reserves ensure the City's ability to maintain vital services to the community during times of economic uncertainty; and

WHEREAS, the City is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, and floods; and

WHEREAS, the prior General Fund Reserve level of 8% is not consistent with GFOA's best practice recommended minimum General Fund Reserve level of 16.7%; and

WHEREAS, specific portions of the reserve should be designated for catastrophic and stabilization purposes and should be reported separately from the General Fund Balance; and

WHEREAS, the use and replenishment of the General Fund Reserves should be defined.

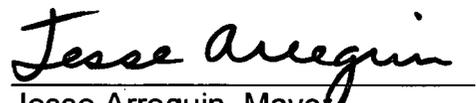
NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the attached exhibit titled General Fund Reserve Policy is hereby adopted.

The foregoing Resolution was adopted by the Berkeley City Council on January 24, 2017 by the following vote:

Ayes: Bartlett, Davila, Droste, Hahn, Maio, Wengraf, Worthington and Arreguin.

Noes: None.

Absent: None.


Jesse Arreguin, Mayor

Attest: 
Mark Numainville, City Clerk

City of Berkeley General Fund Reserve Policy

Policy

The General Fund is the City's primary operating fund. It is not connected to any one revenue source and may be used at the City's discretion. The General Fund is the operation fund that pays for general services provided by the City as well as public safety and capital improvements. The General Fund accounts for all general revenues and expenditures of the City related to the delivery of the City's general services not specifically collected or levied for other City funds.

The City of Berkeley is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, floods, and economic volatility. A key attribute of a financially stable organization is appropriate reserves. Strong reserves position an organization to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies such as natural disasters and other catastrophic events. Establishing an adequate General Fund reserve policy allows the City to mitigate current and future financial risks resulting from economic instability or catastrophic loss.

Functions of Reserves: Stability and Catastrophic

The City of Berkeley will establish and maintain an adequate General Fund Reserve ("Reserve") to prepare for the impact of economic cycles and catastrophic events and assure fluctuations in revenue do not impede the City's ability to meet expenditure obligations. When revenues fail to meet the City's normal operating requirements, or the need for disbursements temporarily exceeds receipts, General Fund reserves, upon a two-thirds vote of the City Council, may be used in accordance with the standards set forth herein.

The Reserve shall be comprised of two elements: a Stability Reserve and a Catastrophic Reserve. The Reserve shall not be used for ongoing or new programs or services.

A Stability Reserve will be maintained to mitigate loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls, and not to serve as a funding source for new programs or projects.

A Catastrophic Reserve will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other

catastrophic event. The Catastrophic Reserve will be used to respond to extreme, onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. The Catastrophic Reserve will not be accessed to meet operational shortfalls or to fund new programs or projects.

Funding and Functions that are NOT Part of the General Fund Reserves

Not included in the General Fund Reserves are funds that are set aside for a specific purpose. This would include restricted, committed, and assigned funds.

- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action by the City Council.
- Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Target Reserve Levels

The General Fund Reserve consists of the total of the Stability Reserve and the Catastrophic Reserve. 55% of the Reserve shall be allocated to the Stability Reserve and 45% to the Catastrophic Reserve.

Effective immediately, the target level for the Reserve shall be a minimum of 13.8% of 2017 Adopted General Fund Revenues with an Intermediate Goal of a minimum of 16.7% by the end of Fiscal Year 2020, if financially feasible.

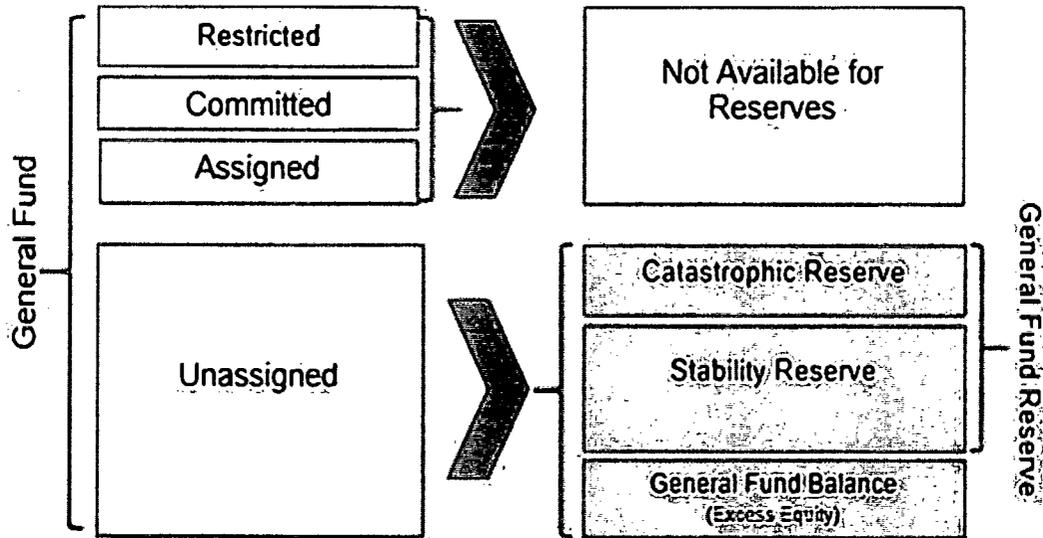
The Council hereby adopts a Long Term Goal of a Reserve of a minimum of 30% of General Fund Revenues, to be achieved within no more than 10 years. Based on a risk assessment (according to best practices), to be updated at least every five years, the Council may consider increasing or lowering the General Fund Reserve level.

Starting in Fiscal Year 2018, to achieve the City's Intermediate and Long Term Reserve Goals, 50% of Excess Equity above the first \$1M shall be allocated to Reserves. Additional Excess Equity may be allocated to Reserves by a majority vote of the City Council.

Methodology to Meet Reserve Levels

The General Fund Reserve is separate from the General Fund Balance. The sum of the Stability Reserve and the Catastrophic Reserve and the amount determined to be

Excess Equity is deemed to be General Fund Unassigned Fund Balance. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The following graphic shows the relation between these funds as well as other restricted, committed, and assigned general fund monies.



Excess Equity is most commonly a non-recurring source of revenue and shall only be used for one-time, nonrecurring expenditure needs of the City. Excess Equity should be reported separately from the General Fund Reserves .

Attaining the Long Term Goal of 30% Reserves is important to the long-term financial health and stability of the City

Replenishment of the General Fund Reserves

The City Manager shall recommend a replenishment schedule for all monies proposed for appropriation from the General Fund Reserves. The replenishment schedule shall be adopted simultaneous with the appropriation to withdraw Reserve funds or, if infeasible due to emergency circumstances, no more than 3 months from the date of the withdrawal appropriation. Repayment shall begin no more than 5 years from the date of withdrawal and be completed within 10 years from the date of withdrawal.

While staff envisions that, in most cases, repayment will start as soon as possible, the repayment guidelines are meant to reflect a commitment to maintain a sufficient Reserve, while also recognizing that a use of Reserve funds may occur during an economic downturn and it may be necessary to postpone repayment while the economy improves.



Office of the City Manager

ACTION CALENDAR

May 23, 2023

(Continued from April 11, 2023)

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Sharon Friedrichsen, Budget Manager

Subject: Unfunded Liability Obligations and Unfunded Infrastructure Needs

RECOMMENDATION

That the City Council takes the following actions:

1. Accept the Unfunded Liability Obligations and Unfunded Infrastructure Needs report
2. Receive a presentation on Pensions and Other-Post Employment Benefits tonight and provide staff with direction
3. Schedule for either the April 25, 2023 City Council Meeting or at a later date to be determined a presentation and discussion on Unfunded Infrastructure Needs

INTRODUCTION

On May 29, 2012, the City Council adopted Resolution No. 65,748 N.S. "Requiring that the City Manager Develop and Publish a Biennial Report of Current City Liabilities and Projections of Future Liabilities. The purpose of this report is to provide a thorough overview of the City's long-term expenditure obligations in a format that is easily understandable in a single report. As indicated below, the enacting Resolution stipulates that information pertaining to personnel-related costs, City-issued bonds, capital assets and infrastructure be included within the report as follows:

1. Employee and retiree benefit costs over a 10-year horizon
2. Costs for current active employees including:
 - a. total payroll costs for active employees during the current year;
 - b. projected payroll costs for the same number of employees for the next 10-year period with costs increases based on MOU's with bargaining units.
3. A summary of all current City obligations including:
 - a. general obligation bonds;
 - b. revenue bonds.

4. Summary of all capital assets and infrastructure including:
 - a. Appraisal of Public Buildings valued at \$5 million or more
 - b. Condition of Streets and Roads using the “Street Saver” information projecting costs to bring streets and roads condition to an average Pavement Condition Index (PCI) of 75 within 5 years.
 - c. Sewers: updated asset management plan for public sewers including projected costs for succeeding 5 years and projected revenue from sewer fees for the succeeding 5 years.

This report is required to be published every two years, in the second year of the biennial budget, in advance of the Council’s consideration of the upcoming biennial budget. Instead of preparing a two-year budget for FY 2022 & FY 2023, the City prepared a one-year budget for FY 2022 and subsequently prepared a two-year budget for FY 2023 & FY 2024. Therefore, this report is being presented in the first year of the biennial budget to adhere to the two-year reporting requirement.

The projections in this report were developed by staff in the City Manager’s Budget Office and the Finance Department, with the assistance of several financial advisors including the City’s sales tax consultant and actuaries. Revenues are, of course, sensitive to normal business cycles as well as unanticipated economic volatility. Thus, it is important that the City continue its fiscally prudent planning to balance expenditures against projected revenues while addressing employee compensation as well as historically underfunded infrastructure needs.

SUMMARY

The following is a summary of key points that will be explained in detail in this report:

- Due to projected increases in personnel expenses, the City currently projects a General Fund structural deficit in FY 2025 through FY 2027.
- The City has a significant pension liability that is anticipated to grow due to recent financial losses experienced by CalPERS. Also, of note, the City’s pension contributions for all City employees are anticipated to increase more than \$32 million over the next ten years putting a strain on resources and services.
- The City’s retiree health plans are significantly underfunded with the funded status of the City’s plans ranging from a low of 6.93% to a high of 51.22%.
- Due to the age of the City’s infrastructure and limited resources allocated to infrastructure, the City’s unfunded infrastructure needs have increased over the years and is anticipated to range around \$2.52 billion from FY 2024 to FY 2028.
- Despite the recent adoption of Measure T1 and Measure O, the City has an aggregate bond tax rate for FY 2023 of 0.0623% (which represents \$62.30 for each \$100,000 in assessed value (“A.V.”), which is below the historical peak of approximately \$95 (per \$100,000 in A.V) in tax year 1999-2000.

CURRENT SITUATION AND ITS EFFECTS**1. Employee and Retiree Benefit costs over a 10-year horizon****a. CalPERS Retirement Benefits**

The City provides retirement benefits for employees through its participation in the California Public Employees' Retirement System (CalPERS). This is a defined benefit pension plan funded by a combination of employee contributions that are set by statute and employer contributions that fluctuate from year to year based on an annual actuarial valuation performed by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Benefits are based on years of credit service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits.

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. The State law applies to employees hired after January 1, 2013, who are new to CalPERS. These employees are termed PEPRA members and employees that were enrolled in CalPERS (without significant separation) prior to January 1, 2013, are now referred to as "classic" members.¹

The City contributes to three plans in the CalPERS system: (1) Police Safety Plan, (2) Fire Safety Plan, and (3) Miscellaneous Employee Plan. Each plan has a different rate for the City's annual employer contribution that is generally based on the demographics of the plan participants and the value of investment returns of the City's assets in the CalPERS system. In addition, employees' contributions vary by plan based on negotiated Memorandum of Understandings (MOU).

In 2013, the CalPERS Board voted to change the actuarial model for the pension plans and certain actuarial assumptions upon which rates are based. First, the model anticipated that the plans would be 100 percent funded in a fixed 30-year time period. Second, the time period to "smooth out" the impacts of CalPERS' investment losses due to the recession was reduced from 15 years to 5 years. Finally, the rates were structured in such a way that the first five years were considered to be a "ramp up" period to improve the plans funded percentage. That meant that Fiscal Years 2016-2020 were expected to have higher rates, and the years following were projected to plateau for some time before decreasing in the last five years of the 30-year funding period.

In February 2014, the CalPERS Board voted to retain its current long-term assumed rate of return of 7.5 percent, but adopted new mortality assumptions due to the fact that retirees are living longer. As a result of the new assumptions, the cost of employer contributions increased, again.

¹ PEPRA miscellaneous members are enrolled in a 2% at 62 plan and PEPRA safety members (Fire and Police) are enrolled in a 2.7% at 57 plan. PEPRA members are required to pay half the normal cost of their plans.

In December 2016, the CalPERS Board lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase in beginning with the June 30, 2016 actuarial valuation. The employer contribution for FY 2020 was calculated using a discount rate of 7.25 percent. CalPERS reduced the return rate to 7.25 percent in July 2018, with a further reduction to 7.0 percent. CalPERS lowered the discount rate because the agency determined that achieving a 7.5 percent rate of return was now far less likely. The result of this lowered discount rate is that liabilities have grown and the City's pension contributions have significantly increased.

Changes to the Unfunded Actuarial Liability (UAL) due to actuarial gains or losses, as well as changes in actuarial assumptions or methods, are amortized using a 5-year ramp up. This method phases in the impact of changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result, however, required contributions can change gradually, but significantly, over the next five years.

Effective with the June 30, 2019, actuarial valuation, the CalPERS Board adopted a new amortization policy that shortens the period over which actuarial gains or losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains or losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

In July 2021, high investment returns triggered an automatic discount rate reduction from 7 percent to 6.8 percent. This automatic reduction was the result of the Funding Risk Mitigation Policy put in place by the CalPERS Board of Directors in 2015, which was designed to lower the discount rate in years of extraordinary investment returns to reduce future funding risk over time.

For FY 2022, CalPERS announced a -6.1 percent net return on investments. This is obviously below CalPERS assumed 6.8 percent discount rate. As a result, the City's pension contributions will likely increase for miscellaneous employees plan by 2-4 percent and safety members by 4-6 percent for fiscal year 2024-25.

With respect to future liabilities for the costs of these plans, the City has regularly retained an outside actuary to review the CalPERS' estimates and provide independent actuary estimates that the City can use in budget planning. The chart below provides CalPERS payment amounts for FY 2023 and FY 2024 as provided to the city by CalPERS. The outside actuary provided estimated payment amounts for FY 2025 through FY 2034.

Future Payments to California Public Employees Retirement System All Plans (dollars in millions)												
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Misc.	41.64	40.57	43.51	44.21	47.10	49.53	54.80	57.35	59.69	59.15	61.00	61.18
Police	20.04	20.32	21.47	22.43	23.59	24.71	26.74	27.94	28.96	29.52	30.19	30.32
Fire	10.58	10.24	10.97	11.54	12.24	12.89	14.27	14.96	15.57	15.80	16.24	16.28
Total	72.26	71.13	75.95	78.18	82.93	87.13	95.81	100.25	104.22	104.47	107.43	107.78
FY 2023 and FY 2024 are based on amounts provided by CalPERS.												
FY 2025 through FY 2034 amounts are based on actuary's projections.												
Rates used reflect current MOU agreements: Miscellaneous includes the 8% employee share paid by the City on behalf of the employee as well as the negotiated employee's contribution to the employer rate.												

There are a couple of important points about the chart. The first is that over the next 10 years there is close to an estimated \$32 million dollar increase in pension costs to the City from FY 2025 to FY 2034. The next point is that regardless of the City's financial position the payments will have to be made to CalPERS. This financial challenge will require us to be fiscally prudent over this period of time.

The changes made by CalPERS in the last few years are planned to achieve 100% funding for all plans within a 30-year time period. This means that there will be sufficient funds held in each plan to pay obligations for all inactive participants (including retirees) and benefits as a result of prior service for actives.

The funded status of a pension plan is defined as the ratio of assets to a plan's accrued liabilities. Based on the CalPERS' actuarial valuations as of June 30, 2021, the City's plans are currently funded as follows: Miscellaneous 80.1%; Police Safety 68.7%; and Fire Safety 80.9%.

California Public Employees Retirement System Funded Status						
Fund Name	Valuation Date	Actuarial Source	Estimated Liability	Plan Assets	Unfunded Liability	% Funded
Miscellaneous	6/30/2021	CalPERS	\$ 1,181.2	\$ 946.3	\$ 234.90	80.1%
Police	6/30/2021	CalPERS	\$ 483.8	\$ 332.5	\$ 151.30	68.7%
Fire	6/30/2021	CalPERS	\$ 306.7	\$ 248.1	\$ 58.60	80.9%

On June 26, 2018, Council authorized the City Manager to establish an IRS Section 115 Pension Trust Fund ("Trust"). The Trust can act as a rate stabilization fund and can be used to ease budgetary pressures resulting from unanticipated spikes in employer contribution rates. On May 14, 2019, Council authorized the City Manager to execute a contract with Keenan Financial Services to establish, maintain, and invest the Trust. The Trust currently has a balance of \$14,762,850.42 as of June 30, 2022 and receives funding through transfers from the General Fund and Capital Improvement Fund and savings from annually prepaying the City's CalPERS payment.

In addition, the City Council adopted a new fiscal policy on June 28, 2022 to allocate 1/3 of additional revenue earned from investments that is over the annual (fiscal year) baseline of \$6 million to the Section 115 Pension Trust.

b. Retiree Medical Plans

The City provides post-retirement health insurance benefits in accordance with the Memoranda Agreements between the City and the various collective bargaining units (and to unrepresented employees via Council adopted resolutions). These post-retirement benefits are often referred to as Other Post-Employment Benefits (“OPEB”). The City has individual trusts for each bargaining unit that fund the medical plans as well as the closed plan for Police that provides a cash benefit. In 2012 the City and the Berkeley Police Association agreed to a new Retiree Medical plan that provides health insurance premium payments, rather than the pre-existing cash payments, to retirees. The original plan is now a “closed” plan meaning that employees who retire after September 2012 will receive benefits from the new plan. However, the original plan must still make benefit payments to existing retirees and continue to be funded until those payment obligations cease.

The City obtains actuarial reports for each of these plans at least every two years and the City is responsible for investing the assets in these plans. The results of that investment activity are provided to the City Council in the regular Investment Report.

In some cases, the City’s actual contribution to each plan on an annual basis is based on the actuarially established “Annual Required Contribution” or as a percent of payroll. However, some of the plans are funded on a “pay-as-you-go” basis. Funding on a pay-as-you-go basis is sufficient to cover the annual benefit payments made from the plan assets but impacts the ability to achieve the long-term funding targets.

On April 24, 2017, the City actuary presented various options that would reduce the City’s unfunded liabilities tied to post-employee benefits to meet the long-term funding targets. Recommended for Council’s consideration were fully prefunding annual actuarially determined contributions, investment reallocations to increase returns, and establishing an irrevocable supplemental trust. Council has already acted on some of these recommendations. The City actuary has provided updated recommendations regarding increasing the City’s annual contribution to fully prefund the City’s OPEB liabilities that are described in more detail on page 27 of this report under the section entitled “Options to Address Long Term Retirement and Infrastructure Costs”.

The following retiree medical plans are discussed in detailed below:

- Police Retiree Income Benefit Plan (closed plan)
- Police Retiree Health Premium Assistance Plan
- Fire Employees Retiree Health Plan
- Retiree Health Premium Assistance Plan (Non-safety Members)

Police Retiree Income Benefit Plan (closed plan)

The City provides a Retiree Income Benefit Plan for prior Police retirees. To be eligible for benefits, Police employees must retire from the City on or after July 1, 1989 and before September 19, 2012, be vested in a CalPERS pension, have ten years of service with the Berkeley Police department, and retire from the City on or after age 50 or with a disability benefit. Benefits commence 10 years after retirement for retirements before July 6, 1997, 5 years after retirement for retirements before July 1, 2007, and 2 years after retirement for retirements on or after July 1, 2007.

Benefits are payable for the retiree's lifetime and continue for the life of the surviving spouse. For employees retiring before September 19, 2012, the City pays a monthly income benefit equal to the City's Active 2-party Kaiser premium regardless of marital status. In 2022, the City's monthly payment per participant for this benefit ranged from \$457.35 to \$1,829.38, depending on the retirees' years of service at retirement. The monthly benefit is pro-rated based on years of service.

As of June 30, 2022, the most recent actuarial valuation date, the plan was 7.14% funded. The actuarial accrued liability for benefits in this plan was \$64.81 million, and the actuarial value of assets was \$4.63 million, resulting in an unfunded accrued liability of \$60.18 million. Since the implementation of GASB 67 and 68, the Annual Required Contribution (ARC) is no longer provided. In addition, the Police Retiree Income Benefit Plan is a closed plan and therefore no "Actuarially Determined Contribution" is provided due to no new members and no payroll information.

Police Retiree Health Premium Assistance Plan

Effective September 19, 2012, the City replaced the "Berkeley Police Retirement Income Benefit Plan" with the "Retiree Health Premium Assistance Coverage Plan" for any police employees hired on or after that date, as well as any current employees who retire on or after such date. Under the newly established retiree health premium assistance plan, benefits will be paid by the City directly to the provider who is providing retiree health coverage to the retiree or his or her surviving spouse. The maximum amount will be equal in value to the City sponsored health plan.

To be eligible for benefits, Police employees must retire from the City on or after September 19, 2012, be vested in a CalPERS pension, have ten years of service with the Berkeley Police department, and retire from the City on or after age 50. Benefits commence immediately upon retirement, but may also be deferred for a period during which the member is covered under another health insurance plan. Benefits are payable for the retiree's lifetime.

In 2022 the City paid for employees retiring on or after September 19, 2012, a maximum of \$823.85/month toward the cost of single-party coverage and up to \$1,647.69/month toward the cost of two-party coverage for retirees under age 65 enrolled in the City's Retiree Health Plan.

For retirees over age 65 the City's share of single/two-party coverage is a maximum of \$436.14/\$872.28 per month and retirees must pay the difference of the actual premium cost. The City's share will increase by either the amount Kaiser increases the retiree medical premium for that year or 6%, whichever is less. The monthly benefit is pro-rated based on years of service. The City pays this benefit plan on a pay-as-you-go basis.

As of July 1, 2021, the most recent actuarial valuation date, the Actuarially Determined Contribution (ADC) was \$4.64 million and the plan was 6.93% funded. The actuarial accrued liability for benefits was \$37.25 million, and the actuarial value of assets was \$2.58 million, resulting in an unfunded accrued liability of \$34.67 million

Fire Employees Retiree Health Plan

The City sponsors a retiree health benefit plan for its Fire employees. To be eligible for benefits, Fire employees must retire from the City on or after July 1, 1997, be vested in a CalPERS pension, and retire from the City on or after age 50. Retirees can select from among any of the health plans offered to active employees. Benefits commence immediately upon retirement, but may also be deferred for a period during which the member is covered under another health insurance plan.

Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City contributions toward the medical premium depending on whether the retiree has dependent coverage and date of retirement. The City's contribution increases by 4.5% per year regardless of the amount of increase in the underlying premium rate. The City's contribution is prorated based on years of service. In 2019, the City's monthly premium cost per participant for this benefit was a maximum of \$662.85 for single party and \$1,322.35 for two-party

As of July 1, 2021, the most recent actuarial valuation date, the plan was 38.62% funded. The actuarial accrued liability for benefits was \$32.78 million, and the actuarial value of assets was \$12.66 million, resulting in an unfunded accrued liability of \$20.12 million.

Retiree Health Premium Assistance Plan (Non-Safety Members)

Effective June 28, 1998, the City adopted the City of Berkeley Retiree Health Premium Assistance Plan (for Non-Safety Members). Employees who retire from the City are eligible for retiree health benefits beginning on or after age 55 if they terminate employment with the City on or after age 50 with at least 8 years of service. Retirees can select a non-City sponsored health plan or enroll in any of the health plans offered to active employees. A retiree living outside the coverage area of the City's health plans can select an out-of-area health plan.

Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City pays the monthly cost of the monthly premiums up to a Participant's applicable percentage of the Base Dollar Amount and

subject to annual 4.5% increases as specified in the Retiree Health Premium Assistance Plan document. In 2022, the City's monthly premium cost per participant for this benefit was a maximum of \$546.40 for single party and \$940.10 for two-party. A participant's applicable percentage is based on years of service with the City. The City funds the plan based on the MOU. Contribution amounts are negotiated and vary by bargaining unit.

As of July 1, 2021, the most recent actuarial valuation date, the plan was 38.62% funded. The actuarial accrued liability for benefits was \$61.48 million, and the actuarial value of assets was \$31.49 million, resulting in an unfunded accrued liability of \$29.99 million.

Safety Members Pension Fund (closed plan)

The City also maintains the Safety Members Pension Fund (SMPF). This plan is a single-employer defined benefit pension plan for fire and police officers that retired before March 1973. In March 1973 all active fire and police officers were transferred from SMPF to CalPERS. Service and disability retirement benefits from the SMPF are based on a percentage of salary at retirement, multiplied by years of service. Benefits are adjusted annually by either:

- Current active salary increases (based on the same rank at retirement) or
- The income in the California Consumer Price Index (with a 1% minimum and a 3% cap). SMPF also provides surviving spouse benefits.

The City pays SMPF benefits on a pay-as-you-go basis. In February 1989, the Berkeley Civic Improvement Corporation purchased, on behalf of the City, a Guaranteed Income Contract (GIC) from Mass Mutual. This contract provides annual payments through 2018 and an annual guaranteed 9.68% rate of return (net of expenses).

The City was paying the difference between the total SMPF benefits and the amount received from the Massachusetts Mutual Guaranteed Income Contract (GIC). The City will receive declining amounts from the GIC through FY 2019. At June 30, 2022, the unfunded accrued liability was \$1.13 million. There were 6 participants remaining in the plan with the average age at 98.4 years.

Retiree Medical Plan Actuarial Data								
<i>(dollars in millions)</i>								
Plan	Measurement Date	Actuarial Estimated Liabilities	Plan Assets	Net Pension Liability	Actuarially Determined Contribution (ADC)	Actual Contribution *	% Funded	Total Plan Members
Police Employee Retiree Income Benefit Plan (closed)*	6/30/2022	\$ 64.81	\$ 4.63	\$ 60.18	\$ -	\$ 2.15	7.14%	148
Police Employees Retiree Health Premium Assistance Plan (new)	7/1/2021	\$ 37.25	\$ 2.58	\$ 34.67	\$ 4.64	\$ 0.40	6.93%	199
Fire Employees Retiree Health Plan	7/1/2021	\$ 32.78	\$ 12.66	\$ 20.12	\$ 3.07	\$ 0.74	38.62%	226
Retiree Health Premium Assistance Plans (Non-Safety Members) *	7/1/2021	\$ 61.48	\$ 31.49	\$ 29.99	\$ 5.07	\$ 2.22	51.22%	1669
Safety Members Pension Fund	6/30/2022	\$ 1.55	\$ 0.41	\$ 1.13	\$ -	\$ 0.50	26.71%	6
		\$ 197.87	\$ 51.77	\$ 146.09	\$ 12.78	\$ 6.01	26.17%	2248

*Actual contribution does not include interest income

*Since the implementation of GASB 67 and 68 the Annual Required Contribution (ARC) is no longer provided. In additional, it is a closed plan and therefore no "Actuarially Determined Contribution" is provided due to no new members and no payroll information.

Supplemental Retirement Income Plan (SRIP) I (closed plan)

On January 1, 1983, Ordinance No. 5450-N.S., which was codified in the Berkeley Municipal Code under Chapter 4.36.101 et seq., established SRIP I. The SRIP I plan consists of two components: 1) a defined contribution money purchase pension plan adopted in accordance with Sections 401(a) and 501(a) of the internal revenue code and 2) an employer paid disability benefit.

The City administrators of the money purchase pension plan are Hartford Life Insurance and Prudential Retirement Services. The plan is a defined contribution plan whereby the City contributes 5.7% of salary up to a salary of \$32,400 into a tax-deferred and self-directed investment account and 1% of salary up to a salary of \$32,400 into a disability reserve account for each permanent City employee. The total assets of SRIP I available for benefits at June 30, 2022, was \$6,193,509 which was comprised of 98 participant accounts. These assets are the property of the individual account holders and not the property of the City. These assets cannot be used to pay disability benefits.

The disability benefit is for employees hired after January 1, 1983 but prior to July 22, 1988, who became disabled and are entitled to receive a disability income benefit equal to 60% of their highest compensation, reduced by any disability payments they receive from Social Security, State Disability Insurance, or Worker's Compensation. Employees hired after July 21, 1988, are not eligible for benefits under this plan which was closed to new enrollees.

Benefits are payable for the disabled participant's lifetime or until recovery from disability. The third-party administrator is Cigna. Currently, the City pays the cost of the monthly disability benefits on a pay-as-you-go basis. As of July 1, 2022, there were a total of 54 closed group participants, 6 active employees and 48 disabled participants receiving benefits. The unfunded liability for SRIP I at July 1, 2022, the date of the last actuarial study, was \$10,018,000.

Workers' Compensation Program

The City of Berkeley began its self-insured workers' compensation program on March 1, 1975. The City's self-insured retention (SIR) has varied between \$100,000 and \$1,000,000 prior to 2004/05 and is currently unlimited. Every two years, the City has an actuarial review conducted to determine the outstanding liabilities and determine the rates to use for budgeting and payroll purposes to fund the program annually.

The recent actuarial study by Bickmore Actuarial showed the City's estimated outstanding liabilities, as of June 30, 2023, at an 80% confidence level to be at \$46,316,000 for the workers' compensation program. The City's Workers' Compensation Fund ended FY 2022 with a fund balance of \$51,696,189, meaning that the City is able to fund its estimated liabilities in its Workers' Compensation Program.

2. Current Costs for Active Employees

As of July 1, 2022, the City budgeted for 1,791.84 full-time equivalents (FTE). At any given time, the number of employees on the payroll is generally less than the budgeted number of FTE due to retirements and employment separations for other reasons. For purposes of this report, the analysis of the projected payroll costs for the next 10 years is based on the number of authorized budgeted FTE. That number was then projected based on the negotiated cost of living adjustments (COLA) established in collective bargaining agreements. Other increases were also assumed for medical costs, dental costs, cash in lieu, shoes and tools allowance, commuter checks, and other benefits.

Based on these assumptions, total payroll costs for all funds would grow from \$342.4 million in FY 2024 to \$486.9 million in FY 2034. For modeling purposes, the projected cost assumes no (0%) COLA, which means that the estimated increase of \$144.5 million is due to the rise in the costs of benefits only.

Citywide Total Personnel Costs and Fringe Rate Over Time with Zero COLAS												
Zero COLA	FY 2023 Adopted	FY 2024 Adopted	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Total Payroll	\$ 205.7	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1
Total Benefits	\$ 128.5	\$ 134.3	\$ 154.9	\$ 160.4	\$ 169.4	\$ 178.1	\$ 192.0	\$ 222.0	\$ 232.7	\$ 243.6	\$ 267.1	\$ 278.8
Fringe Rate	62%	65%	74%	77%	81%	86%	92%	107%	112%	117%	128%	134%
Total Personnel Costs	\$ 334.3	\$ 342.4	\$ 363.1	\$ 368.5	\$ 377.5	\$ 386.3	\$ 400.1	\$ 430.1	\$ 440.8	\$ 451.7	\$ 475.2	\$ 486.9

A couple of significant factors driving the increase in benefit costs include:

- Health care premiums for active employees (meaning exclusive of retiree medical contributions). The cost of premiums for medical alone is estimated to grow from \$30.8 million in FY 2024 to almost \$95.8 million in FY 2034 assuming annual increases of 12 percent as has been historically budgeted in the past.
- Employer Paid Portion of PERS Costs is expected to rise from approximately \$78 million in FY 2024 to \$130 million in FY 2034. This does not take include any contributions made by employees towards overall City CalPERS costs that will be paid to PERS annually as shown in a previous chart.

3. Summary of all current City Obligations (GO bonds)

The City’s debt includes General Obligation Bonds and Revenue Bonds. Attachment 2 includes the detailed debt service payment schedules for each of these debt issuances.

The City currently has five outstanding general obligation (GO) bond authorizations (each with multiple series of bonds) related to public safety, libraries, senior centers, animal shelter, street and integrated watershed improvements, infrastructure and facilities improvement, and affordable housing. The oldest of the authorizations date back to 1992. The City has an aggregate bond tax rate for FY 2023 of 0.0623 (which represents \$62.30 for each \$100,000 in assessed value (“A.V”). This rate has dropped from a historical peak of approximately \$95 (per \$100,000 in A.V) in the tax year 1999-2000. Based on projected annual increases in A.V and decreasing aggregate annual debt service over time, the tax rate will drop with the final tax collected in FY 2051 based on the current outstanding debt (Measure O is the latest bond authorization).

Bond Authorization	Authorization Year	Authorization Amount	Bond issued Amount	Unissued Amount	Outstanding Debt Services as of 6-30-2022	Final Maturity	FY 2022 Bond Tax	FY 2023 Bond Tax
Measure FF	2008	\$ 26,000,000	\$ 26,000,000	\$ -	\$ 17,925,000	2040	0.0059%	0.0058%
2015 General Obligation Refunding Bonds (Refunding Measure G, S, I Consolidated)	2015	88,700,000	88,700,000	0	20,950,000	2038	0.0135%	0.0130%
Measure M	2015	30,000,000	30,000,000	0	26,345,000	2047	0.0077%	0.0075%
Measure T1	2016	100,000,000	80,000,000	20,000,000	75,480,000	2052	0.0170%	0.0160%
Measure O	2018	135,000,000	78,000,000	57,000,000	76,440,000	2053	0.0088%	0.0200%
Total		\$ 379,700,000	\$ 302,700,000	\$ 77,000,000	\$ 217,140,000		0.0529%	0.0623%

It has been the City's debt policy to issue each series of bonds with level amortization and terms of either 25 or 30 years. Many of the series have been refinanced for lower interest rates over time. Given the fixed term for each bond series, the aggregate annual debt service for all outstanding bonds decreases over time as each bond reaches its final maturity.

4. Summary of All Capital Assets and Infrastructure

The City has an extensive portfolio of capital assets and infrastructure, of which some of the assets are highlighted below and include the following:

- 95 public buildings
- 254 miles of public sanitary sewer mains and 130 miles of public sewer laterals
- 54 parks, 2 pools, 3 camps, and
- 42 different facilities served by the City's IT systems.

Maintaining these assets is a costly and time-consuming enterprise that requires significant resources and constant attention. Additionally, Berkeley is an aging city and thus its infrastructure faces challenges that other younger cities do not. The City's **unfunded infrastructure needs** have increased and are anticipated to rise to **\$2.52 billion from FY 2024 to FY 2028**. This dollar amount reflects staff's best estimate of both the deferred maintenance in the City's public infrastructure and the unfunded need to deliver public infrastructure that achieves a service level consistent with City Council's direction, typically set through Council's adoption of a comprehensive plan related to that category of public infrastructure.

Several recent items adopted by voters have provided a much-needed increase in the resources available for the City to address its infrastructure needs:

- **Measure T1:** In November 2016, Berkeley voters passed [Measure T1](#),² authorizing the City to sell \$100 million of General Obligation Bonds to repair, renovate, replace, or reconstruct the City's aging infrastructure and facilities, including sidewalks, storm drains, parks, streets, senior and recreation centers, and other important City facilities and buildings. Council approved 45 projects to be completed in Phase 1. The majority of these [projects are now complete](#)⁸¹, with the balance to be completed in 2023. On December 15, 2020, Council approved 36 additional projects to be completed in Phase 2, between 2021 and 2026.
- **Measure F:** The November 2014 voter approval of Measure F (a City-wide special park parcel tax) provided an additional \$750,000 per year for major maintenance projects, raising annual funding for parks capital and major maintenance projects from the prior \$250,000 to \$1 million.

- **Clean Storm Water Fund:** The Clean Storm Water fund provides the funding for the maintenance and improvement of the City's storm water drainage system to reduce the pollutants in storm water from entering local creeks and the Bay. Revenue to this fund is from the collection of fees charged to every owner of real property in the City and is collected through property taxes.

Prior to FY 2019, Clean Storm Water Fund revenues were fee-supported and are capped at 1996 levels by Proposition 218, set at flat \$34 fee per year. The revenues generated by this fee were no longer sufficient to pay for the Clean Storm Water program. The City conducted a Proposition 218 rate increase process that was approved by the voters and the City Council. The new fees generated by the 2018 Clean Storm Water Fee are shown as separate line item on property tax bills from the 1991 Clean Storm Water Fees. The fee is subject to an annual adjustment based on the Consumer Price Index.

- **Streetlight Assessment District Fund:** The Streetlight Assessment District Fund provides for maintenance of the City's 7,860 streetlights along the public streets, parking lots, pathways, recreation facilities, and marina. Also, it is to be used for installation or construction of public lighting facilities.

Revenue to this fund is collected through annual property taxes and is capped by Proposition 218, allowing for no rate increase to this assessment without voter approval. Property owners and the City Council approved a new 2018 Streetlight Assessment District that is shown as a separate line on the property tax bills. The Proposition 218 revenue increase provides additional revenue to support the program and maintain service levels.

² See <https://www.cityofberkeley.info/MeasureT1/>.

The approved ballot measure allows for an inflation adjustment based on the Consumer Price Index, but no more than 3% per year. The inflation index can be applied to the sum of the 1982 and 2018 assessments. Starting in FY 2022, Public Works will focus on an annual capital improvement projects for the street light program. Fund balance is mostly due to compounding salary savings from freezing and vacant positions. As the work on the streetlight deferred maintenance and capital plan ramps up, frozen positions will be reassessed.

Additionally, as part of the FY23-24 Budget adoption, the Council authorized a significant new infusion of investment in capital infrastructure. For Public Works this included an additional \$5M in FY23 and \$9.1M in FY24 for additional paving funds, as well as an additional \$750,000 for deferred building maintenance and \$750,000 for ADA Transitional Plan funding for the same period. An additional \$1.5M in FY23 and \$2M in FY24 were allocated to Parks, Recreation & Waterfront capital improvements.

Despite these measures, City facilities and infrastructure needs continue to exceed available funds. The current annual allocation to PRW capital of \$3.815M – despite being the highest level of annual commitment in recent history – is still not enough to keep pace with the unfunded needs. The cost for existing and new planned infrastructure in parks, pools, camps, and the Waterfront exceeds \$380 million.

The unfunded needs in for Public Works in terms of City buildings, sidewalks, streets, streetlights, sewer, storm water/ green infrastructure, traffic signals and parking infrastructures, undergrounding, Veterans and Old City Hall buildings, transfer station, bike and pedestrian plan projects, and transit projects, exceed \$1.6 billion. With the recent funding increases, the amount of recurring funding to address these needs is now an estimated \$42.4 million as of FY24.

It is anticipated that infrastructure costs will continue to increase through typical “wear and tear” that impacts City infrastructure in the coming years, plus the pressures of long-deferred maintenance. As needed improvements continue to be deferred, operating and maintenance costs rise and rehabilitation and replacement costs increase substantially.

UNFUNDED NEEDS

The following describe the various unfunded needs by program category:

- **City Buildings:** Public Works is responsible for the maintenance of 56 of the City’s 95 facilities. The other 39 are maintained by PRW. The total replacement value of the Public Works-maintained buildings in this inventory exceeds \$540 million. Library facilities and facilities leased to other entities are not included in this analysis. A third-party expert has provided facility condition assessments for many of these buildings.

These assessments identify building components replacements (plumbing, electrical, HVAC, wall/door finishes, etc.) that either should have already been completed or schedules them before the useful life of the component is over. Based on these assessments, the City's existing facility needs are estimated at approximately \$314,500,000, while the current budget allocation for building component replacement over the 5-year planning period is \$13 million. An alternative analysis provided by the City's Strategic Asset Management Plan identified an annual funding shortfall of \$5.2 million to \$11.7 million. Some of this annual funding gap is covered by one-time allocations from the General Fund or T1 funds.

- Parks, Recreation & Waterfront:** The Parks, Recreation & Waterfront Department (PRW) operates, maintains and manages 54 parks, 4 community centers, 2 clubhouses, 2 pools, 3 resident camps, 15 athletic fields, 49 sports courts, 63 play areas, 36 picnic areas, 45,000 trees, 11.5 miles of landscaped street medians and triangles, 263 irrigation systems, and 30 restrooms and buildings. In addition, PRW operates and maintains the Berkeley Waterfront and its related facilities, including the docks, pilings, channel, streets, pathways, parking lots, buildings, trails, Shorebird Nature Center, Adventure Playground, and 1,000 boat slips. The recurring funding available for capital and major maintenance is \$3.185 million, as shown in the table below.

Funding Source	Annual Capital & Major Maintenance Funding
Parks Tax Fund	\$1,065,000
Capital Improvement Fund	\$2,400,000
Marina Fund	\$350,000
Camps Fund ³	\$0
Total Funding Available	\$3,815,000

Unfunded needs for existing PRW infrastructure are summarized in the table below.

Unfunded PRW Capital Needs - Existing infrastructure	
Improvements	Cost Estimate
Resident Camps	\$8,460,855
Waterfront	\$160,995,276
Pools	\$7,581,600
Park Buildings/Facilities	\$4,749,030
Parks (General)	\$15,163,200
Parks (Specific)	\$39,279,006
Park Restrooms	\$2,316,600

³ Due to the loss and rebuilding of Berkeley Tuolumne Camp, the Camps Fund does not have sufficient funds at this time to cover any annual investment in capital or major maintenance.

Total Need	\$238,545,567
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In addition, there is \$145M in unfunded needs for planned PRW improvements that are not currently existing infrastructure, shown in the table below.

Unfunded PRW Capital Needs - New Planned Infrastructure Improvements	
Improvements	Cost Estimate
San Pablo Park: New Community Center and Pool	\$39,000,000
King Park: New 25M Competitive Pool / Locker Room	\$16,000,000
Tom Bates Sports Complex: New Youth Soccer Field, Pickleball Courts and Restroom	\$1,980,000
New Restrooms in Parks over 1 Acre: James Kenney, Aquatic, Civic Center, King, and John Hinkel Parks	\$2,630,000
James Kenney Park: Skate Spot	\$369,000
Waterfront: New Bike Park adjacent to University Ave.	\$1,650,000
Waterfront: Pier/Ferry Preferred Concept with landside and waterside improvements	\$83,500,000
Total Need	\$145,129,000

These new infrastructure improvements would add new community amenities, and are included because conceptual planning processes have been completed or Council has provided direction to implement. If this new planned infrastructure is built, there will be approximately \$44M in savings realized in existing infrastructure cost estimates, as they would replace some existing infrastructure. The estimates do not reflect funding arrangements. For example, for the pier/ferry, the City and the Water Emergency Transit Authority (WETA) would share responsibility for identifying funding for the preferred concept developed during a year-long community process.⁴

The majority of PRW unfunded needs are at the Waterfront, where many of the docks, pilings, buildings, parking lots and streets have reached the end of their useful life and are starting to fail. As documented in multiple reports over the last several years⁵, there is a diminishing ability to pay for the

⁴ See https://berkeleyca.gov/sites/default/files/documents/2021-12-07%20Item%2002%20Large%20Scale%20Ferry%20Feasibility%20Study%E2%80%93%20A%20Preferred%20Concept_0.pdf

⁵ See March 16, 2022 BMASP Community Meeting #2 presentation (https://www.cityofberkeley.info/uploadedFiles/Parks_Rec_Waterfront/Level_3_-_General/2022-03-16-FINAL-Mtg_deck-CW2-Deck.pdf); April 29, 2021 PRW Budget Presentation to the Council Budget & Finance Policy Committee, (<https://www.cityofberkeley.info/uploadedFiles/Clerk/PRW%20FY22%20Budget%20Presentation%20Rev2.pdf>); February 16, 2021 Council report and presentation for the BMASP and Pier/Ferry Worksession ([Page 17](https://www.cityofberkeley.info/Clerk/City_Council/2021/02_Feb/Documents/2021-</p>
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pressing capital needs in the Waterfront. From the Marina Fund, \$350,000 per year is budgeted for capital improvements. This amount is insufficient to address Waterfront needs. The Marina Fund is projected to need \$1.4M in the next budget cycle just to maintain baseline Waterfront operations and does not currently have the ability to support capital projects. Capital needs at the Waterfront are otherwise dependent on General Fund, external funding and grants. Over \$40M has been invested into the Waterfront by the City over the last fifteen years⁶, but it is only a small percentage of the investment needed. The City is working on a Waterfront Specific Plan⁷, which will explore new revenue generating opportunities to help address the structural deficit, exhausted reserves, and declining operating revenue that makes it impossible for the Marina Fund to reinvest in its facilities.

- **Streets & Roads:** There are approximately 215 centerline miles of improved streets in Berkeley and their estimated replacement value is \$816,753,950. Every two to three years, portions of Berkeley's streets are inspected using the Metropolitan Transportation Commission's Pavement Management System (PMS) to identify repair needs and assign a pavement condition index (PCI). The City uses the PMS and PCI to track and prioritize pavement rehabilitation and maintenance needs on individual asphalt streets and the overall condition of the City's street pavement network. The current overall average PCI rating is 56 (out of 100). This puts Berkeley's streets in the 'at-risk' category. The recently updated Street Maintenance and Rehabilitation Policy (2022) identified a goal of

02-16_WS_Item_02_Berkeley_Marina_Area_Specific_Plan_pdf.aspx); November 10, 2020 Marina Fund presentation to Council Budget & Finance Policy Committee (https://www.cityofberkeley.info/uploadedFiles/Clerk/2020-11-12_Item_2c_Budget.pdf); December 13, 2018 Off-Agenda Memo (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20121318.pdf); November 15, 2018 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2018/11_Nov/Documents/2018-11-15_WS_Item_02_Parks_Recreation_Waterfront_pdf.aspx); July 1, 2018 Off-Agenda Report ([https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/CM%20Update%20-%20Waterfront%20-%20Hs%20%20Lordships%20\(w%20attachments\).pdf](https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/CM%20Update%20-%20Waterfront%20-%20Hs%20%20Lordships%20(w%20attachments).pdf)); May 8, 2018 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2018/05_May/Documents/2018-05-08_WS_Item_03_Parks_Recreation_Waterfront.aspx); May 8, 2018 Proposed Budget Update (https://www.cityofberkeley.info/Clerk/City_Council/2018/05_May/Documents/2018-05-08_WS_Item_01_FY_2019_Proposed_Budget_Update.aspx); April 12, 2018 Off-Agenda Report (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20041218.pdf); and November 7, 2017 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2017/11_Nov/Documents/2017-11-07_WS_Item_02_Parks_Recreation_and_Waterfront_CIP.aspx).

⁶See <https://berkeleyca.gov/sites/default/files/2022-04/Waterfront%20CIP%20Projects%20021622.pdf> and <https://berkeleyca.gov/sites/default/files/documents/2022-12-13%20Special%20Item%2002%20Grant%20Contracts%20with%20the%20State%20Coastal.pdf>

⁷ See <https://berkeleyca.gov/your-government/our-work/capital-projects/berkeley-marina-area-specific-plan-bmasp-project>

good condition for the City's streets, which is a PCI between 70 to 79. To keep the streets from deteriorating further, City Council has adopted a policy allocated \$8 million annually in General Fund money. That \$8 million contribution, along with existing transportation funds totaling \$7.3 million, would ensure the pavement condition is at least maintained and does not decline. If that committed is continued, the City would have to spend an additional \$247,500,000 to achieve a PCI of 75 within 15 years. This funding only assumes treatment of pavement surface, markings, and curb cuts, not costs related to drainage improvements, green infrastructure, and implementation of the City's bicycle, pedestrian, and Vision Zero plans.

- **Sidewalks & Pathways:** The City has 400 miles of sidewalk. Public Works manages a sidewalk repair program to keep the City's sidewalks safe and provide for safe pedestrian passage, including makesafe repairs, annual proactive repair program, and the City's 50/50 replacement cost-share program in which the City shares the costs for broken sidewalks with property owners. Public Works responds to all reported sidewalk hazards, assesses each situation and installs an asphalt make-safe or grinds the sidewalk hazard if applicable, and on occasion perform limited sidewalk removal and replacement if a sidewalk hazard cannot be made reasonably safe.

These sidewalks have an estimated replacement value of \$400,000,000. Deferred maintenance in this asset is estimated at \$60,000,000, primarily derived from the recently completed ADA Transition Evaluation that proactively assessed all of the City's sidewalks and identified repair locations. However, the City has only \$1 million available in annual funding towards sidewalks maintenance and repair from baseline allocations from the Capital Improvement Fund and 50/50 Program contributions from residents.

- **Sewers:** The City owns and operates 255 miles of sewer mains and 165 miles of lower laterals. Their estimated replacement value is \$820,000,000. The estimated cost of rehabilitating all of the City's sewer pipes per the City's adopted plans is \$183,500,000. This is one of the asset categories with a dedicated fee that has been adjusted every five years. It is adequately funding a maintenance and capital renewal program, resulting in the deferred maintenance declining over time.

The City's Strategic Asset Management Plan also found proper maintenance funding for this asset. In 2014, the City (along with EBMUD and all agencies conveying flows to EBMUD) concluded negotiations with the Environmental Protection Agency and the Department of Justice for violation of the Clean Water Act and agreed to a stipulated settlement known as the final Consent Decree. To comply with the Consent Decree, the City is required to rehabilitate an average of 4.2 miles of sewer pipeline annually based on a three-year rolling average. Effectively, this mandated significant additional maintenance activities and capital improvements, and resulted in increased costs of managing the City's existing sewer system.

- **Storm Water & Green Infrastructure:** The City's engineered storm drains include approximately 78 miles of underground pipes, manholes, catch basins and cross-drains, and 30+ green infrastructure locations. Their estimated replacement value is \$440,253,101. The unfunded infrastructure need is estimated at \$362,000,000. This estimate is derived from the remaining improvements of the adopted 2012 Watershed Management Plan, and staff estimates including staff estimates for green infrastructure.

Much of the stormwater infrastructure is over 80 years old and needs substantial rehabilitation, including rehabilitation of pipeline reaches; replacement of deteriorated drain inlets and piping; major cleaning of the primary storm collectors in the lower watersheds; and replacement of street cross drains. The City's Strategic Asset Management Plan identified that the maintenance funding for this asset was likely too low, given the life of these assets, expanding green infrastructure requirements, and new threats from more intense, climate-fueled storms. Public Works seeks to initiate the Stormwater Comprehensive Plan in 2023. This plan will update the Watershed Management Plan and incorporate the Green Infrastructure Plan (2019), along with rehabilitation or replacement of the aging infrastructure. Adoption of the Plan would then enable the City to consider whether to update its stormwater fee to better address existing and future needs.

- **Traffic Signals & Parking Infrastructure:** The City currently has 142 traffic signals, 20 rectangular rapid flashing beacons, 2,100 parking meters and 240 pay stations. Staff estimated \$23,500,000 in unfunded needs related to the replacement and renewal of these infrastructure components.
- **Undergrounding Project:** The City has approximately 15 miles (as identified in the Phase 3 Report for undergrounding) of key evacuation routes where undergrounding utility wire needs to take place in Berkeley. The estimated cost is approximately \$7,000,000 per mile with a 4% annual escalator factor applied. The estimated cost of these improvements is currently \$109,200,000.
- **Vets & Old City Hall:** Both Old City Hall and Veteran's Buildings are in need or renovation and were built prior to seismic standards and must be retrofitted. Staff estimated a cost of \$110,000,000 to complete these renovations and retrofits.
- **Transfer Station:** The Transfer Station, which was constructed in 1982, requires a redesign and replacement estimated at \$76 million. The Solid Waste & Recycling Transfer Station Replacement Project Feasibility Study was completed in November 2019 after a robust public input process.

Currently, the Transfer Station has two below-grade refuse and organic materials load out tunnels that top-load trailers who transfer the material off the site for recycling and/or disposal. The Transfer Station and its ancillary structures are showing considerable wear and tear after 38 years of operation, and the current facilities are not configured for efficient diversion or customer-friendly recycling of incoming materials.

- **Bike & Pedestrian Projects:** City Council has approved the Bicycle Plan (2017) and Pedestrian Plan (2021). Staff estimate the unfunded need to implement these plans and the projects derived from them to be at least \$129 million. These projects also are important to the Vision Zero Action Plan (2020), which seeks to eliminate severe injuries and fatalities on our City Streets, a high proportion of which are bicyclists and pedestrians.
- **Transit Projects:** The City is committed to encouraging transit use. An AC-Transit Major Corridor Study (2016) recommended a series of improvements throughout the City. Those improvements are currently estimated at \$53 million, including funds sufficient to install new and/or replace bus pads. The City is currently developing a Transit First Implementation Plan to help guide and focus ongoing transit operations improvements on City streets.
- **Fire Projects:** In consultation with Public Works Staff, the Fire Department has conducted a long-term assessment of its facilities that takes in to account the age of the facility, modern workplace exposure protection, and modifications to staffing and equipment driven by development, congestion and changes to population. That assessment shows \$288M in unfunded facility needs.

Information Technology Infrastructure

Technology infrastructure presents unique challenges with respect to forecasting long term requirements because technology evolves quickly compared to other types of infrastructure. The City's needs in terms of network bandwidth, data storage, and wireless devices may be dramatically different in the future than they are today. Additionally, unlike traditional infrastructure replacement projects which can be done incrementally, some technology tools require a large upfront investment to implement but cost significantly less to upgrade as the technology becomes more common. City staff currently use and maintain a vast technology infrastructure to provide services to the community each day. Current information technology infrastructure will expand as the City uses more technology tools to gain efficiencies.

The Department of Information Technology provides the City's computing infrastructure, supporting desktops, laptops, mobile devices, back-end server infrastructure, network accessibility and digital data security. Examples of such infrastructure include:

- Computer asset inventory comprising approximately 1,412 desktops, 796 laptops, 240 tablets, and 118 Public Safety Mobile Data Computers (MDCs), which continues to increase due to remote work expansion.

- Replacement of aging, end-of-life enterprise systems such as the FUNDS\$ financial system.
- A major update of the City's phone system (Voice over IP or VOIP) via unfunded upgrades to address eFax, Automation of line move/add/change, softphones, VOIP security, etc.
- Increased capacity for City's digital data storage needs and cybersecurity initiatives.

Many of the above prior projects were unfunded and were the result of a need to respond to an immediate or impending threat (such as a breach, or aging, unsupported, end-of-life equipment), as the timing of the needs often outpaced the ability to anticipate and plan for long term sustainability due to a number of factors, including loss of institutional knowledge through personnel departures and retirements or lack of "pipeline" funding (i.e., what would be needed for the next *n*-years to replace an end-of-life system).

For FY 2023 through FY 2025, which is about the limit of future foresight as it applies to IT systems, at least six critical projects need to be addressed through unfunded liabilities to preserve the City's digital assets:

1. **Continued implementation of Cybersecurity Resiliency Plan:**

In late 2018, the City began development of its Cyber Resilience Plan (CRP) to help ensure the City is sufficiently and prudently equipped to handle cyberattacks and to help the City mitigate the effects of a successful cyberattack, should one occur. Information Technology continues to implement the solutions identified in the CRP.

2. **Customer Relationship Management (CRM):**

In FY 2019, the City upgraded its existing CRM software application, used by 311, Public Works and Parks, Recreation and Waterfront (PRW). Beginning November 2021, Public Works and PRW implemented a separate work order system called NextGen, which is not well integrated with the existing Lagan system still in use by 311 (the Lagan system is still being used by 311 to field over 100,000 requests for service per year). A new 311 CRM system replacement and implementation was targeted for FY2021 but delayed due to COVID and a related proposed budget reduction. 311 paused the release of the RFP until the Public Works NextGen work order system was implemented and the Zero Waste billing system vendor was selected.

An RFP for a new CRM system will be published in late FY 2023 with an estimated implementation completion date of FY 2025. During this period, 311 will remain on Verint-Lagan (\$33,000 per year) until the new CRM is fully implemented.

The new CRM will give 311 the ability to capture, route, and manage all forms of requests through multiple communication channels with integration to the Public Works and PRW NexGen work order system, and Zero Waste billing system.

A new CRM cloud-based system will allow community members to make service requests online via a City of Berkeley CRM portal on the City's website. Community members, City Staff and Council will be able to view status of service requests and view integrated knowledge documents online through the 311 CRM portal.

3. Geographical Information Systems (GIS)– Master Address Database (MAD) to address the Non-Compliance with NENA GRID and e911 Technology:

As the City deploys new systems such as work order, zero waste billing, digital permitting CRM and others, it is critical to have a modern, centralized address/parcel database that can easily feed accurate and consistent GIS information. Having one source of truth for address data will allow for ease of maintenance, timely updates, and consistency. This will bring greater efficiencies for city departments through various workflows including permitting, building inspections, work orders, billing, assessments and more. It will result in service that is more effective to our community by providing real time and accurate address data across departments. This project will be in conjunction the Property Tax Replacement Project, which is scheduled to begin in FY 2024.

4. IT Department Move to 1947:

The Department of Information Technology was in the planning stages to relocate to 1947 Center Street to accommodate all of its staff, as well as several City Manager's Office (CMO) personnel, totaling over 55 total employees. The move to 1947 Center Street was delayed in FY20 due to COVID related proposed budget deductions, and again delayed in FY 2022 due to unexpected asbestos abatement construction delays. The move is now targeted to begin before the end of FY 2023 and complete in FY 2024.

5. Improvement to City-wide Facilities Wi-Fi:

Currently all City of Berkeley facilities are not setup to provide seamless Wi-Fi connectivity. Furthermore, those locations providing current Wi-Fi are serviced with aging, deprecated and/or non-enterprise quality equipment which has proven to be troublesome and failure-prone. In anticipation of a more disbursed work culture, it is imperative that the City provide enterprise quality, secure and high-speed Wi-Fi access at all its facilities serving both employees and the public, including outdoor areas of the Marina and other PRW facilities. The availability of such service will enhance productivity and safety for all, and is consistent with needs of all City departments as well as an outside audit finding. IT will engage a managed service provider to install, upgrade and/or replace all Wi-Fi access points and accompanying technology at all City managed facilities and areas. This managed service will alleviate the heavy service demands placed on staff to provide field support for maintaining equipment, as the managed service will provide full, turnkey support of all equipment with designated response windows.

6. Implementation of City-wide collaboration tools (MS TEAMS and SharePoint):

The City lacks an enterprise solution for collaboration and productivity. Microsoft Teams and SharePoint are licensed products that the City subscribes to and provides for unified messaging for all organizations. It is a platform solution and workspace for real-time collaboration and communication, meetings, file and app sharing. Implementation of MS TEAMS and SharePoint will allow City to collaborate on a broader scale, and increase security and accessibility of electronic media and documents. It also will allow the City to better manage any file retention policies. Implementation of MS TEAMS and SharePoint will require the services of both internal staff as well as a qualified professional consultant and implementer.

Options to Address Long Term Retirement and Infrastructure Costs

The City continues to consider how to prioritize expenditures to address some of its long-term obligations in order to maintain a healthy future. As mentioned earlier in this report, Council has already taken the following actions to address the City's unfunded liabilities.

- On June 26, 2018, Council authorized the City Manager to establish an IRS Section 115 Pension Trust Fund (Trust) to be used to help pre-fund pension obligations. On May 14, 2019, Council authorized the City Manager to execute a contract with Keenan Financial Services to establish, maintain, and invest the pension Section 115 Trust.
- The Section 115 Trust currently has a balance of \$14,762,850.42 and is being funded annually through transfers from the General Fund and Capital Improvement Fund and the savings from prepayment of the annual PERS payment, and, beginning in FY 2023, through any additional earned investment revenue over the baseline projection.

At the March 9, 2023 Budget & Finance Policy Committee Meeting, the Committee received a presentation from the City's actuary, Foster & Foster, regarding the status of the City's pension plans and retiree health plans (Other-Post Employment Benefits) (Attachment 5). The presentation included specific funding recommendations including:

- Fully pre-fund the City's OPEB liabilities by increasing the annual contribution to the City's four retiree health plans by \$8.8 million, for a total of \$15 million, over the next 20 years.
- Continue the City's current target of allocating \$5.5 million annually to the Section 115 Pension Trust to reach a recommended Trust balance of \$25-\$50 million.

Berkeley voters have approved several bond measures to improve the City's infrastructure, including Measure F for parks, Measure M for streets, and most recently Measure T1, which authorized the City to sell \$100 million of General Obligation Bonds to repair, renovate, replace or reconstruct the City's aging infrastructure and facilities. The Adopted Biennial Budget includes funding of \$18.3 million for street rehabilitation in FY 2023, which includes \$7.1 million from the CIP Fund (\$2.1 million baseline and \$5.0 million additional

funding), State gas tax, Measure BB and other sources. In FY 2024, the General Fund (through the CIP Fund) contributes nearly \$11.0 million and funding from all sources total \$19.4 million. In addition to funding for streets, the Adopted Budget allocates funding for other critical public safety projects such as the Jail Control Panel Replacement project, the Waterfront piling project, the Telegraph/Channing Garage Elevator Repairs, and various traffic calming and improvement projects. In total, the General Fund contributes approximately \$14.0 million for capital projects in both fiscal years 2023 and 2024, including streets, funded by a portion of projected excess property transfer tax revenues.

A separate presentation and discussion on Unfunded Infrastructure Needs will be held either at the April 25, 2023 City Council Meeting or a later date to be determined.

General Fund Revenue Projections

As noted in the introduction, when this report was originally presented in 2013, members of the City Council requested that staff include long-term revenue projections in the next biennial report, in addition to the expenditure projections identified in Council Resolution No. 65,748-N.S. The intent was to present a complete and informative forecast, and provide a better long-term perspective on Berkeley’s ability to achieve financial stability through future economic cycles. The projections presented in this report are limited to the General Fund as those funds are the most discretionary in terms of allocation, and also highly subject to economic conditions. The General Fund typically comprises about one-half of the City’s total budget; the remainder of the budget consists of various Special Funds which are restricted in purpose (e.g. Zero Waste, Permit Services Center, Sewer, Public Health, and Mental Health).

The chart below provides a summary of total General Fund Revenues projected through FY 2027. The revenue projections have been updated to reflect results from the first six months of Fiscal Year 2023. Fifty percent (50%) of the City’s FY 2023 Projected General Fund revenue is derived from Secured Property, Sales Tax, Business License Taxes, and Property Transfer Taxes. Each major contributing revenue stream is described in more detail below. Additional detail on General Fund Revenue Projections can be found in Attachment 4.

General Fund Revenues Projections (dollar in millions)						
	FY 2023 Adopted	FY 2023 Projected	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenues						
Baseline	\$ 258.7	\$ 272.9	\$ 274.6	\$ 262.2	\$ 267.6	\$ 272.5

Property Tax

Given the continued high collection rate, and the resilience of property values in the City, as well as a large volume of recent property sales (which bring assessed values to market value), we are projecting that annual growth will be approximately 5.5% over the next several years. The persistence of strong growth of property valuations in recent years, as well as the spike in current year sales (which bring properties assessed valuations to market value), have caused staff to increase the projected growth rate from the 3.5% that we have used in prior long-term projections.

Sales Tax

The immense effects of COVID-19 on sales tax revenue in FY 2021 were largely reversed in FY 2022, with revenue levels almost back to FY 2019 levels, and staff now project growth to level off to approximately 4% in FY 2024. There is still some potential risk that an overall slowdown in underlying economic recovery will be reflected in reduced growth in consumer spending and sales tax collections

Business License Taxes

We are projecting a 5% growth in Business License Tax revenue from heavily impacted FY 2021 levels, as economic activity recovers from the recession caused by the pandemic. Long-term projections will be adjusted as the post-pandemic economic environment becomes clearer. 2023 business license returns (for 2022 gross receipts) are just now being received, so we will know more about how revenues are trending once they are processed over the next month or so.

Transfer Tax

Given the continued strength in property values and in sales activity, we expect Transfer Tax revenues to remain basically flat from FY 2024 – FY 2027. The spike in revenue being seen in FY 2022, and to a lesser extent in FY 2023, is likely due to sales triggered by looming interest rate increases that have been signaled by the Federal Reserve, as well as some pent-up demand from mildly depressed sales during the pandemic. Over the 5 years prior to the pandemic, transfer tax revenues grew 6% per year on average, but interest rate increases will probably negatively impact sales prices and volumes somewhat in the next few years. We also expect revenues from Measure P supplemental tax on high value property transfers to remain basically flat.

General Fund Revenues versus General Fund Expenditures

One value of producing long term General Fund revenue projections is to compare them against General Fund expenditure projections. Since about 57% of the General Fund expenditures are personnel costs, any change in those costs has an impact on the balance between revenues and expenditures.

The chart below is offered as a demonstration only and is not a proposal or budget plan.

General Fund Revenues v.s. Expenditures - Demonstrative Comparison (dollars in millions)						
	FY 2023 Adopted	FY 2023 Projected	FY 2024 Adopted	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
GF Revenues Baseline	\$ 258.70	\$ 272.90	\$ 261.70	\$ 262.20	\$ 267.60	\$ 272.50
GF Expenditures - Zero COLA	\$ 280.70	\$ 275.70	\$ 274.00	\$ 293.70	\$ 295.00	\$ 299.60
Surplus/(Deficit)	\$ (22.00)	\$ (2.80)	\$ (12.30)	\$ (31.50)	\$ (27.40)	\$ (27.10)
<i>*FY 2023 Adopted & FY 2024 Adopted balanced through the use of fund balance</i>						

The expenditure projections assume the following:

- Staffing level held constant using the FY 2023 Adopted Budget
- No cost of living adjustments (COLA) beyond what is currently negotiated
- PERS rates based on rates provided by the City's actuarial agency
- Other Fringe Benefits increase annually by 8 percent starting in FY 2025
- Salary Savings budgeted at 8 percent annually starting in FY 2025
- Non-Personnel costs increase annually by 3 percent starting in FY 2025
- General Fund Transfer to the CIP Fund is \$19M annually and includes
 - Baseline Amount of \$5M
 - Property transfer tax of \$14M
 - FY 2025 and outward years shows the new policy of funding an additional \$18M towards Streets

Staff is in the process of developing the FY 2024 Mid-Biennial Budget Update, however, the preliminary forecast above indicates that the City has a structural deficit that needs to be addressed in FY 2025 through FY 2027, due, in part, to the impact of CalPERS financial losses in FY 2022.

CONCLUSION

One of the terms that is often used with respect to the long-term obligations that are described above is "unfunded liabilities." Unfunded liabilities are defined as identifiable obligations of an organization for which the organization does not have 100% of the funding (cash or other assets) set aside to cover the cost should all obligations become immediately due. Generally, an organization manages a balance between funding a portion of the entire obligation and the associated risk that the obligation will be due at the same time. This balance is considered the practical and responsible approach since payment demands of these obligations rarely, if ever, occur simultaneously. The alternative would be to 100% fund the obligations causing a great portion of cash to be reserved and not available for providing services or meeting other immediate obligations, needs, or desires of the community. Maintaining a careful balance between cash on hand to fund daily operations and liquidity to cover unfunded liabilities is a key challenge for all governments.

POSSIBLE FUTURE ACTION

The information contained in this report will be referenced throughout the budget planning meetings in advance of the FY 2024 Mid-Biennial Budget Update and during the FY 2025 & FY 2026 Biennial Budget process. The City's Budget and Finance Policy Committee will continue to discuss funding options and provide recommendations to the City Council to address the City's unfunded liabilities and infrastructure needs.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

There is no fiscal impact associated with receiving the report. However, the report describes the immediate and long-term projected costs associated with pension and other post-employment benefits. In order to help mitigate these specific liabilities, the City's actuarial recommends the City continue to allocate \$5.5 million each fiscal year to the Section 115 Pension Trust for the next 2 years (to reach a balance of \$25 million) to six years (to reach a balance of \$50 million) and increase the contribution to retiree health insurance plans by \$8.8 million over the next 20 years in order to fully pre-fund its OPEB liabilities. In addition, significant resources will be necessary to address the City's infrastructure needs.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

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

Sharon Friedrichsen, Budget Manager, City Manager's Office, 981-7000
Rama Murty, Senior Management Analyst, City Manager's Office, 981-7000
Henry Oyekanmi, Finance Director, Department of Finance, 981-7300

Attachments:

1. Employee and Retiree Benefits Funded Status
2. City's Debt Obligations
 - Exhibit A: General Obligation bonds
 - Exhibit B: Revenue Bonds
3. Capital Assets
 - Exhibit A: Infrastructure
 - Exhibit B: Appraisal of Buildings Valued at \$5 million or more
4. General Fund Revenues
5. Foster & Foster, Incorporated City of Berkeley Pension and OPEB Funding Study

Employee and Retiree Benefits Funded Status (dollars in millions)						Attachment 1
Fund Name	Valuation Date	Estimated Liability	Plan Assets	Funding Target	Net Liability	% Funded
Police Retiree Income Plan (closed)*	6/30/2020	\$ 79.95	\$ 5.83	2	\$ 74.1	7.29%
Police Employee Retiree Health Plan (new)*	7/1/2019	\$ 40.43	\$ 2.49	2	\$ 37.9	6.16%
Fire Employees Retiree Health Plan*	7/1/2019	\$ 25.83	\$ 11.31	1	\$ 14.5	43.8%
Retiree Health Premium Assistance Plan (Non-Safety Members)*	7/1/2019	\$ 68.46	\$ 27.81	1	\$ 40.7	40.62%
Safety Members Pension Fund*	6/30/2020	\$ 1.86	\$ 0.10	2	\$ 1.76	5.4%
Miscellaneous CalPERS Plan*	6/30/2021	\$ 1,181.2	\$ 946.3	1	\$ 234.9	80.1%
Police CalPERS Plan*	6/30/2021	\$ 483.8	\$ 332.5	1	\$ 151.3	68.7%
Fire CalPERS Plan*	6/30/2021	\$ 306.7	\$ 248.1	1	\$ 58.60	80.9%
TOTAL		\$ 2,188.2	\$ 1,574.4	-	\$ 613.8	72.0%

Since the implementation of GASB67 and 68 the Annual Required Contribution (ARC) is no longer provided.

Funding Target:

1 - percentage of payroll

2 - pay as you go

**Retiree Medical Plan & CalPERS Plans data from actuarial reports from Foster & Foster, Inc.*

General Obligation Bonds

FY	2014 Measure M (2014 Street and Integrated Watershed)		2015 GO Refunding Bonds (Refunding Measure G, S, I)		2016 Measure M (2016 Street and Integrated Watershed)		2017 Measure T1 Infrastructure and Facilities Improvements		2020 Measure O Affordable Housing		2020 G.O Bonds (Series A)		2020 G.O Bonds (Series B)		2021 G.O Bonds (Measure T1)		2022 Measure O Affordable Housing		Total		Annual Total	End of FY GO	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	P & I	Bonds Balance	
2023	370,000	526,000.00	2,270,000	779,837.50	320,000	420,112.50	730,000.00	1,000,556.26	740,000.00	1,265,540.00	265,000.00	272,075.00	395,000.00	409,312.50	1,500,000.00	1,258,325.00	-	560,733	6,590,000	6,492,492	13,082,491.51	210,550,000	
2024	385,000	507,125.00	2,380,000	663,587.50	335,000	403,737.50	765,000.00	963,181.26	770,000.00	1,237,265.00	275,000.00	258,575.00	415,000.00	389,062.50	1,750,000.00	1,177,075.00	805,000	2,081,070	7,880,000	7,680,679	15,560,678.76	202,670,000	
2025	405,000	491,425.00	2,495,000	541,712.50	350,000	386,612.50	805,000.00	923,931.26	800,000.00	1,209,790.00	285,000.00	244,575.00	435,000.00	367,812.50	920,000.00	1,110,325.00	580,000	2,032,770	7,075,000	7,308,954	14,383,953.76	195,595,000	
2026	420,000	478,787.50	2,625,000	413,712.50	370,000	370,462.50	845,000.00	882,681.26	825,000.00	1,181,352.50	300,000.00	229,950.00	455,000.00	345,562.50	965,000.00	1,063,200.00	615,000	1,997,970	7,420,000	6,963,679	14,383,678.76	188,175,000	
2027	430,000	465,237.50	2,760,000	306,687.50	385,000	355,362.50	885,000.00	843,856.26	855,000.00	1,151,952.50	315,000.00	214,575.00	485,000.00	322,062.50	1,010,000.00	1,013,825.00	650,000	1,961,070	7,775,000	6,634,629	14,409,628.76	180,400,000	
2028	445,000	449,350.00	2,840,000	222,687.50	405,000	339,562.50	920,000.00	807,756.26	885,000.00	1,121,502.50	335,000.00	198,325.00	505,000.00	297,312.50	1,065,000.00	961,950.00	690,000	1,922,070	8,090,000	6,320,516	14,410,516.26	172,310,000	
2029	465,000	431,150.00	1,960,000	150,687.50	425,000	322,962.50	960,000.00	779,156.26	915,000.00	1,090,002.50	355,000.00	181,075.00	530,000.00	271,437.50	1,115,000.00	907,450.00	730,000	1,880,670	7,455,000	6,014,591	13,469,591.26	164,855,000	
2030	480,000	412,250.00	880,000	108,087.50	450,000	307,712.50	980,000.00	757,931.26	950,000.00	1,057,365.00	370,000.00	162,950.00	555,000.00	244,312.50	1,170,000.00	850,325.00	775,000	1,836,870	6,610,000	5,737,804	12,347,803.76	158,245,000	
2031	500,000	392,650.00	305,000	89,931.25	470,000	293,912.50	1,000,000.00	731,906.26	980,000.00	1,023,590.00	395,000.00	143,825.00	585,000.00	215,812.50	1,230,000.00	796,475.00	820,000	1,790,370	6,285,000	5,478,473	11,763,472.51	151,960,000	
2032	520,000	372,250.00	315,000	79,856.25	485,000	279,587.50	1,030,000.00	701,456.26	1,015,000.00	989,946.25	410,000.00	125,750.00	615,000.00	188,887.50	1,280,000.00	752,675.00	860,000	1,749,370	6,530,000	5,239,779	11,769,778.76	145,430,000	
2033	540,000	350,712.50	325,000	69,253.13	500,000	264,812.50	1,060,000.00	670,106.26	1,050,000.00	956,390.00	430,000.00	108,950.00	640,000.00	163,787.50	1,320,000.00	713,675.00	915,000	1,697,770	6,780,000	4,995,457	11,775,456.89	138,650,000	
2034	565,000	327,921.88	335,000	57,906.26	515,000	250,875.00	1,095,000.00	637,781.26	1,085,000.00	921,696.25	450,000.00	94,725.00	665,000.00	137,687.50	1,355,000.00	673,550.00	965,000	1,642,870	7,030,000	4,745,013	11,775,013.15	131,620,000	
2035	590,000	304,100.01	345,000	46,006.26	530,000	237,812.50	1,125,000.00	604,481.26	1,120,000.00	885,865.00	460,000.00	82,200.00	690,000.00	114,037.50	1,400,000.00	632,225.00	1,025,000	1,584,970	7,285,000	4,491,698	11,776,697.53	124,335,000	
2036	610,000	278,587.51	360,000	33,668.76	550,000	223,968.75	1,160,000.00	570,206.26	1,155,000.00	848,896.25	480,000.00	68,700.00	715,000.00	95,643.75	1,440,000.00	596,825.00	1,085,000	1,523,470	7,555,000	4,239,966	11,794,966.28	116,780,000	
2037	640,000	251,243.76	370,000	20,662.51	570,000	209,268.75	1,195,000.00	534,881.26	1,190,000.00	807,815.00	495,000.00	54,675.00	730,000.00	76,650.00	1,470,000.00	567,725.00	1,145,000	1,463,795	7,805,000	3,986,716	11,791,716.28	108,975,000	
2038	665,000	222,696.88	385,000	6,978.13	590,000	193,675.00	1,230,000.00	497,737.51	1,235,000.00	762,346.25	510,000.00	39,600.00	750,000.00	56,325.00	1,500,000.00	538,025.00	1,205,000	1,406,545	8,070,000	3,723,929	11,793,928.77	100,905,000	
2039	695,000	192,946.88			610,000	177,175.00	1,270,000.00	458,675.01	1,285,000.00	715,096.25	525,000.00	24,075.00	770,000.00	35,400.00	1,530,000.00	507,725.00	1,265,000	1,346,295	7,950,000	3,457,388	11,407,388.14	92,955,000	
2040	725,000	161,884.38			630,000	160,125.00	1,310,000.00	418,362.51	1,330,000.00	666,065.00	540,000.00	8,100.00	795,000.00	11,925.00	1,560,000.00	476,825.00	1,325,000	1,284,943	8,215,000	3,188,229	11,403,229.39	84,740,000	
2041	760,000	128,925.00			655,000	142,456.25	1,350,000.00	375,956.26	1,380,000.00	615,252.50					1,590,000.00	445,325.00	1,390,000	1,220,680	7,125,000	2,928,595	10,053,595.01	77,615,000	
2042	790,000	94,050.00			680,000	124,100.00	1,395,000.00	331,350.01	1,435,000.00	562,471.25					1,620,000.00	413,225.00	1,460,000	1,153,265	7,380,000	2,678,461	10,058,461.26	70,235,000	
2043	830,000	57,600.00			705,000	104,175.00	1,440,000.00	285,281.26	1,485,000.00	507,721.25					1,655,000.00	380,475.00	1,530,000	1,082,455	7,645,000	2,417,708	10,062,707.51	62,590,000	
2044	865,000	19,462.50			735,000	82,575.00	1,485,000.00	237,750.01	1,545,000.00	450,908.75					1,685,000.00	347,075.00	1,605,000	1,008,250	7,920,000	2,146,021	10,066,021.26	54,670,000	
2045					765,000	60,075.00	1,535,000.00	188,675.01	1,600,000.00	394,740.00					1,720,000.00	311,950.00	1,685,000	928,000	7,305,000	1,883,440	9,188,440.01	47,365,000	
2046					795,000	36,675.00	1,585,000.00	137,975.01	1,655,000.00	339,405.00					1,760,000.00	274,975.00	1,765,000	843,750	7,560,000	1,632,780	9,192,780.01	39,805,000	
2047					825,000	12,375.00	1,635,000.00	84,628.13	1,710,000.00	282,200.00					1,795,000.00	236,081.25	1,855,000	755,500	7,820,000	1,370,784	9,190,784.38	31,985,000	
2048							1,690,000.00	28,518.75	1,770,000.00	223,040.00					1,835,000.00	107,943.75	1,950,000	662,750	7,245,000	1,022,253	8,267,252.50	24,740,000	
2049									1,830,000.00	161,840.00					1,875,000.00	174,600.00	2,045,000	565,250	5,750,000	901,690	6,651,690.00	18,990,000	
2050									1,890,000.00	98,600.00					1,920,000.00	132,412.50	2,150,000	463,000	5,960,000	694,013	6,654,012.50	13,030,000	
2051									1,955,000.00	33,235.00					1,960,000.00	89,212.50	2,255,000	355,500	6,170,000	477,948	6,647,947.50	6,860,000	
2052															2,005,000.00	45,112.50	2,370,000	242,750	4,375,000	287,863	4,662,862.50	2,485,000	
2053																	2,485,000	124,250	2,485,000	124,250	2,609,250.00	-	
Grant																							
Total	\$ 12,695,000	\$ 6,916,356	\$ 20,950,000	\$ 3,591,263	\$ 13,650,000	\$ 5,760,169	\$ 30,480,000	\$ 14,454,778	\$ 36,440,000	\$ 21,561,890	\$ 7,195,000	\$ 2,512,700	\$ 10,730,000	\$ 3,743,031	\$ 45,000,000	\$ 17,556,588	\$ 40,000,000	\$ 39,169,020	\$ 217,140,000	\$ 115,265,795	\$ 332,405,795		

Revenue Bonds

FY	Berkeley Rep. 2012 Refunding		1947 Center 2012 Refunding		2010 Animal Shelter COP 2021 Refunding Revenue		2016 Parking Revenue Bond		Total		Annual Total P & I	End of FY Rev Bonds Balance
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2022												52,045,000
2023	352,498.83	146,881.34	1,152,501	480,231.16	0.00	138,200.00	840,000	1,074,650.00	2,345,000	1,839,963	4,184,962.50	49,700,000
2024	366,551.94	130,667.56	1,198,448	427,219.93	0.00	138,200.00	870,000	1,041,050.00	2,435,000	1,737,137	4,172,137.49	47,265,000
2025	386,460.51	111,842.25	1,263,539	365,670.25	0.00	138,200.00	905,000	1,006,250.00	2,555,000	1,621,963	4,176,962.50	44,710,000
2026	405,197.99	92,050.79	1,324,802	300,961.71	0.00	138,200.00	945,000	970,050.00	2,675,000	1,501,263	4,176,262.50	42,035,000
2027	427,448.74	71,234.62	1,397,551	232,902.88	0.00	138,200.00	980,000	932,250.00	2,805,000	1,374,588	4,179,587.50	39,230,000
2028	442,672.95	53,908.31	1,447,327	176,254.19	0.00	138,200.00	1,020,000	893,050.00	2,910,000	1,261,413	4,171,412.50	36,320,000
2029	459,068.24	40,095.28	1,500,932	131,092.22	190,000.00	133,450.00	1,060,000	852,250.00	3,210,000	1,156,888	4,366,887.50	33,110,000
2030	320,879.33	16,461.17	1,049,121	102,695.08	280,000.00	121,700.00	1,105,000	809,850.00	2,755,000	1,050,706	3,805,706.25	30,355,000
2031			1,450,000	74,187.50	290,000.00	107,450.00	1,145,000	765,650.00	2,885,000	947,288	3,832,287.50	27,470,000
2032			1,500,000	25,312.50	305,000.00	92,575.00	1,190,000	719,850.00	2,995,000	837,738	3,832,737.50	24,475,000
2033					320,000.00	76,950.00	1,240,000	672,250.00	1,560,000	749,200	2,309,200.00	22,915,000
2034					335,000.00	60,575.00	1,290,000	622,650.00	1,625,000	683,225	2,308,225.00	21,290,000
2035					350,000.00	46,950.00	1,340,000	571,050.00	1,690,000	618,000	2,308,000.00	19,600,000
2036					360,000.00	36,300.00	1,380,000	530,850.00	1,740,000	567,150	2,307,150.00	17,860,000
2037					375,000.00	27,150.00	1,425,000	489,450.00	1,800,000	516,600	2,316,600.00	16,060,000
2038					380,000.00	19,600.00	1,465,000	446,700.00	1,845,000	466,300	2,311,300.00	14,215,000
2039					390,000.00	11,900.00	1,510,000	402,750.00	1,900,000	414,650	2,314,650.00	12,315,000
2040					400,000.00	4,000.00	1,555,000	357,450.00	1,955,000	361,450	2,316,450.00	10,360,000
2041							1,600,000	310,800.00	1,600,000	310,800	1,910,800.00	8,760,000
2042							1,650,000	262,800.00	1,650,000	262,800	1,912,800.00	7,110,000
2043							1,700,000	213,300.00	1,700,000	213,300	1,913,300.00	5,410,000
2044							1,750,000	162,300.00	1,750,000	162,300	1,912,300.00	3,660,000
2045							1,805,000.00	109,800.00	1,805,000	109,800	1,914,800.00	1,855,000
2046							1,855,000.00	55,650.00	1,855,000	55,650	1,910,650.00	-
Grand Total	\$ 3,160,779	\$ 663,141	\$ 13,284,221	\$ 2,316,527	\$ 3,975,000	\$ 1,567,800	\$ 31,625,000	\$ 14,272,700	\$ 52,045,000	\$ 18,820,169	\$ 70,865,169	

	FY 2024 Year 1	FY 2025 Year 2	FY 2026 Year 3	FY 2027 Year 4	FY 2028 Year 5	Total Year 1- 5
Parks, Park Buildings, Pools, Waterfront, and Camps - Existing Infrastructure						
Available Funding ⁽¹⁾	\$3,815,000	\$3,815,000	\$3,815,000	\$3,815,000	\$3,815,000	\$19,075,000
Expenditures	\$3,815,000	\$3,815,000	\$3,815,000	\$3,815,000	\$3,815,000	\$19,075,000
Capital & Maint. Need ⁽²⁾	\$238,550,000					
Unfunded Liability	(\$243,889,665)	(\$249,437,577)	(\$255,201,857)	(\$261,190,945)	(\$267,413,607)	(\$267,413,607)
Parks, Park Buildings, Pools, Waterfront - New Planned Infrastructure⁽³⁾						
San Pablo Park: Community Center and Pool; King Park: 25M Competitive Pool / Locker Room; Tom Bates Sports Complex: Youth Soccer Field, Pickleball Courts and Restroom; New Restrooms in Parks over 1 Acre: James Kenney, Aquatic, Civic Center, King, and John Hinkel Parks; James Kenney Park: Skate Spot; Waterfront Bike Park; Pier/Ferry Preferred Concept with landside and waterside improvements						
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$145,130,000					
Unfunded Liability	(\$150,790,070)	(\$156,670,883)	(\$162,781,047)	(\$169,129,508)	(\$175,725,559)	(\$175,725,559)
City Buildings						
Available Funding	\$1,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$13,000,000
Expenditures	\$1,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$13,000,000
Capital & Maint. Need	\$314,500,000					
Unfunded Liability	(\$324,895,300)	(\$334,657,017)	(\$344,799,440)	(\$355,337,419)	(\$366,286,378)	(\$366,286,378)
Sidewalks & Pathways						
Available Funding	\$1,035,000	\$1,035,000	\$1,035,000	\$1,035,000	\$1,035,000	\$5,175,000
Expenditures	\$1,035,000	\$1,035,000	\$1,035,000	\$1,035,000	\$1,035,000	\$5,175,000
Capital & Maint. Need	\$60,000,000					
Unfunded Liability	(\$61,264,635)	(\$62,578,591)	(\$63,943,791)	(\$65,362,234)	(\$66,835,996)	(\$66,835,996)
Streets & Roads						
Available Funding	\$15,920,000	\$14,820,000	\$14,820,000	\$14,820,000	\$14,820,000	\$75,200,000
Expenditures	\$15,920,000	\$14,820,000	\$14,820,000	\$14,820,000	\$14,820,000	\$75,200,000
Capital & Maint. Need	\$248,750,000					
Unfunded Liability	(\$241,910,370)	(\$235,946,894)	(\$229,750,843)	(\$223,313,146)	(\$216,624,379)	(\$216,624,379)
Street Lights						
Available Funding	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,000,000
Expenditures	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,000,000
Capital & Maint. Need	\$5,250,000					
Unfunded Liability	(\$6,741,500)	(\$6,588,819)	(\$6,430,182)	(\$6,265,360)	(\$6,094,109)	(\$6,094,109)
Sewers						
Available Funding	\$20,813,315	\$24,489,500	\$21,967,500	\$20,885,000	\$20,885,000	\$109,040,315
Expenditures	\$20,813,315	\$24,489,500	\$21,967,500	\$20,885,000	\$20,885,000	\$109,040,315
Capital & Maint. Need	\$183,500,000					
Unfunded Liability	(\$169,031,466)	(\$150,179,102)	(\$133,211,855)	(\$116,707,602)	(\$99,559,684)	(\$99,559,684)
Storm Water & Green Infrastructure						
Available Funding	\$3,005,000	\$2,050,000	\$2,000,000	\$2,000,000	\$2,000,000	\$11,055,000
Expenditures	\$3,005,000	\$2,050,000	\$2,000,000	\$2,000,000	\$2,000,000	\$11,055,000
Capital & Maint. Need	\$362,000,000					
Unfunded Liability	(\$372,995,805)	(\$385,412,691)	(\$398,365,786)	(\$411,824,052)	(\$425,807,190)	(\$425,807,190)
Traffic Signals & Parking Infrastructure						
Available Funding	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,000,000
Expenditures	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,000,000
Capital & Maint. Need	\$23,500,000					
Unfunded Liability	(\$24,000,900)	(\$24,521,335)	(\$25,062,067)	(\$25,623,888)	(\$26,207,619)	(\$26,207,619)
Undergrounding Project						
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$110,750,000					
Unfunded Liability	(\$115,069,250)	(\$119,556,951)	(\$124,219,672)	(\$129,064,239)	(\$134,097,744)	(\$134,097,744)
Vets & Old City Hall						
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0

Capital & Maint. Need	\$130,000,000						
Unfunded Liability		(\$135,070,000)	(\$140,337,730)	(\$145,810,901)	(\$151,497,527)	(\$157,405,930)	(\$157,405,930)
Transfer Station							
Available Funding		\$0	\$0	\$0	\$0	\$0	\$0
Expenditures		\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$76,000,000						
Unfunded Liability		\$78,964,000	\$82,043,596	\$85,243,296	\$85,243,296	\$85,243,296	\$85,243,296
Bike & Ped Projects							
Available Funding		\$0	\$0	\$0	\$0	\$0	\$0
Expenditures		\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$129,000,000						
Unfunded Liability		(\$134,031,000)	(\$139,258,209)	(\$144,689,279)	(\$150,332,161)	(\$156,195,115)	(\$156,195,115)
Transit Projects							
Available Funding		\$0	\$0	\$0	\$0	\$0	\$0
Expenditures		\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$53,000,000						
Unfunded Liability		(\$55,067,000)	(\$57,214,613)	(\$59,445,983)	(\$61,764,376)	(\$64,173,187)	(\$64,173,187)
Fire Projects							
Available Funding		\$0	\$0	\$0	\$0	\$0	\$0
Expenditures		\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$288,000,000						
Unfunded Liability		(\$299,232,000)	(\$310,902,048)	(\$323,027,228)	(\$335,625,290)	(\$348,714,676)	(\$348,714,676)
TOTAL							
Available Funding		\$46,788,315	\$49,409,500	\$46,837,500	\$45,755,000	\$45,755,000	\$234,545,315
Expenditures		\$46,788,315	\$49,409,500	\$46,837,500	\$45,755,000	\$45,755,000	\$234,545,315
T1 Funding: \$100M Infrastructure Bond ⁽⁴⁾		\$16,978,333	\$8,093,333	\$4,105,000	\$0	\$0	\$29,176,666
Capital & Maint. Need	\$2,079,930,000						
Unfunded Liability		(\$2,094,793,723)	(\$2,118,987,845)	(\$2,150,685,871)	(\$2,188,807,620)	(\$2,228,416,117)	(\$2,228,416,117)

⁽¹⁾ Unless otherwise noted, available funding includes recurring sources of capital and major maintenance funding.

⁽²⁾ Capital & Maint. Needs are current estimates of unfunded needs. Needs are estimated to increase at a rate of 3.9% per year.

⁽³⁾ If new planned infrastructure is built, there will be approx. \$44M in savings realized in existing infrastructure cost estimates.

⁽⁴⁾ The \$100M T1 bond funding allocations started in 2017 and are planned to be exhausted in 2026.

Other ID.	Address	Sq Feet	Year Built	Last Appr.	Occupied As	Leased Owned	Total Values
MAIN LIBRARY	2090 KITTREDGE STREET (FRONT)	102,000	1931	2021	LIBRARY - HIGH END	OWNED	\$ 83,882,271
CIVIC CENTER BUILDING ANNEX	1947 CENTER STREET	112,798	1947	2021	PUBLIC WORKS ENGINEERING AND TRANSPORTATION	OWNED	\$ 80,731,494
CENTER STREET GARAGE AND COMMERCIAL SPACE	2025 CENTER STREET	248,000	2018	2021	CITY AND PUBLIC PARKING AND OFFICE	OWNED	\$ 44,950,008
MARTIN LUTHER KING JR. CIVIC CENTER	2180 MILVIA STREET	89,075	1940	2021	OFFICE BUILDING	OWNED	\$ 76,798,274
PUBLIC SAFETY BUILDING (INCLUDES PRIIMARY EOC)	2100 MARTIN LUTHER KING JR WAY	60,108	2000	2021	POLICE STATION/FIRE STATION OFFICES	OWNED	\$ 40,144,015
OLD CITY HALL	2134 MARTIN LUTHER KING JR. WAY	38,400	1908	2021	OFFICE	OWNED	\$ 29,831,879
TELEGRRAPH/CHANNING (SATHER GATE) MALL AND GARAGE	2438 DURANT AVENUE/CHAN NING AVENUE	186,890	1990	2021	PARKING GARAGE W/RETAIL	OWNED	\$ 22,081,096
FIRE DEPARTMENT WAREHOUSE	1011 FOLGER AVENUE	8,021	2011	2019	WAREHOUSE	OWNED	\$ 13,373,058
DONA SPRING ANIMAL SHELTER	1 BOLIVAR DRIVE	11,700	2013	2021	ANIMAL SHELTER	OWNED	\$ 9,875,519
LIBRARY-WEST BRANCH	1125 UNIVERSITY AVENUE	9,300	2013	2021	LIBRARY	OWNED	\$ 8,446,998
TAREA HALL PITTMAN SOUTH BRANCH	1901 RUSSELL STREET	8,700	2013	2021	LIBRARY	OWNED	\$ 7,789,776
OXFORD STREET GARAGE	2165 KITTREDGE STREET	42,128	2009	2021	PARKING/RETAIL	OWNED	\$ 6,241,391
BERKELEY REP THEATER	2025 ADDISON STREET	24,893	2000	2016	THEATRE	OWNED	\$ 6,678,445
VETERANS MEMORIAL HALL	1931 CENTER STREET	33,254	1923	2021	ASSEMBLY AND HOMELESS SHELTER	OWNED	\$ 20,390,535

Other ID.	Address	Sq Feet	Year Built	Last Appr.	Occupied As	Leased Owned	Total Values
NORTH BERKELEY SENIOR CITIZENS CENTER	1901 HEARST AVENUE	20,880	1977	2021	SENIOR CENTER	OWNED	\$ 6,661,453
JAMES KENNEY RECREATION CENTER	1718 & 1720 8TH STREET	17,724	1973	2019	RECREATION CENTER/ASSEMBLY	OWNED	\$ 6,740,269
LIBRARY-NORTH BRANCH	1170 THE ALAMEDA	9,555	1936	2019	LIBRARY	OWNED	\$ 6,571,658
LIBRARY - CLAREMONT BRANCH	2940 BENVENUE AVENUE	8,110	1924	2019	LIBRARY	OWNED	\$ 5,403,431
SOUTH BERKELEY SENIOR CENTER	2939 ELLIS STREET	17,156	1977	2019	SENIOR CENTER	OWNED	\$ 6,441,480
BERKELEY MARINA	201 UNIVERSITY AVENUE	152,571	1974	2019	BOAT DOCKS	OWNED	\$ 6,171,038
BERKELEY TUOLUMNE CAMP	31585 HARDIN FLAT RD, GROVELAND, CA	34,365	2022		DINING HALL/TENT CABINS/DESK	OWNED	\$ 13,470,651
HS LORDSHIPS	199 SEAWALL	25,000	1967	2021	RESTAURANT AND SPECIAL EVENT VENUE	OWNED	\$ 10,246,736
TOTAL							\$ 512,921,475

5 YEARS PROJECTED GENERAL FUND REVENUES

	Projected General Fund Revenue FY 2023 through FY 2027					
	FY 2023 Adopted	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Undesignated Revenues						
Secured Property Taxes	75,664,920	79,091,256	81,859,450	84,724,531	87,689,889	90,759,035
Supplemental Taxes	2,000,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Unsecured Property Taxes	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000
Property Transfer Taxes	18,000,000	18,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Property Transfer Tax - Measure P	14,073,750	14,073,750	14,073,750	14,073,750	14,073,750	14,073,750
Sales Taxes	19,016,546	19,634,807	19,391,714	20,231,914	21,146,495	22,043,410
Soda Tax	990,210	1,025,800	1,025,800	1,025,800	1,025,800	512,900
Utility Users Taxes	13,800,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Transient Occupancy Taxes(TOT)	5,000,000	7,500,000	7,725,000	7,956,750	8,195,453	8,441,316
Short-term Rentals	1,000,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Business License Taxes	19,000,000	19,000,000	19,000,000	19,380,000	19,767,600	19,767,600
Recreational Cannabis	1,400,000	1,400,000	1,400,000	1,428,000	1,456,560	1,456,560
Measure U1	4,900,000	4,900,000	4,900,000	4,998,000	5,097,960	5,097,960
Other Taxes	2,631,441	3,331,441	3,331,441	3,331,441	3,331,441	3,331,441
Vehicle In Lieu Taxes	15,926,168	16,626,651	17,208,584	17,810,884	18,434,265	19,079,464
Parking Fines - Regular Collections	4,326,450	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Parking Fines - Booting Collections	-	-	-	-	-	-
Moving Violations	132,600	132,600	132,600	135,252	137,957	137,957
Ambulance Fees	3,880,779	5,330,779	5,350,779	3,880,779	3,880,779	3,880,779
Interest Income	6,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Franchise Fees	1,613,283	1,720,056	1,720,056	1,720,056	1,720,056	1,720,056
Other Revenues	6,729,977	7,529,977	7,529,977	7,529,977	7,529,977	7,529,977
Indirect cost reimbursements	5,490,000	5,990,000	5,990,000	5,990,000	5,990,000	5,990,000
Transfers	17,096,148	17,096,148	21,023,924	4,472,621	4,562,074	4,562,074
Total Undesignated Revenues	242,188,272	256,399,265	261,679,074	248,705,755	254,056,056	258,400,279

Designated Revenues						
Prop. Transfer Taxes for capital improvements	16,462,172	16,462,172	12,962,172	13,541,415	13,541,415	14,132,244
Total Designated Revenues	16,462,172	16,462,172	12,962,172	13,541,415	13,541,415	14,132,244
TOTAL REVENUES AND TRANSFERS						
	258,650,444	272,861,437	274,641,246	262,247,170	267,597,471	272,532,523

Property Taxes

Given the continued high collection rate, and the resilience of property values in the City, as well as a large volume of recent property sales (which bring assessed values to market value), we are projecting that annual growth will be approximately 5.5% over the next several years. The persistence of strong growth of property valuations in recent years, as well as the spike in current year sales (which bring properties assessed valuations to market value), have caused staff to increase the projected growth rate from the 3.5% that we have used in prior long-term projections.

Sales Taxes

The immense effects of COVID-19 on sales tax revenue in FY 2021 were largely reversed in FY 2022, with revenue levels almost back to FY 2019 levels, and staff now project growth to level off to approximately 4% in FY 2024. There is still some potential risk that an overall slowdown in underlying economic recovery will be reflected in reduced growth in consumer spending and sales tax collections.

Business License Taxes

We are projecting a 5% growth in Business License Tax revenue from heavily impacted FY 2021 levels, as economic activity recovers from the recession caused by the pandemic. Long-term projections will be adjusted as the post-pandemic economic environment becomes clearer. 2023 business license returns (for 2022 gross receipts) are just now being received, so we will know more about how revenues are trending once they are processed over the next month or so.

Transient Occupancy Tax

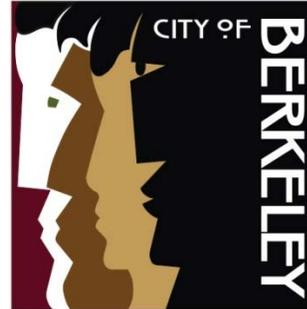
With recovery of business at the City's hotels expected to lag behind general economic recovery, and relying on industry guidance regarding predicted occupancy levels, we are currently projecting only 3% annual growth from current revenue levels. Even after taking into consideration the new downtown hotel, we will continue to monitor the major hotels' projections of future occupancies and will adjust long-term projections as necessary.

Utility Users Tax

We expect UUT revenue to rise marginally from FY 2022 through FY 2024, after increasing slightly in the current year due to rate increases approved by the Public Utilities Commission. Revenues are expected to remain flat after FY 2024 and beyond after all the rate increases have been actualized.

Transfer Tax

Given the continued strength in property values and in sales activity, we expect Transfer Tax revenues to remain basically flat from FY 2024 – FY 2027. The spike in revenue being seen in FY 2022, and to a lesser extent in FY 2023, is likely due to sales triggered by looming interest rate increases that have been signaled by the Federal Reserve, as well as some pent- up demand from mildly depressed sales during the pandemic. Over the 5 years prior to the pandemic, transfer tax revenues grew 6% per year on average, but interest rate increases will probably negatively impact sales prices and volumes somewhat in the next few years. We also expect revenues from Measure P supplemental tax on high value property transfers to remain basically flat.



CITY OF BERKELEY



Pension and OPEB Funding Study

Mary Elizabeth Redding, FSA, EA, MAAA

Bianca Lin, FSA, EA, MAAA

Katherine Moore, ASA, MAAA

Wai Man Yam

Foster & Foster, Inc.

February 23, 2023

Agenda

- OPEB
- OPEB Funding Recommendation
- CalPERS
- CalPERS Funding Recommendation
- Summary



OPEB



Definitions

- OPEB: Other (than pension) Post Employment Benefits: Medical benefits paid to retirees
 - No legal requirement to provide OPEB
 - Depends on bargaining agreements
 - Unlike pensions, could be eliminated for future hires
 - Depending on bargaining agreements, could be changed for current employees/retirees



Definitions

- Normal Cost (NC): value of benefits earned by employees in the coming year
- Actuarial Accrued Liability (AAL): value of benefits earned to date
- Unfunded Actuarial Accrued Liability (UAL):
AAL minus Assets
- Discount Rate (DR): Rate used to calculate present value of future benefits.
 - Based on expected rate of return on invested assets.
 - Higher rate => lower present value



Definitions

- Actuarially Determined Contribution (ADC): Full Prefunding:
 - Normal Cost plus
 - Amortization (payment over time) of UAAL

- Why is there a UAAL?
 - OPEB was not fully funded in the past
 - Cost of benefits being earned every year should have been paid since plan inception
 - Cost of benefits being earned is currently \$8 million/year
 - Things did not always happen as expected



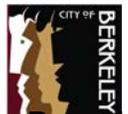
OPEB Funding Study Assumptions

- Projection assumptions for study
 - Current investment policy: 3%/year future returns
 - Full prefunding = normal cost + 20 year amortization of unfunded actuarial accrued liability
 - No change in number of active employees
- Note: Investing funds for the long term should provide higher returns, on average, and reduce needed City contributions.



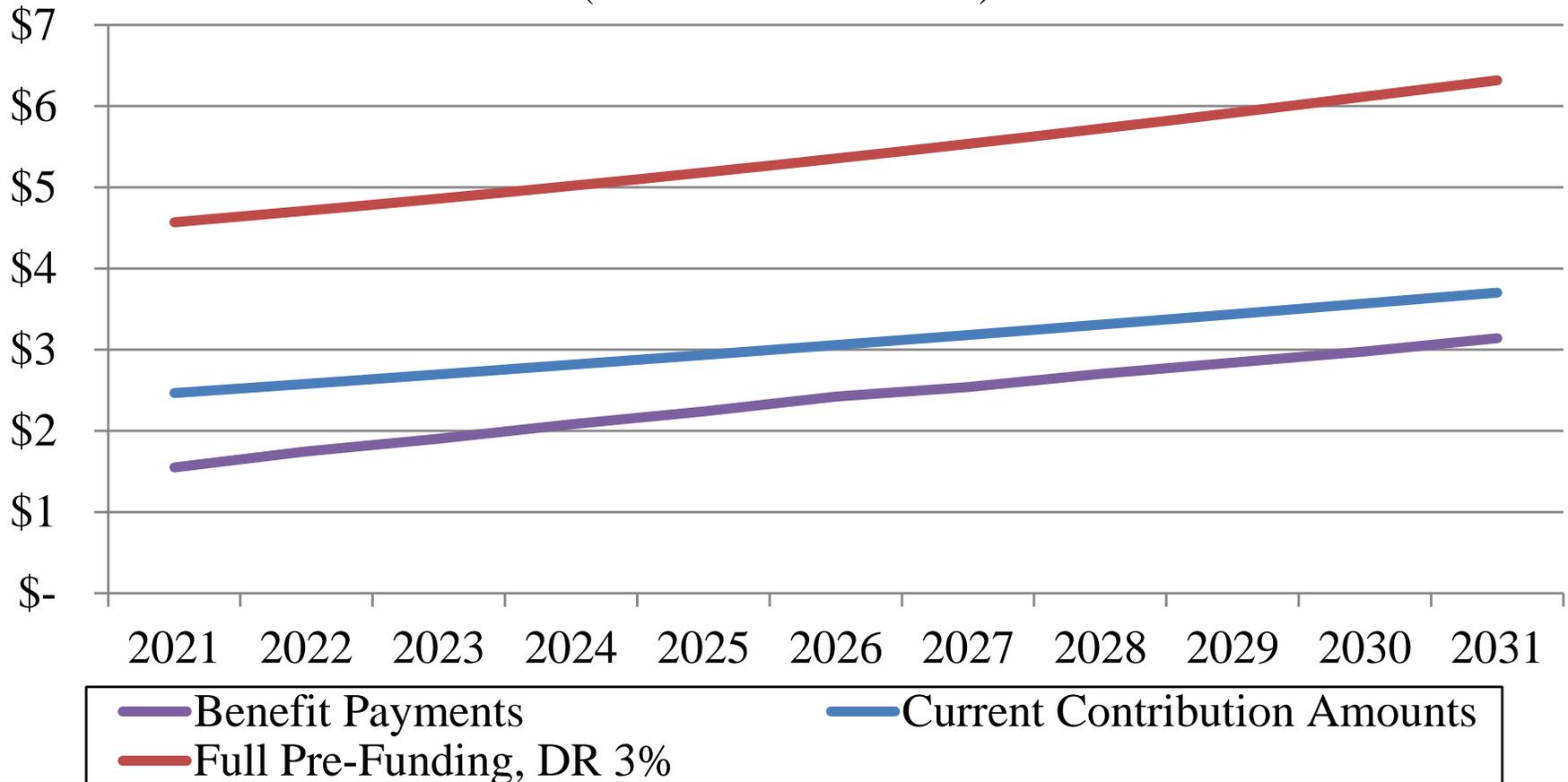
OPEB Benefit Summary

	Miscellaneous	Fire	PERIP	Police
Benefit	Up to cap	Up to cap	Kaiser 2-party premium amount	Up to cap
Cap depends on	Retirement date, Bargaining Unit, Coverage	Retirees after 1997 only	Retirement before September 2012	Retirement after September 2012
100% of Cap	20 years	25 years	N/A	20 years
Cap Increases	Kaiser premium increases, up to 4.5%/Year	4.5% per year	No limit	Kaiser premium increases, up to 6%/Year
Current Trust Contributions	% of payroll; in MOUs	About 1/3 of recommended contribution	Retiree premium amount	About 8% of recommended contribution



OPEB - Miscellaneous

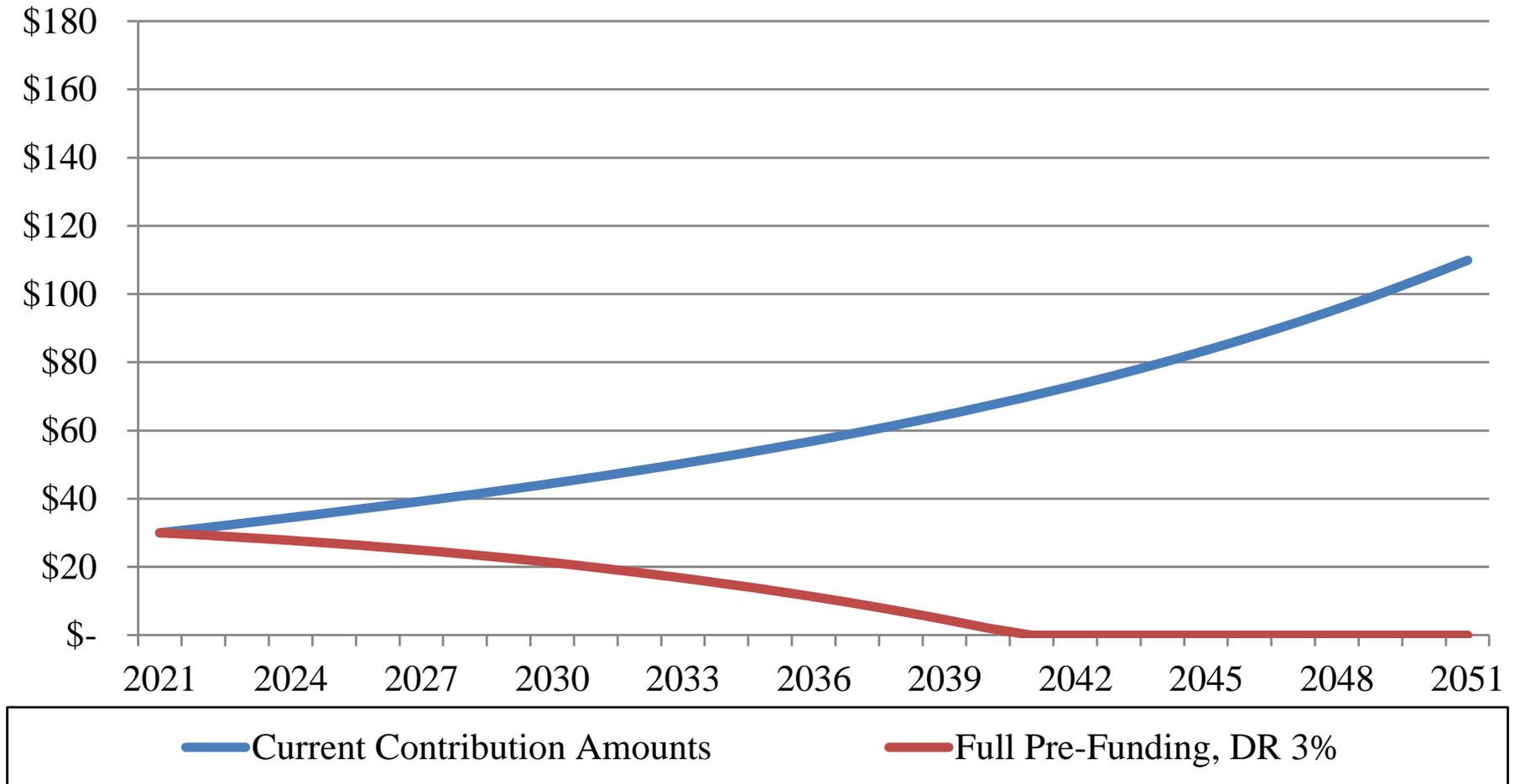
Contribution (Amounts in millions)



OPEB - Miscellaneous

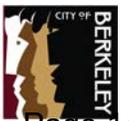
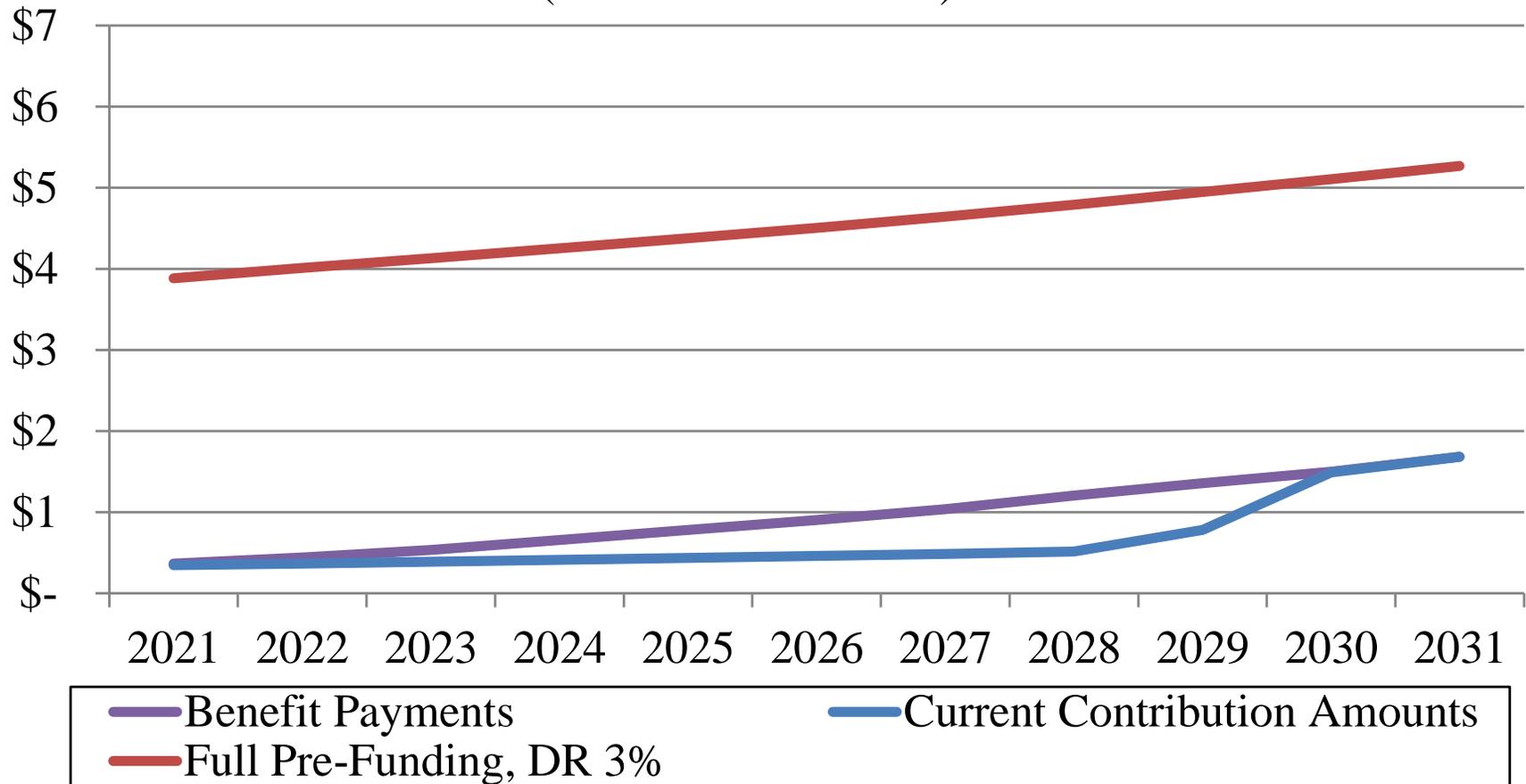
Unfunded Actuarial Accrued Liability

(Amounts in millions)



OPEB – Police

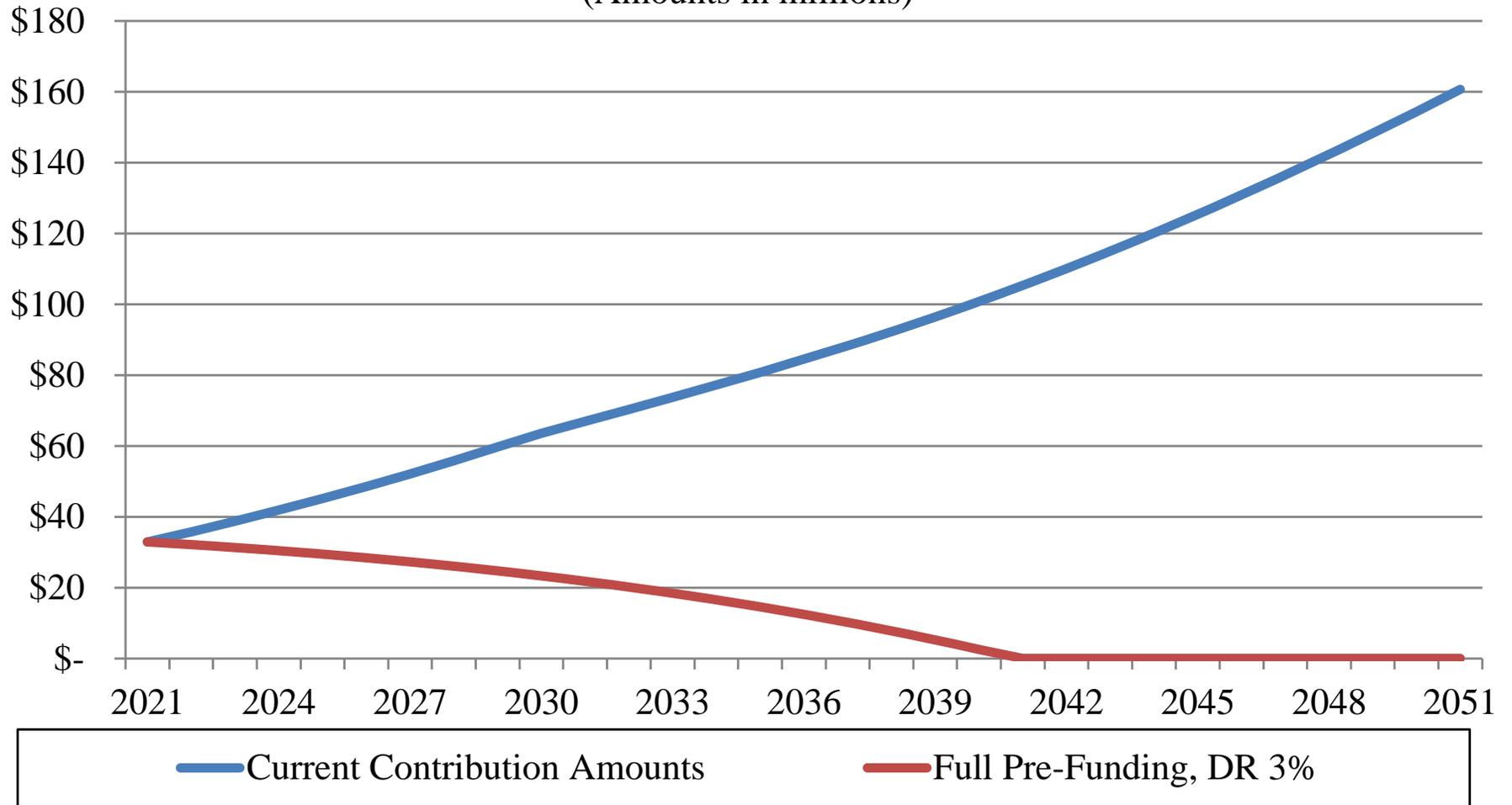
Contribution (Amounts in millions)



OPEB – Police

Unfunded Actuarial Accrued Liability

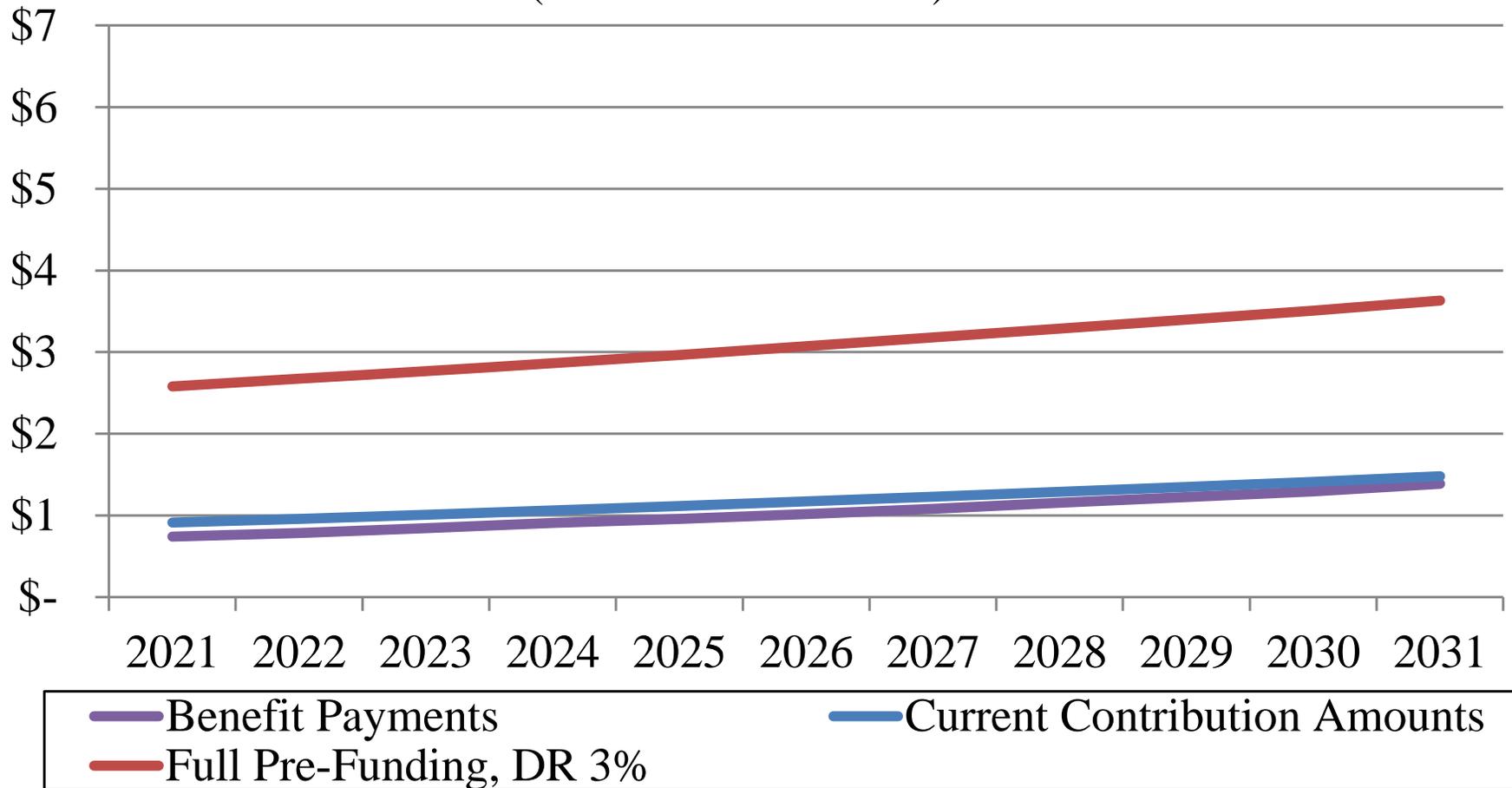
(Amounts in millions)



OPEB – Fire

Contribution

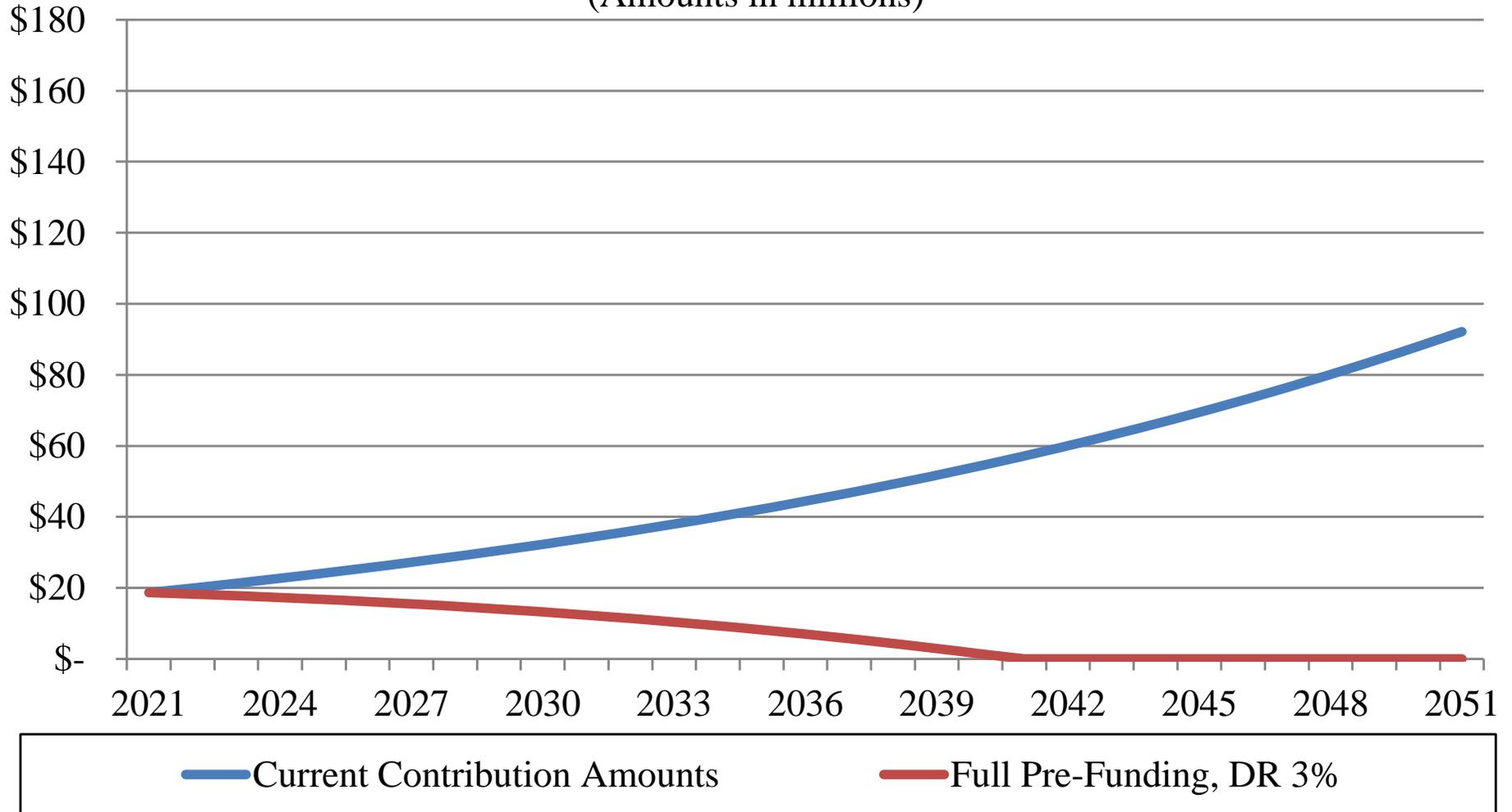
(Amounts in millions)



OPEB - Fire

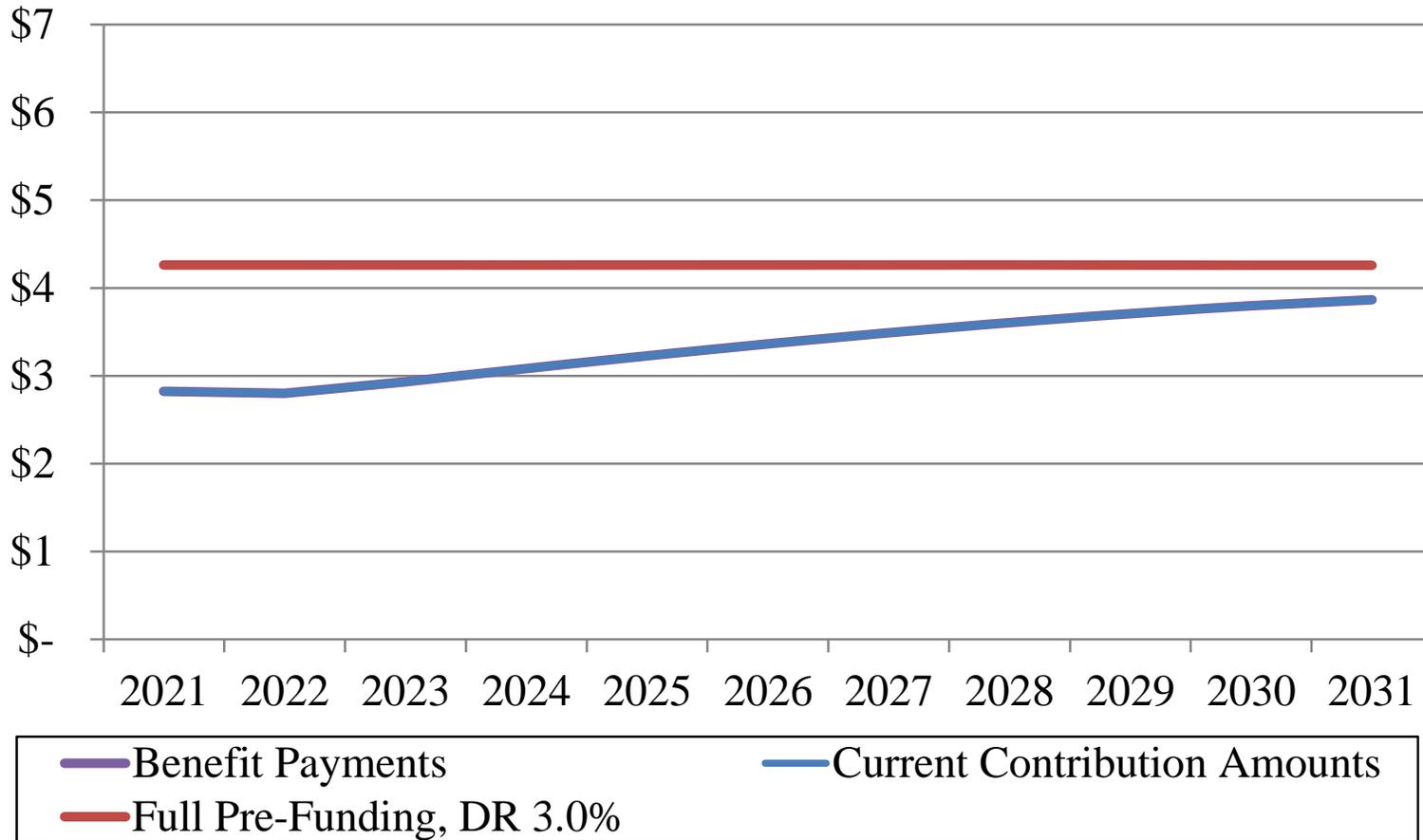
Unfunded Actuarial Accrued Liability

(Amounts in millions)



Police Retirement Income Plan (PERIP)

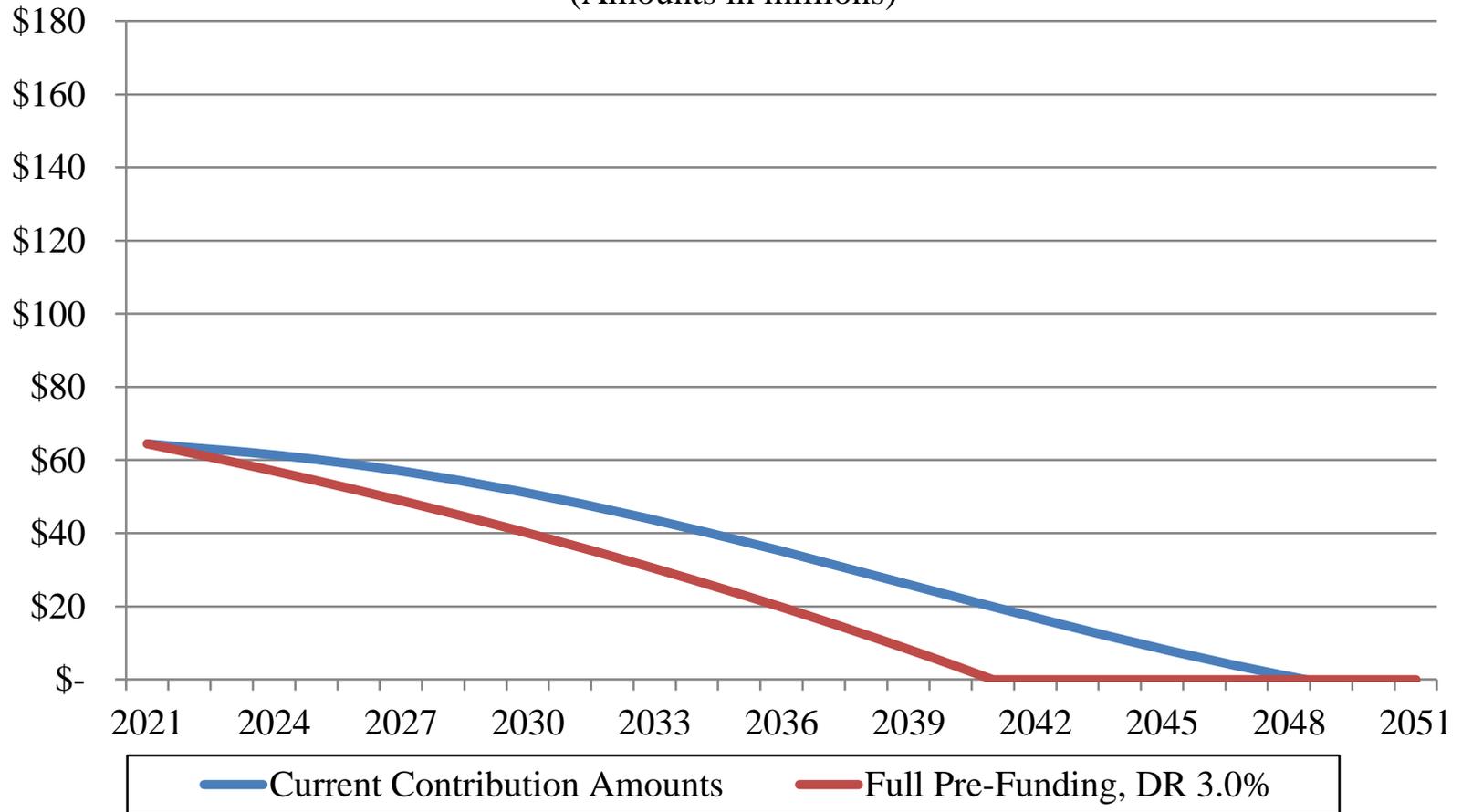
Contribution (Amounts in millions)



Police Retirement Income Plan (PERIP)

Unfunded Actuarial Accrued Liability

(Amounts in millions)



Total of All OPEB Plans

Summary of Recommendation

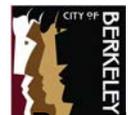
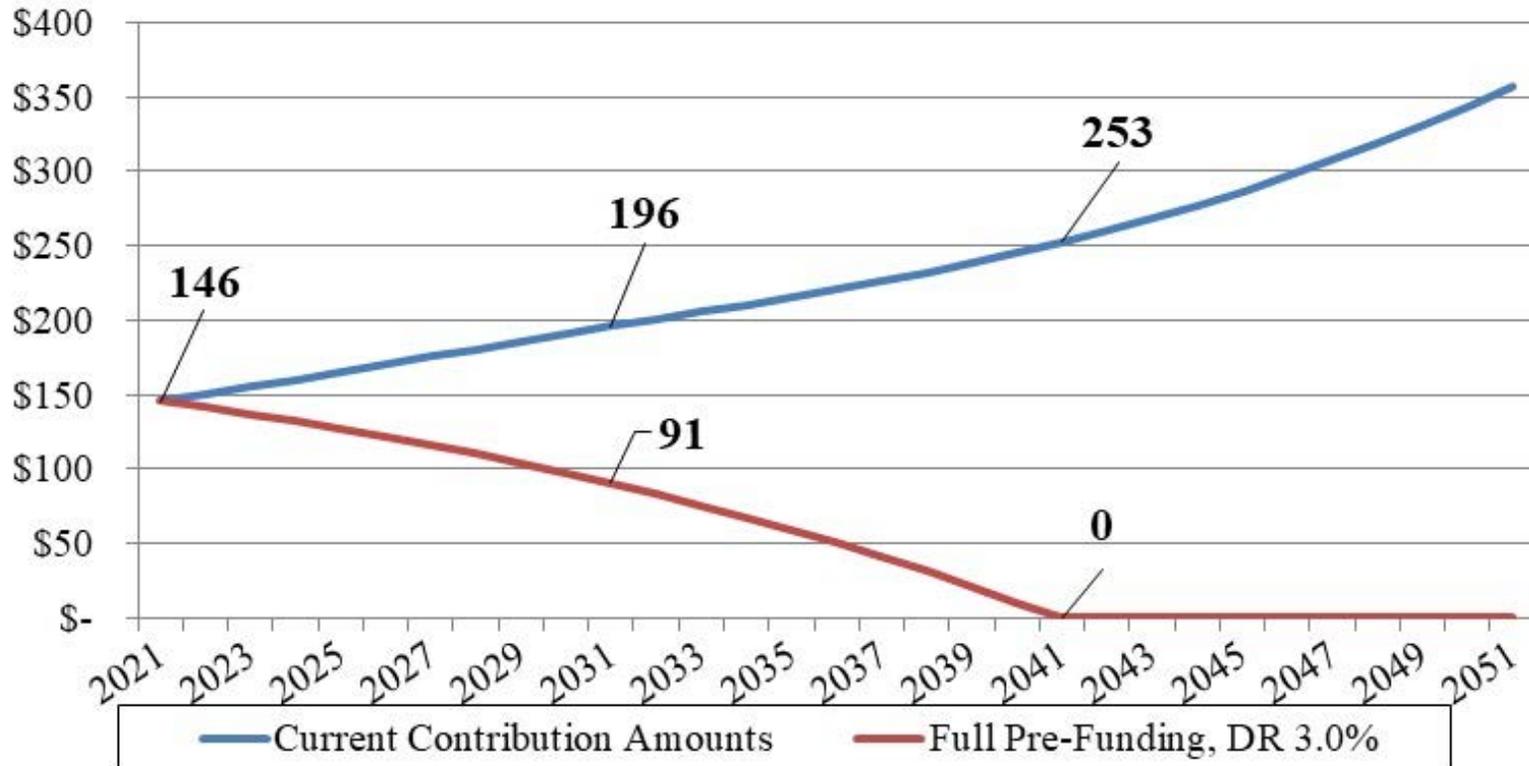
(\$ Millions)

Plan	Current Contribution Amounts	Increase	Full Pre-Funding ADC (DR 3%)
Miscellaneous	\$2.5	\$2.1	\$4.6
Fire	0.9	1.7	2.6
PERIP	<u>2.8</u>	<u>1.4</u>	<u>4.3</u>
Police	0.3	3.5	3.9
Total	\$6.5	\$8.8	\$15.3

Recommended contributions are based on 3% expected annual return on trust funds. Higher expected returns would lower needed funding.

Total of All OPEB Plans

Unfunded Actuarial Accrued Liability Combined Plans (Amounts in \$ millions)

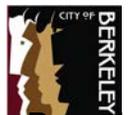


CalPERS Pensions

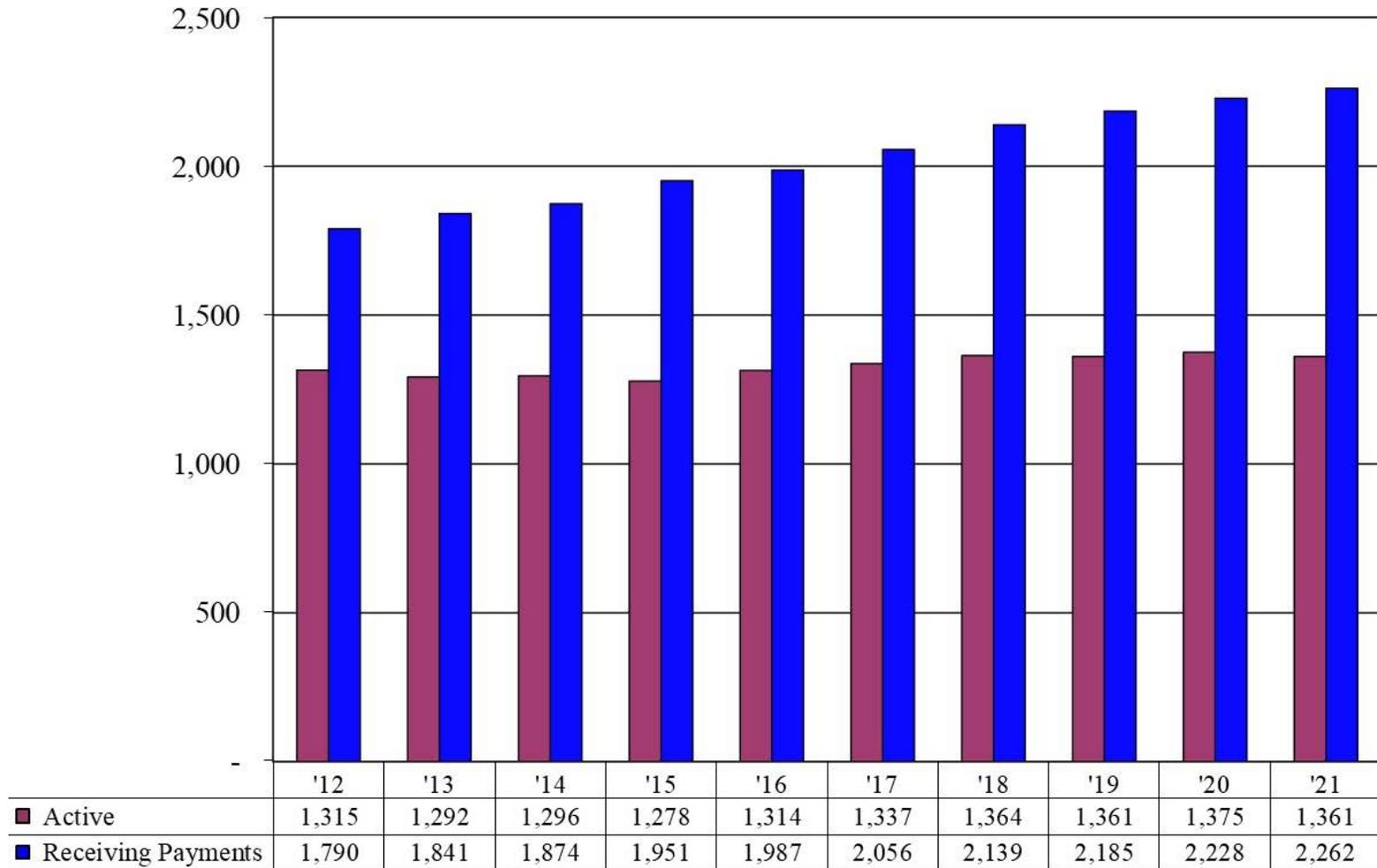


How Did We Get A Large CalPERS Unfunded Liability?

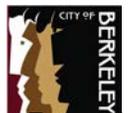
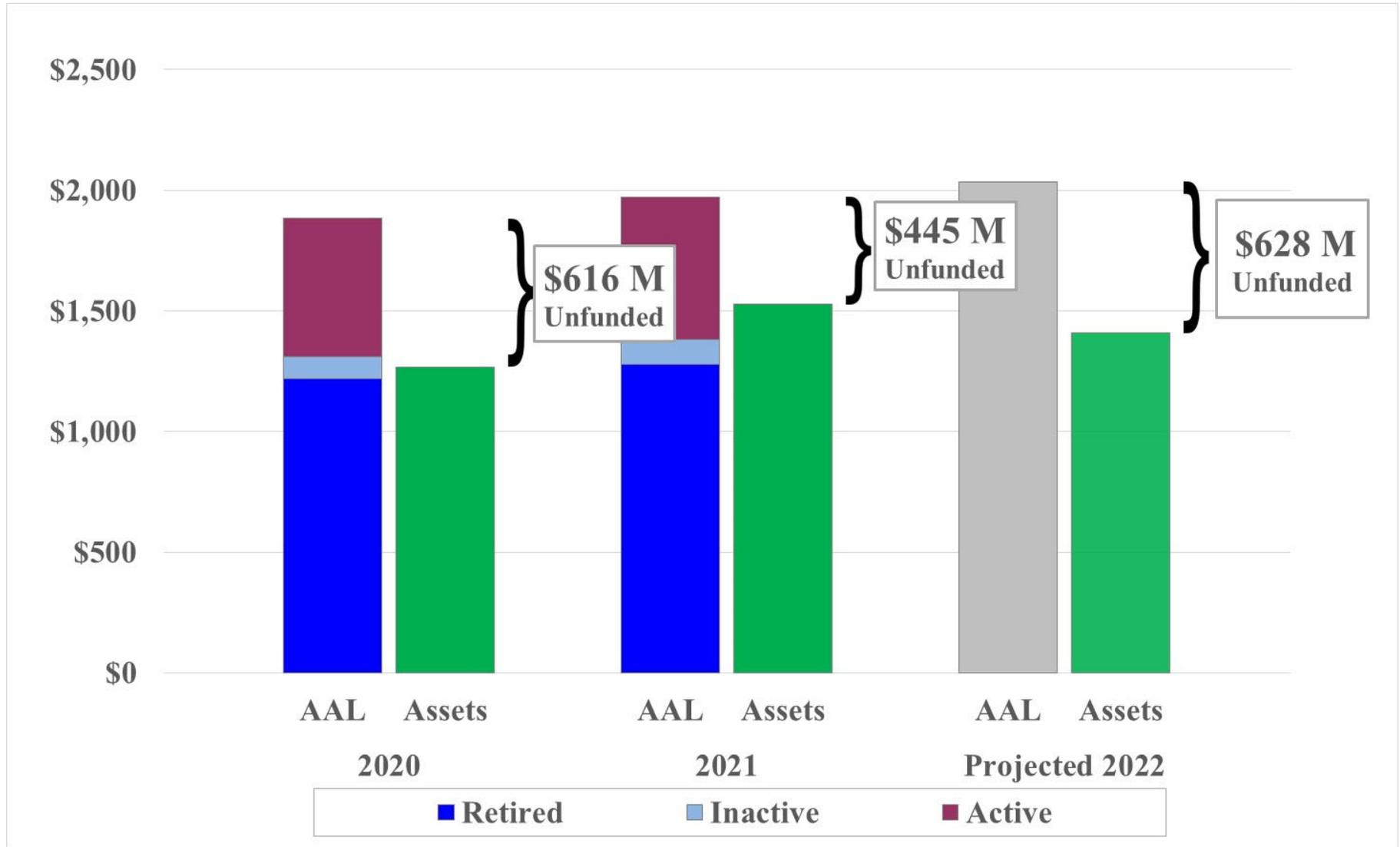
- Combination of many factors
 - Large investment losses in some years combined with “smoothing” policy delayed funding improvement.
- Enhanced benefits
- Demographics - growing number of retirees
- Updated & strengthened actuarial assumptions
- PEPRRA (hires after 1/1/2013) beginning to help contributions
- The City has always paid the required CalPERS contributions



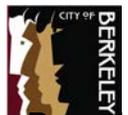
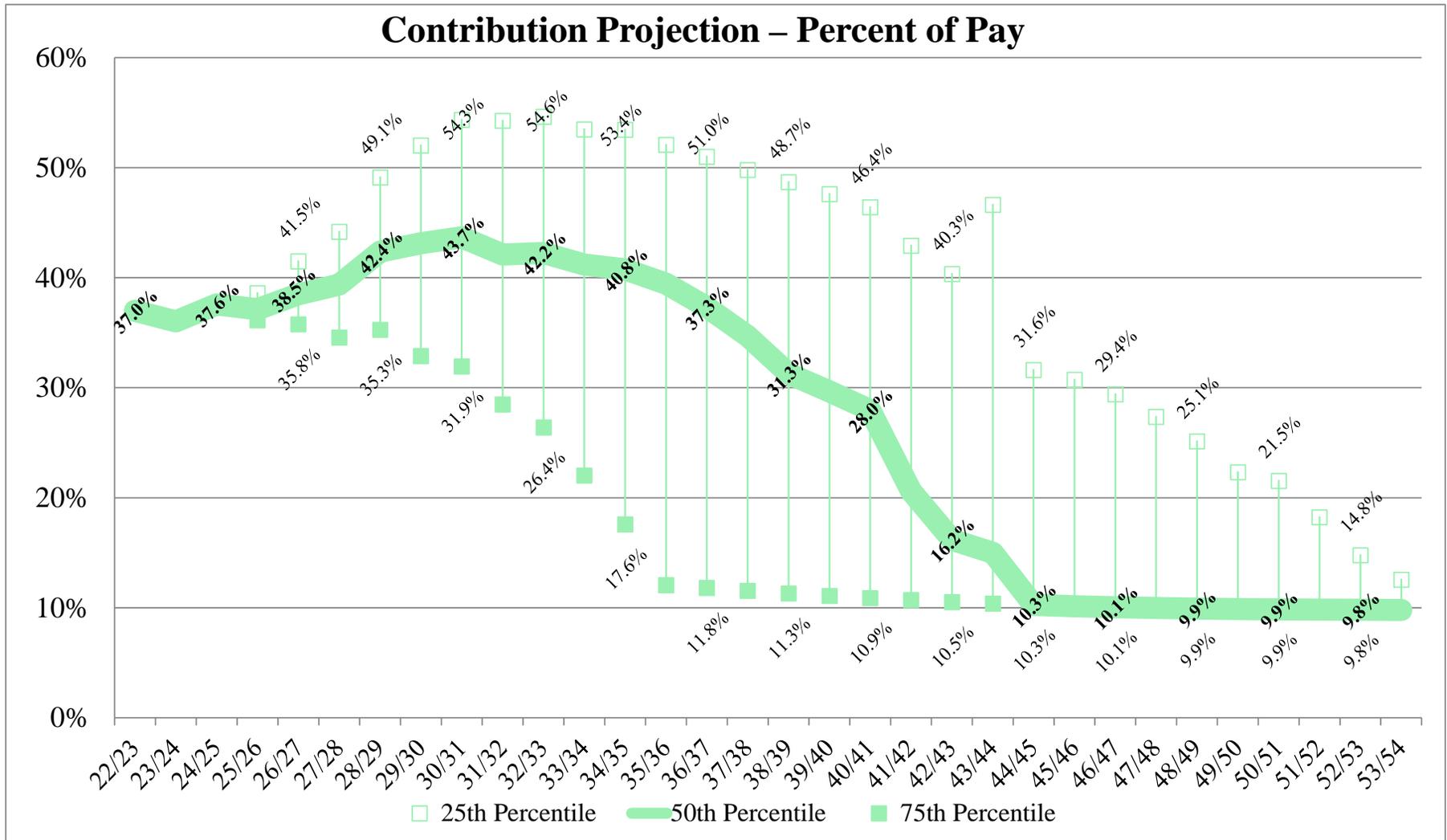
Number of Pension Members



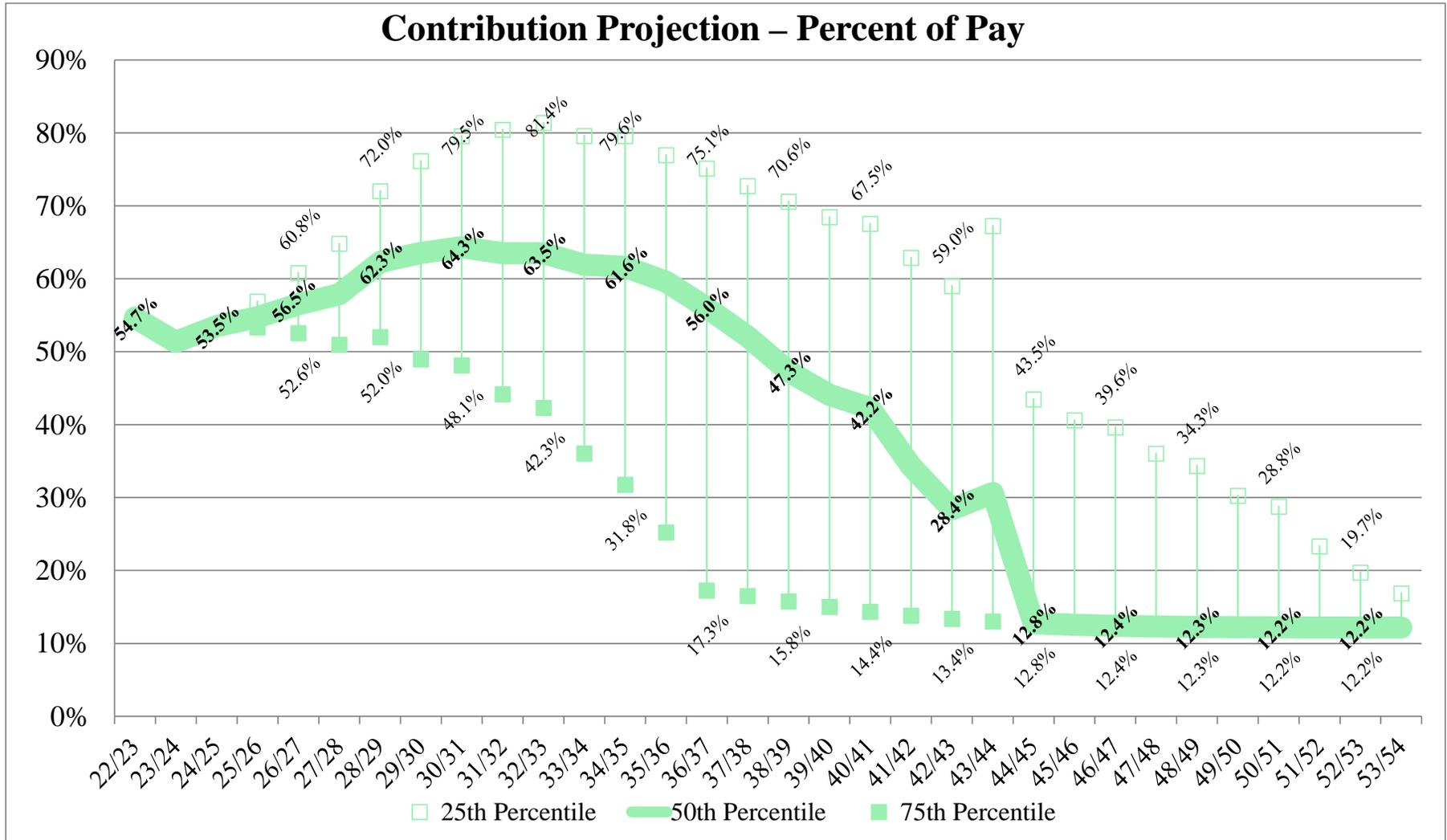
Pension Funded Status (Combined)



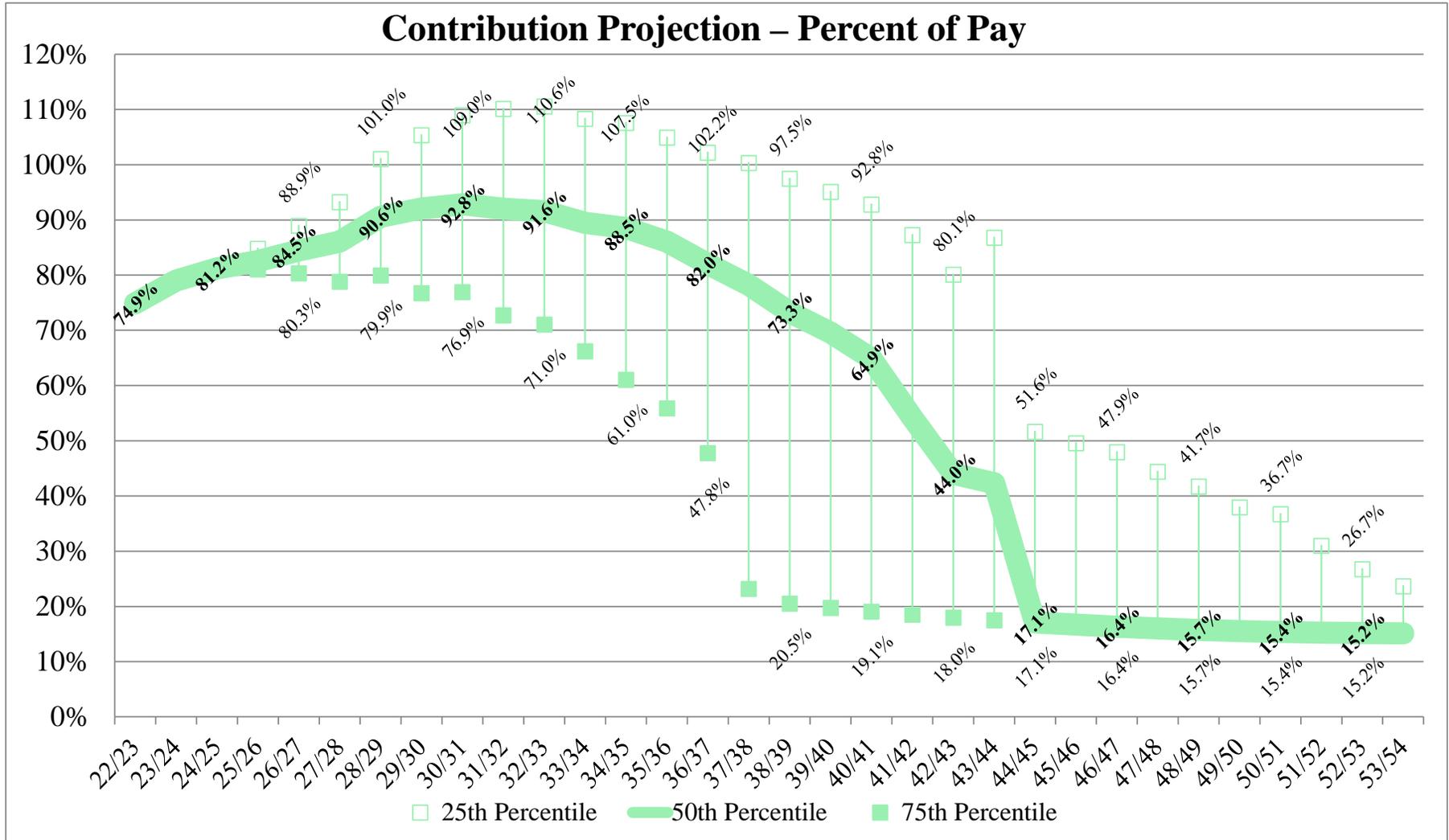
Miscellaneous-CalPERS Rates (% Payroll)



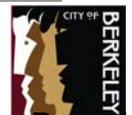
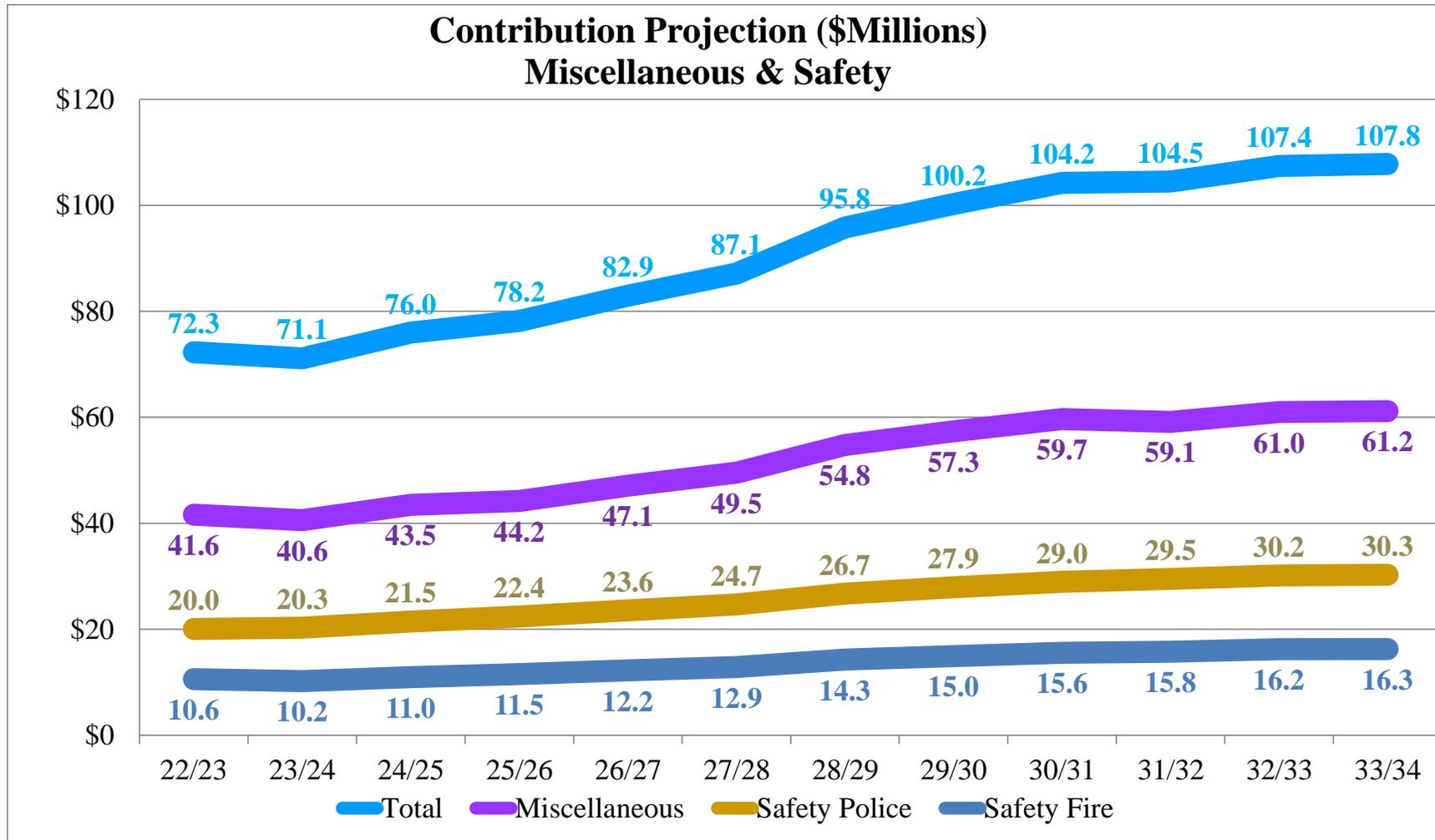
Fire-CalPERS Rates (\$millions)



Police-CalPERS Rates (% Payroll)



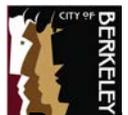
Total Projected CalPERS Contributions (\$Millions)



CalPERS Funding

Reduce/Eliminate Unfunded Liability

- The City is already paying the full actuarially determined contribution for its CalPERS plans
- The City's funded status is similar to other CalPERS public agencies
- Most ideas to pay down the unfunded liability ahead of schedule are not recommended
 - Pension Obligation Bond (POB) is interest arbitrage
 - Success not guaranteed
- Unlike OPEB, City cannot leave CalPERS
 - New hires must be in CalPERS
 - Current employees must retain current benefits
 - \$2.1 Billion payment needed to leave CalPERS



Irrevocable Supplemental (§115) Trust

- Can only be used to:
 - Reimburse City for CalPERS contributions
 - Make payments directly to CalPERS
- Investments significantly less restricted than City investment funds
- City's §115 Trust
 - Established in FY2018
 - Contributions up to \$5.2 Million per year
 - Current target contribution \$5.5 Million per year
 - Balance 6/30/2022 \$14.8 Million



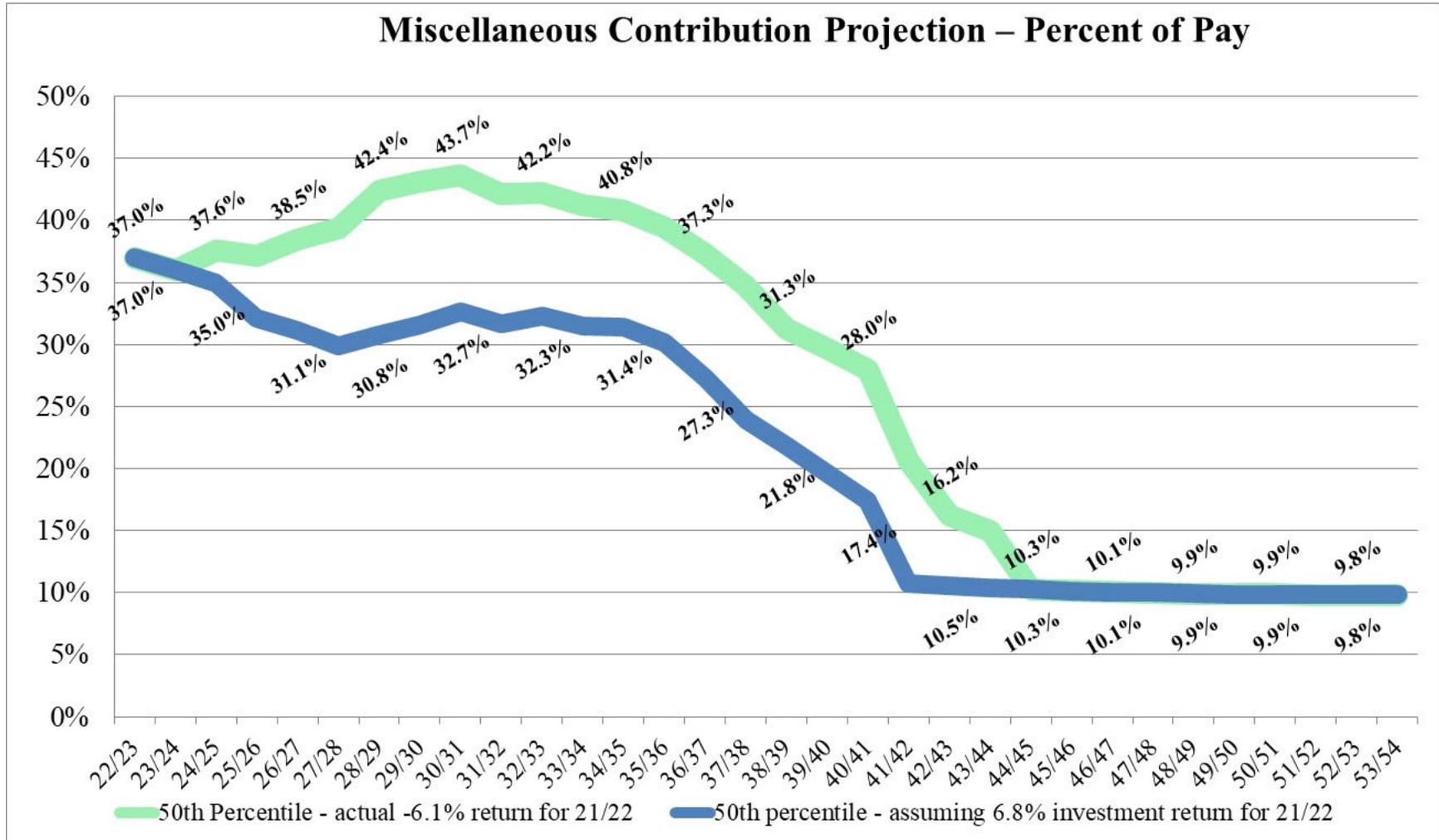
Irrevocable Supplemental (§115) Trust

- Best use: Rate Stabilization
 - Add to Trust when possible
 - Use Trust funds to help pay CalPERS contributions in highest years or if unexpected increases
- Accumulate funds to eventually pay down UAL
- Target:
 - Consider City's reserve policy?
 - Consider potential variability of projected contributions?
 - In 10 years, 50% chance of contributions \$25M larger or smaller than projected
 - Consider potential contribution impact of large investment loss?



Example: Impact of 1 Year Poor Returns

Difference in Contributions Due to Poor 2022 Investment Return



Example: Impact of 1 Year Poor Returns

**Difference in Contributions Due to Poor 2022 Investment Return
(Total City Plans)
(\$Millions)**

Payment Year	Increase Each Year	Cumulative Increase
● 2024/25	\$4.9	\$4.9
● 2025/26	9.7	14.6
● 2026/27	14.5	29.2
● 2027/28	19.3	48.5
● 2028/29	24.1	72.6



CalPERS Funding Recommendation

- Prioritize OPEB
- Continue funding CalPERS §115 Trust as possible
 - Current \$5.5M/year target is ideal
 - Recommend trust balance of \$25M to \$50M
 - Higher balance could be used to pay down UAL



Summary



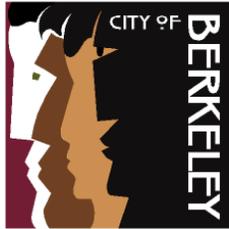
Summary of Recommendations

- OPEB Funding (Misc, Police, Fire, “PERIP”)
 - Full pre-funding; will increase annual contribution
 - Total \$8.8 million additional per year
- CalPERS
 - Continue targeting \$5.5 million per year



Thank You





Office of the City Manager

ACTION CALENDAR
June 25, 2024

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Henry Oyekanmi, Director, Finance
Subject: Accept the Risk Analysis for Long-Term Debt (Bonding Capacity) Report provided by Government Finance Officers Association

RECOMMENDATION

Accept the report titled 'Risk-Based Analysis and Stress Test of Long-Term Debt Affordability' as provided by the Government Finance Officers Association (GFOA). This report is based on their research and development of a risk-modeling tool to address issuing long-term debt related to City of Berkeley Vision 2050.

POLICY COMMITTEE RECOMMENDATION

No final action was taken by the Budget & Finance Committee. Item is automatically returning to the Council agenda pursuant to the time limit for items referred to policy committees.

FISCAL IMPACTS OF RECOMMENDATION

There are no fiscal impacts of accepting the report

CURRENT SITUATION AND ITS EFFECTS

The Risk-Based Analysis and Stress Test of Long-Term Debt Affordability (Bonding Capacity) report is a Strategic Plan Priority Project, advancing our goal to:

- Provide an efficient and financially-healthy City government

The City engaged GFOA to conduct this analysis of the City's bonding capacity through their risk-modeling approach. This analysis will support the City's later development of a thirty-year borrowing plan, which will enable the City to replace its aging infrastructure assets, maintain its General Obligation Bond rating at AA+ at S & P Global and Aa1 at Moody's, and keep the bond property tax rate at an affordable level (which was .0540% at June 30, 2020). The GFOA's risk model and report look at a comprehensive financial analysis with particular focus on options to maintain the City's debt affordability within the framework of the City's huge unfunded pensions and other post-employment benefits (OPEB) and overall City operations.

The study and report are intended to help develop recommendations for a combination of infrastructure-focused revenue measures slated for November 2022 and beyond.

The context provided for GFOA to build the risk model and draft the subsequent report was framed through initially providing these items to GFOA:

1. Vision 2050
2. Unfunded Liabilities Report
3. Capital Improvement Plan in the most recent biennial budget and five-year planning horizon
4. Annual Comprehensive Financial Reports (ACFR)
5. GO Bonds, Revenue Bonds, and Certificates of Participation Debt Repayment Schedules
6. Current Bond Authority and Outstanding Amounts (GO Bonds for the past 20 years as of 7/12/21)
7. City's Debt Policy
8. S and P Global Ratings Letter Re: GO Bonds
9. S and P Global Ratings Letter Re: Lease Revenue Bonds
10. Analysis of City's Debt and Contingent Liability Profile
11. GO Rating Report – April 2021
12. GO Rating Report – February 2020

The GFOA report details these and additional factors that GFOA researched and incorporated into their construction of the risk model and their drafting of the final report.

BACKGROUND

The City has an extensive portfolio of capital assets and infrastructure, including 95 public buildings; 254 miles of public sanitary sewer mains and 130 miles of public sewer laterals; 52 parks, two pools; three camps; and 42 different facilities served by the City's IT systems. Maintaining these assets is costly and requires significant resources and constant attention. As an older city, 50% of Berkeley's \$837 million of capital assets have exceeded their useful life.

The City's FY 2021 Capital Plan called for spending of \$57 million/year on capital and maintenance needs. Even at this increased level of funding, Berkeley's infrastructure will deteriorate faster than it is being repaired and replaced, and construction cost escalation at four (4) percent/year will significantly increase replacement costs.

To modernize these old physical structures with resilient, durable, and climate-smart infrastructure will require substantial new investments. To adequately address the \$882 million in unfunded infrastructure liabilities, the City needs to double its annual capital spending over the next decade to \$80 million/year. Capital expenditures are typically funded through a combination of debt financing (pay-as-you-use) and cash (pay-as-you-go). Paying in cash avoids the cost of interest, but requires the City to accumulate sufficient cash to fund the project, while construction costs escalate. Using debt to finance

capital projects incurs interest expense but allows the project to start earlier, thereby avoiding escalation costs.

The City has an infrastructure system that has allowed it to thrive for over 100 years. Now, the City wants to incorporate new technologies and be able to adapt to meet environmental trends so that the infrastructure systems can continue to support the City for another 100 years. The risk analysis report shows the potential impact of multiple factors on the City's capacity to issue debt during the next thirty years.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable effects or opportunities associates with this item.

RATIONALE FOR RECOMMENDATION

The City administered Request for Proposals #21-11459-C for consulting services to determine the City's bonding capacity. The RFP was published twice with neither publication generating responses from the market. In the course of staff researching why no responses were received, staff met with GFOA. GFOA provided their relatively new risk-modeling approach to the bonding capacity topic. Thus, it was determined, since a traditional RFP was not generating market response, that it would be advantageous to contract with GFOA for their services to research and develop the risk-model for City of Berkeley to evaluate its capacity for issuance of long-term debt.

ALTERNATIVE ACTIONS CONSIDERED

Not conducting the study

CONTACT PERSON

Henry Oyekanmi, Director, Finance, 981-7326

Attachments:

1: Report: Risk-Based Analysis and Stress Test of Long-Term Debt Affordability (from GFOA, 2022)

Risk Analysis for Long-Term Debt (Bonding Capacity) Report

Budget and Finance Policy Committee
14 September 2023

- Council received report on 4/26/22: “Risk-Based Analysis and Stress Test of Long-Term Debt Affordability”
- Report produced by GFOA based on research and development of a risk-modeling tool to address issuing long-term debt related to City of Berkeley Vision 2050
- Report referred to Budget and Finance Policy Committee

STATUS UPDATE

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Recommended Item	Status
Consideration of reserves policies for operational funds other than the General Fund	Ongoing. CMO working with GFOA on a risk-based probability model to assess General Fund reserves. The outcome of this model will be used to help establish reserve policies for other citywide funds. Draft policies will be presented to the Budget and Finance Policy Committee and then Council for adoption once completed.
Potential reduction of the maximum indebtedness rate from 15% of assessed property value down to 4-8% range	Completed. Council adoption of revisions to Debt Management and Disclosure Policy on 6/27/23 changed debt capacity from 15% to 6%. Revised language: "The City is subject to debt capacity limit for its general obligation bonds: 6% of assessed value".

STATUS UPDATE

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Recommended Item	Status
A new policy to not incur indebtedness when interest rates go above 5% or a different specific threshold	Ongoing. This scope is under review, especially with the current interest rate of the Federal Reserve Board and markets.
Tools for increased transparency for taxpayers	Ongoing. CMO researching cloud-based budgeting software and other tools to increase transparency.
Updated report and discussion of pension and healthcare costs	Completed. Council received Unfunded Liability Obligations and Unfunded Infrastructure Needs report; held a special meeting on 5/23/23 on pension and retiree healthcare costs.
Refer the full Report to the Budget & Finance Committee for consideration	Discussion of item on 9/14/23.



Office of the City Manager

Date: April 25, 2023
To: Budget & Finance Policy Committee
From: Dee Williams-Ridley, City Manager
Submitted by: Sharon Friedrichsen, Budget Manager
Henry Oyekanmi, Finance Director
Subject: Risk Analysis for Long-Term Debt (Bonding Capacity) Report

RECOMMENDATION

Receive a status update on recommendations and analysis related to the Risk Analysis for Long-Term Debt (Bonding Capacity) Report and provide direction to staff.

BACKGROUND

On April 26, 2022, the City Council considered accepting a report titled 'Risk-Based Analysis and Stress Test of Long-Term Debt Affordability' as provided by the Government Finance Officers Association (GFOA). Upon receiving the report, City Council referred this item to the City Manager and Budget & Finance Policy Committee to return to Council with recommendations or analysis on as many of the following items as possible by October 2022, if feasible. The purpose of this action item is to receive an update on the status of these items.

1. Consideration of reserves policies for operational funds other than the General Fund

Status: The City Manager's Office is working with the GFOA on a risk-based probability model to assess the appropriate level of General Fund reserves. The outcome of this model will be used to help establish reserve policies for other citywide funds. An internal working group comprised of the City Manager's Office, Finance, Planning, PRW and Public Works has been formed to develop reserve policies for enterprise funds. The draft policies will be presented to the Budget and Finance Policy Committee and then Council for adoption once completed.

2. Potential reduction of the maximum indebtedness rate from 15% of assessed property value down to 4-8% range

Status: The analysis is currently being conducted and completion is targeted for the June 27, 2023 Council date in conjunction with the statutory Annual GAAN Limit and Investment policy changes.

3. A new policy to not incur indebtedness when interest rates go above 5% or a different specific threshold

Status: This scope is also being reviewed especially with the current interest rate regime of the Federal Reserve Board and the markets. The target of completion is June 27, 2023.

4. Tools for increased transparency for taxpayers

Status: The City Manager's Office has begun research on cloud-based budget and performance management software systems that would allow a more interactive interface and transparency regarding the City's budget. However, additional time is needed to continue to explore these systems as well as other tools for increased transparency.

5. Updated report and discussion of pension and healthcare costs

Status: The Unfunded Liability Obligations and Unfunded Infrastructure Needs report, which includes a discussion on pension and other-post employment benefits, including retiree healthcare costs, was placed on the April 11, 2023 Council agenda. The item is being rescheduled for a future meeting date.

6. Refer the full Report to the Budget & Finance Committee for consideration

Status: The report has been submitted to the Committee for consideration.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects or opportunities associated with receiving an update on the bonding capacity report.

CONTACT PERSON

Sharon Friedrichsen, Budget Manager, City Manager's Office, 981-7000
Henry Oyekanmi, Finance Director, 981-7200

A Risk-Based Analysis and Stress Test of Long-Term Debt Affordability for the City of Berkeley, California

April 2022

Produced by:

The Government Finance Officers Association



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Section 1 – Introduction

Long-term debt is an important tool for municipal governments to invest in long-term assets that serve their community. The City of Berkeley, California (City) is considering seeking authorization from its voters on a large amount of long-term debt, perhaps up to \$600 million, to support the City of Berkeley’s infrastructure needs included in its Vision 2050 plan. The debt would be used to fund assets like streets, public buildings, and more. This would be the largest amount of debt the City has sought to authorize in at least the last 20 years.¹ Therefore, the City has, prudently, decided to analyze the long-term affordability of this debt and has engaged the Government Finance Officers Association (GFOA) to perform this analysis.

GFOA is a non-profit association of more than 21,000 state and local government finance professionals and elected officials from across the United States and Canada. A key part of GFOA’s mission is to promote best practices in public finance, including analyzing important financial risks like the affordability of long-term debt. GFOA’s approach to risk analysis is distinctive because we use the same basic methods used by insurance companies and climate scientists to evaluate risk. We use computer simulation to build hundreds, if not thousands, of scenarios of how the City’s financial situation could play out over 30 years. Each scenario changes important variables that influence how affordable the City’s debt might be. For example, each scenario features a different interest rate environment. The variation in these variables is governed by parameters we set, where the parameters keep the variation within the realm of possibility. To continue our interest rate example, we gathered data on the rate of change in bond interest rates since 1970. This information was used to create the parameters for the interest rate environments generated for each scenario. We then see how often the City’s debt remains affordable over those thousands of scenarios. If the debt is shown to be affordable under a high proportion of those scenarios, then that suggests there is a good chance that the debt will ultimately be affordable in the real world. Conversely, if the debt is not affordable under a high portion of the scenarios that suggests the debt is unlikely to be affordable in the real world. This computer simulation is built in Microsoft Excel using open standards for the data.² We’ll refer to this computer simulation as the GFOA “Risk Model”. The Risk Model is completely available to the City to use as it sees fit, including the ability to adjust many of the assumptions utilized for the simulations.

The rest of this report is divided into the following sections:

- **Defining What is “Affordable” Debt.** This section describes our rationale for using a typical bond ratings analysis as the basis for determining what is “affordable” for the City government.
- **Key Financial Indicators and Assumptions.** This section examines the key indicators of debt affordability that are taken into consideration by bond ratings companies and our method of approximating how the indicators suggest debt affordability in our simulation of the City government’s future.

¹ History of the City’s bond issuances compiled with the help of the City Clerk.

² Visit probabilitymanagement.org for more information on the standards we use.

- **Results of the Analysis and Recommendations.** In this section, we will address the findings from our analysis, including recommendations to help the City retain its credit rating.

Section 2 – Defining What is “Affordable” Debt

The definition of what is “affordable” debt is at the foundation of this analysis.

The first step to defining what is affordable is defining the type of debt the City is considering. The City is considering “general obligation (GO) debt”. This debt is paid for by a dedicated property tax levy. Thus, the City **does not** have to pay for this debt out of its existing revenue streams. This means that taking on more general obligation debt **will not** have a **direct** impact on the City’s operating budget. There is **indirect** impact – for example, perhaps the higher tax bills faced by taxpayers would cause them to vote against future tax measures intended to support the operating budget. Or, maybe residents or businesses feel the impact of higher taxes in their businesses or personal finances and decide to move. These are important considerations, but are outside the scope of this analysis, which is focused on the **direct** impacts to City government. That said, the financial indicators we will examine do include measures of personal income and the size of the tax base relative to the size of the population, which do provide some insight into affordability to taxpayers. It is also worth remembering that, according to California law, debt like the City is considering must be approved by two-thirds of voters in an election. If approval is not obtained, the debt cannot be issued. Thus, taxpayers evaluate the affordability of the proposed debt themselves by choosing to approve it or not. However, affordability to the taxpayers might not be that simple. We’ll have more to say on this topic later in the report.

The impact of general obligation debt on the City government’s finances is to add to the City’s total debt burden. Generally, the more debt a City takes on the less attractive its debt becomes to investors, all else being equal.³ This is because, in theory, the more debt a City has, the less likely it is that it will be able to pay it all back. This is important because if the City’s debt becomes too unattractive, it will need to offer higher interest rates to investors. That would make it more expensive to borrow and, thus, more expensive for the City to make future investments in long-term assets. **Thus, we will define debt affordability as the extent to which issuing more debt in support of any City Council program might cause the City’s debt to cross a threshold point where the City has to offer a higher interest rate to attract investors.**

Threshold points where higher interest rates must be offered are known as bond ratings. There are three major agencies that issue bond ratings: Moody’s Investors Service, Standard and Poor’s, and Fitch Ratings. Each rating agency has its own approach, but there are broad similarities between all three. For purposes of this analysis, we will focus on Moody’s approach. This is because Moody’s method is: A) well documented; and B) makes use of quantitative financial information to help standardize the approach to issuing ratings. This means we can collect the same financial information Moody’s would collect and evaluate it in a similar, albeit much simplified, manner. By doing this, our Risk Model was able to essentially duplicate the City’s current rating, which is “Aa”, according to Moody’s. Aa is the second best rating on Moody’s scale (which is similar to the scales used by the other rating agencies). The complete scale is shown in the accompanying table. The reader should note that rating agencies also make finer grained distinctions within the rating tiers. For example, technically, the City’s rating is “Aa1”, which

³ Municipal governments might issue more debt, but their tax base and revenues might also continue to grow. In this case, all else has not remained equal so the debt of that municipality may not become less attractive.

indicates the City is a strong Aa or at the upper end of what is considered Aa. An Aa2 would be in the middle and Aa3 would be considered a weak Aa. For the majority of this report we will not refer to these finer grained distinctions. This is, first, in the interest of simplicity. Using just the ratings scale showing in our accompanying table, the reader will be required to track six different categories of ratings. Multiplying the number of categories by three might make this analysis much more difficult to follow. Second, we do not have access to reliable historical data on how big a difference these finer distinctions would make on the interest rate the City could obtain for its bonds. We have data back to 1970 for the differences between the tiers shown in our table. Therefore, most the analysis will take place at the level of these six tiers. Occasionally, though, we will refer to the finer distinctions (e.g., Aa1 vs. Aa2 vs. Aa3) to discuss how the City's credit rating could change in response to different conditions.

If the City's debt were to be downgraded to an "A" we would expect the City to have to pay a higher interest rate on future debt. How much more would depend on the interest rate environment at the time. Historically, the difference between the interest rate of Aa and A has ranged from 1.05 to 0.08 percentage points, with an average of 0.26 percentage points. If, for example, a \$100 million 30-year bond sold at 2.26% interest rather than 2.00% interest, this would translate to \$5 million more in total interest cost over the life of the bond.

Moody's Rating Scale	
The best->	Aaa
	Aa
	A
	Baa
	Ba
The worst->	B or below

To evaluate the affordability of the City of Berkeley's borrowing plan including its Vision 2050 debt issuance plan we can do the following:

1. Update the key financial indicators used within the Moody's rating system to reflect what the indicators would look like with the additional debt over the 30-year analysis period covered by our Risk Model.
2. Use computer simulation to vary key variables that impact the financial indicators over the 30-year analysis period. We'll describe what these variables are and the assumptions our analysis makes in the next section.

Section 3 – Key Financial Indicators and Assumptions

The purpose of this section is to summarize the key financial indicators used to help frame bond ratings and to describe key assumptions we have made with respect to future values of the important variables that go into the analysis. Our analysis considers the next 30 years, so we had to make assumptions about how key variables would behave. Before we delve into these topics, we'd like to bring five important points to the attention of the reader:

1. The amount of debt the City takes on is not the only, or even primary, factor that determines bond ratings. Bond ratings take into account a number of factors besides debt. Therefore, our analysis include other factors that impact bond ratings, such as pensions, fund balance and tax base, along with debt.
2. Bond ratings are intended, primarily, to help investors decide how risky it is to invest in a municipality's debt. Though many of the factors bond ratings take into account are reflective of

the general financial health of a municipality, the ratings are not a perfect measure of financial health. This is because ratings are intended to judge the ability of the City to pay back its bondholders and nothing more. This is a limited perspective on financial health.⁴

3. Bond ratings method are not a purely mechanical exercise where a given value for the financial indicators leads to a perfectly predictable bond rating. For example, Moody's rating method includes "notching factors", which are essentially the wiggle room to adjust a municipality's rating up or down, based on local circumstances and the judgment of bond rating analysts. Nevertheless, given that our approximation of the financial indicators that Moody's uses did produce the City's current rating in our Risk Model, we can assume that the financial indicators will produce useful insights into what the City's rating might be under different circumstances.
4. Our analysis is based largely on the future looking a lot like the past in many important respects. For example, we will see that the size of the City's tax base is regarded as a big strength by the Moody's evaluation method. We will assume it will continue to be. Of course, it is plausible that that a large natural disaster, like an earthquake, could severely damage property stock in Berkeley to the point where the tax base is seriously impaired and is no longer the strength it once was. These kinds of extreme scenarios (e.g., natural catastrophes) are not within the scope of our analysis. This is not to say such scenarios are not important. In fact, GFOA analyzes the impact of catastrophic scenarios on municipal financial health on a regular basis. However, given the scope for this project we focused on the key financial indicators of the City's financial health that are described in the following pages and not on catastrophe events. The Risk Model is not intended as a perfect representation of reality. It has been said "all models are wrong, but some are useful". We would suggest that focusing on the trajectory of key financial indicators given the decisions that City makes is a useful perspective on the affordability of its debt plan.
5. Readers who are not interested in the details of the Moody's methods and the assumptions we made about the future of the City's finances are invited to skip the rest of this section and go directly to the next section for our findings and recommendations.

The rest of this section will delve into key financial indicators that are salient to bond ratings and which underlies how we are defining "debt affordability" for this study.

The key financial indicators Moody's considers are described by what Moody's calls its "scorecard". Moody's has four broad factors for its bond rating scorecard and a number of sub-factors, which are shown in Exhibit 3.1.⁵ We will summarize each immediately following. With respect to the overview provided by Exhibit 3.1, the reader should note the factor weightings. We see that measures of the City's debt constitute only 10% of the total scorecard. Thus, the City's plan to issue more debt, by itself, can only have a marginal impact on the score. The City's actions with respect to its financial position, in whole, will be what really matters for debt affordability.

⁴ A comprehensive approach can be found in GFOA's Financial Foundations for Thriving Communities.

⁵ Our primary source on Moody's methods is "US Local Government General Obligation Debt" dated January 26, 2021, published by Moody's Investors Service.

Exhibit 3.1 – Moody’s Scorecard Factors and Weights (for Local Governments)

Broad Scorecard Factors	Factor Weighting	Sub-factors	Sub-factor Weighting
Economy/Tax Base	30%	Tax Base Size (full value)	10%
		Full Value Per Capita	10%
		Wealth (median family income)	10%
Finances	30%	Fund Balance (% of revenues)	10%
		Fund Balance Trend (5-year change)	5%
		Cash Balance (% of revenues)	10%
		Cash Balance Trend (5-year change)	5%
Management	20%	Institutional Framework	10%
		Operating History	10%
Debt/Pensions	20%	Debt to Full Value	5%
		Debt to Revenue	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Full Value	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Revenue	5%

Source: Moody's Investor Service

Economy / Tax Base

The tax base ultimately determines if a city can pay back its debt. There are three sub-factors considered:

Tax-base size: The size of the property tax base is where a municipality draws its revenue from. Currently, full value of the property in the City’s tax base is almost double what is necessary to receive the highest possible score on Moody’s scorecard. We did not find a reason to think that a radical decline in the value of property in the tax base was a probable risk. Of course, events like the 2008 recession and bursting of the housing bubble can cause a temporary decline. These kinds of variations are captured in the Risk Model. The Risk Model assumes that tax base will grow (and occasionally shrink) at rate that is broadly consistent with historical patterns, but the Risk Model does not assume a constant rate of growth. For example, the Risk Model simulates market pullbacks like the Great Recession (and worse). However, we did not find a reason to think that a dramatic, long-term decline in the City’s property values was a high-probability risk. The Risk Model does provide the user with the ability to easily change growth rate assumptions in order to see the effect of more optimistic or pessimistic outlooks.

Full-value per capita: This indicator adds in population size to the size of the tax base. The per resident property wealth shows the availability of tax-generating resources relative to the users of public services. This measure is almost 1/3 above what is necessary to receive the highest score on Moody’s scorecard. We did not find reason to believe that the City’s population would outpace the growth in property values to the point where it would risk the City falling below the Moody’s threshold for the best score. In fact, a long-term forecast sourced from Association of Bay Area Governments (ABAG) shows the City’s population forecasted to grow just over 1% per year over the next 30 years. This growth does not seem to be so great that it puts a strain on City finances and, thus, pose a risk to the City’s bond ratings.

Median Family Income: A community with high-income taxpayers may have greater ability to cover the cost of debt. The City is almost exactly in the middle of the two threshold values that bound the second highest score on Moody's scale. Presumably, the large number of college students in Berkeley exert downward pressure on this measure. That said, we did not uncover a high probability risk that the City would fall out of the second-highest category over the next 30 years.

Finances

This factor considers a local government's cushion against the unexpected, the City's ability to meet existing financial obligations, and its flexibility to adjust to new ones. There are four sub-factors considered:

Fund Balance: Fund balance describes the net financial resources available to a municipality in the short term. It is essentially the "rainy day fund" or "self-insurance" to react to unplanned, unavoidable costs (like natural disasters). More fund balance would presumably reduce the risk of a local government failing to repay debt because of a natural disaster or other catastrophe. For the City, this measure is currently almost 2/3 above what is necessary to receive the highest score on Moody's scorecard (Aaa). That said, fund balance is not nearly as stable a quantity as the economic forces we reviewed above. For example, in the years 2007 to 2013 the City's annually available reserves were less than half of what they've been in the last few years. In fact, the City would have been in the Aa, rather than Aaa, equivalent tier for six of the last 15 years (though not too far below the Aaa tier, at least). This means that we shouldn't take for granted that the City will continue to maintain reserves high enough to receive Moody's highest scores for the entire 30-year analysis period. The Risk Model assumes the City has a chance of falling out of the Aaa equivalent tier for fund balance. That chance is determined by the City's historical experience. Over the last 15 years the City was below the Aaa threshold six times. So, the Risk Model assumes a six in 15 chance (or two in five chance) per year that the City falls below the Aaa tier.

Five-Year Dollar Change in Fund Balance as % of Revenues: The reason for this measure is much the same as stated above, except this takes longer-term perspective on fund balance. Fund balance can change fairly rapidly, year to year, compared to some of the other indicators in the Moody's scorecard. So, this measure checks to see if fund balance is growing or shrinking and by how much. Currently, the City is just above the threshold required for the highest score. However, this is an example of a measure that is highly relevant to the interest of bondholders, but not as well aligned with the interests of the people who live in Berkeley. From the perspective of bondholders, it would not be a bad thing if the City continued to build its fund balance indefinitely. That continues to reduce the risk of a default. However, from the citizens' perspective there is a clear upper limit on the amount of fund balance a local government should hold. At some point the opportunity cost (in terms of higher taxes or foregone services) is not worth the benefit the public receives from the City having a larger fund balance. Thus, given that the City already, by Moody's own standards, has a large fund balance, it is questionable whether the City would continue to grow the fund balance in the future at the same rate it has in the past. Thus, it seems unlikely the City would continue to achieve the highest score under the Moody's rating system. However, that said, Moody's documentation does imply that local governments with a strong fund balance might be given consideration for maintaining that fund balance rather than continuing to grow it - Moody's might adjust ratings upwards to reward maintaining stability of a high level of fund balance. This means that the City

may not enjoy the top-rated scores it had gotten in the past on this measure, but if it maintains a high level of fund balance, it might only drop to the second highest score. The Risk Model gives the user the option to choose the growth rate, from maintaining a rate of growth equivalent to Aaa to remaining flat (equivalent to an A rating). For the purposes of this report, we chose to make this indicator equivalent to an Aa rating. The rationale is that the City probably can't keep historic levels of growth indefinitely, but the high amount of fund balance the City usually carries would, hopefully, be enough to avoid falling down to an A rating.

Cash Balance: Cash is a similar measure to fund balance – but focuses on “money in the bank”, whereas fund balance can include some non-liquid resources. For the City, this measure is currently almost three times above what is necessary to receive the highest score on Moody's scorecard. At the City, cash balances and fund balance levels tend to mirror each other. So, just as the City did not have nearly the same level of fund balance in the past as it does today, it did not have the same level of cash either. Thus, like fund balance, this means that we shouldn't take for granted that the City will continue to maintain cash high enough to receive Moody's highest scores for the entire 30-year analysis period. That said, given that cash appears to be so far above what Moody's is looking for that it would take much more extraordinary circumstances for the City's cash to fall below Aaa equivalence. The Risk Model assumes that the City has a 2 in 15 chance of falling to the Aa tier, each year. This chance is smaller than fund balances falling to the Aa tier. The rationale is the City's cash amounts are very high above the Aaa threshold, so would have a long way to fall to reach Aa territory.

Five-Year Dollar Change in Cash Balance as % of Revenues: The rationale and issues related to this measure are much the same as discussed above. Cash is a more liquid resource for dealing with unplanned, unavoidable expenditures and this measure shows the rate and direction of growth. The City is currently well above the amount required for Moody's highest score, but, again, the same rate of growth probably cannot keep up indefinitely. Like fund balance, though, it seems possible that Moody's might not penalize the City for mere stability in its amounts of cash on hand, if the amounts on hand were kept high. The Risk Model uses identical assumptions for this measure as for the fund balance trend, described above.

Management

The legal structure of a local government and management under which it operates influence the government's ability to maintain a balanced budget, fund services, and continue to derive resources from the local economy. There are two measures in this category.

Institutional Framework: This factor measures the municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. For example, a local government with many mandated responsibilities, but with little ability to raise revenues would score poorly on this measure. Our examination of the City's prior Moody's bond ratings suggest that the City, for this measure, was rated consistently with its overall rating: Aa. In other words, the second best possible score. We found no high probability risk that the City's legal powers and responsibilities would change dramatically in the coming years, so we assume the City's score on this measure will remain constant throughout the analysis period.

Operating History: Operating history is essentially the extent to which the City runs annual surpluses or deficits. The City's current measure is well above what is required for Moody's highest score. However, because surpluses and deficits are determined annually, we shouldn't assume stability in this measure over a long-term period. We looked at the last 15 years of the City's history to see the size of surpluses (there were no deficits) and used those to simulate what surpluses will be in the future. This results in a more conservative assumption than simply continuing the most recent trends indefinitely into the future.

Debt / Pensions

Debt and pension burdens are measures of the financial leverage of a community. The more leveraged a tax base is, the more difficult it is to service existing debt and to afford additional debt, and the greater the likelihood there will be difficulties funding debt service. There are four measures in this category.

We gave this category the most analytical attention for a number of reasons. First, debt was the primary focus of the City in commissioning this study. The amount of debt the City is considering issuing will have a direct impact on some of the measures in this category. Second, as we will see, the City's current performance on debt indicators is already weak compared to the other indicators we have reviewed. Third, this section includes pensions, which, as we will see, are the weak spot in the City's performance on the Moody's scorecard.

We will first briefly overview the four measures in this category and then go into details on the assumptions made for future values of these indicators.

Debt to Full Value: This evaluates net direct debt relative to full value of the property in the City's tax base. This metric tells us how onerous future debt service payments could be to the tax base. Currently, the City is in the second best category for scoring on this measure.

Debt to Revenues: This compares debt to the City's regular revenue stream. Moody's does not subtract from the calculation any debt whose principal and interest is paid by taxes, even if those costs are external to the General Fund. Under this definition, the City gets a score on the Moody's scorecard equivalent to an "A" rating.

Three-year Average of Moody's-Adjusted Net Pension Liability to Full Value. This measures the magnitude of a local government's pension obligations relative to its tax base.⁶ Similar to the debt burden evaluation, the tax base serves as a proxy for future revenue-generating capacity to amortize accrued pension obligations. The City's score here is equivalent to a "Baa" bond rating.

Three-year Average of Moody's-Adjusted Net Pension Liability to Operating Revenues. This metric seeks to measure pension obligations relative to the size of the local government's budget. The metric attempts to reflect that amortization of accrued net pension obligations could divert revenues out of future budgets and lead to funding shortfalls. The City's score here is equivalent to a "Ba" bond rating (the second worst rating).

⁶ Note that Moody's adjusts the standard net pension liability measure found in government financial reports to include less favorable assumptions on the discount rate for pension investments. The details behind these calculations are available in the Risk Model supplied to the City by GFOA.

Assumptions for Future Indebtedness:

- The Risk Model includes all repayment schedules for the City’s existing debt and assumes debt will be repaid in the times and amounts currently scheduled.
- The Risk Model includes three categories of “new” debt. The detailed assumptions behind the new debt are described in more detail later, but the general categories of new debt are:
 - Debt that the voters have previously authorized, but which the City has not issued. This is in the amount of \$117 million in principal.
 - Debt issued to support Vision 2050 or other programs. The user defines the amount of principal in the Risk Model. The Risk Model assumes that the number entered by the user will be approved by the voters.
 - Debt issued in the far future. Given we are taking a long-term (30 years) perspective, we should not assume that future City Councils will not issue any more debt. The amounts and timings of these simulate future debt issues are described as part of the following bullets.
- For all new debt, the user can choose the length of the repayment schedule. For the purposes of this report, we assumed 30 years. This is consistent with the City’s past practices and current plans. We assume level repayment schedules (i.e., no front or back loading of repayment schedules). We assume no debt refunding, refinancing, etc.
- For all new debt, we simulate the interest rate, where historical rates are used as a model. Here are some key points:
 - We use forecasts of the yield on ten-year US Treasuries for the next two years to simulate the interest rate environment for the next two years. We do this so that the Risk Model does not generate short-term results that are divergent from short-term expectations.
 - After two years, the Risk Model randomly generates future interest rates, where the rate of change in the rates is entirely consistent with the rate of change in the interest rates for Aaa-rated GO bonds and US Treasuries since 1977. We used the historical rate of change to simulate downward, upward, and stable trajectories for long-term interest rates.
 - The Risk Model assumes bond interest rates will not go below zero. The user has the option to adjust this rate floor.
 - The Risk Model includes the City’s informal policy that the City will not borrow if rates are above 5%. If rates are simulated to go above 5% in any year any simulated, then borrowing is deferred until rates go back below 5%.
 - For the purpose of this report, the Risk Model assumes that rates are just as likely to go up in the future as they are to go down, with the exception of the first two years. As discussed above, the next first years are determined by the 10-year US Treasury forecasts produced by other organizations. For the years after that, the user is able to adjust how likely rates are to go up or down to explore assumptions other than what we assumed for this report. So, if the user wanted the Risk Model to simulate an interest environment where it is twice as likely rates would go up, then that assumption could be entered. In no case will the rates rise at a greater rate of change than has been observed historically.

- The Risk Model assumes that the City will issue new debt that has been previously authorized by voters, but which have not yet been issued. This amounts to \$117 million in additional principal that is added to the City's debt burden over the next five years. The debt is issued according to a user-defined schedule.
- For the debt to support more borrowing, including the City of Berkeley Vision 2050, in the Risk Model, the user can choose the amount of debt the City will issue. The Risk Model allows the user to choose between the options below. The options are completely user definable so the City can add, change, or delete options as it likes:
 - An option for \$300 million in debt, which represents the lower end of what the City Council has discussed. Note that the City Council has discussed supplementing this amount of debt with a parcel tax. The parcel tax would not impact the City government's performance on the key indicators in the Moody's scorecard other than requiring the City issue less debt. Hence, the parcel tax is not included in the Risk Model.
 - An option for \$600 million in debt, which represents the upper end of what the City Council has discussed.
 - An option for \$900 million in debt. This is included just for demonstration purposes, so the user can see what a larger amount of debt would do to the model results.
- Debt issued to support more borrowing for the 2050 Vision Plan are assumed to be issued in increments evenly throughout the 30-year analysis period. The user can change this assumption and make the debt issued on any schedule they would like.
- We should not assume that the debt issued to support the City of Berkeley Vision 2050 will be the last debt the City issues for 30 years. Since 2000, the City has tried to gain voters' approval to issue new debt in seven of ten election years. Thus, we must assume that future City Councils will have plans to issue debt to support future projects. The model simulates this under the following assumptions:
 - The City will not try to issue new debt again until 2028. This assumption can be easily changed by the user.
 - For any election year after 2028, there is a 70% chance that the City will try to gain approval to issue new debt. This is based on the fact the City has historically tried in 70% of election years, though this assumption can be adjusted by users.
 - The amount of debt the City attempts to issue in any given election year varies between \$13 million and \$150 million. This is based on the inflation adjusted amounts the City has tried to issue in the past. The Risk Model adjusts this amount upwards in future years to account for the effects of inflation.
 - The public approves proposed new issues at the same rate it has in the past, including partial approvals.

Assumptions for Future Pension Liabilities

For pension liabilities, we developed a single alternative pension assumption, based on the work of the City's CPA firm. This assumption assumes a negative 1 percentage point adjustment to the discount rate applied to pension investments. So, if the baseline, status quo assumption is 7.15%, then the alternative would be 6.15%. The user can activate or deactivate the alternative assumption on the Risk Model

dashboard. If activated, the alternative assumption is applied across all of the thousands of scenarios the risk model produces. If is not activated, it is not applied to any of the scenarios.

The Risk Model also includes an assumption for annual increase in pension liability and the current annual rate of 3.96%. GFOA would like to acknowledge the assistance of Dan Matusiewicz, Senior Finance Consultant, at GovInvest for providing assistance on formulating this assumption, which is based on a 6.8% discount rate and wage growth of 2.5%.

Section 4 – Results of the Analysis and Recommendations

In this section, we will address the finding from our analysis, including recommendations to help the City retain its credit rating.

Let's Put Debt in Context of the Financial Indicators Used to Estimate Debt Affordability

The City's level of debt only impacts the financial indicators that comprise a total of 10% of the Moody's scorecard. Put another way, 90% of the scorecard result is determined by factors other than the City's debt! That means that long-term affordability of the City's debt will be influenced by things like how the City manages its tax base, fund balance, its pensions, and its budget. Exhibit 3.1 provided details on the relative importance of the different factors in the Moody's scorecard. To recap some of the more notable items:

- Pensions are equal to 10% of the scorecard result, or the same as debt.
- Fund balance and cash are equal to 30% or are three times the importance of debt.
- A balanced budget is equal to 10% of the scorecard result.
- Economic factors, like full value and median family income, are equal to 30% of the scorecard result.

According to our re-creation of the Moody's scoring method, today, the City is just short of a score that would be consistent with an Aaa rating. The City's pension liabilities are the main culprit for keeping the City from that score. This conclusion seems consistent with what bond analysts have conveyed to the City: that the City would have an Aaa rating if not for its pension situation. This means that the City has some "distance to fall" in order to get down to an A rating, at least according to the quantified scoring system and the assumptions we described in this report.

All this means that the City's decision to issue debt must be done in the context of the other factors that impact affordability when trying to determine the chance that additional debt will reduce the City's bond rating.

So, to review, the City's strengths are:

- The City's economic base is firmly in Aaa territory and there does not seem to be a plausible risk of it falling out of that tier. The economic base accounts for almost 1/3 of the rating.
- The City's fund balance and cash are firmly in Aaa territory as well. Even though these measures are, by nature, more volatile than the measures of the economic base there seems to be low risk that they would fall completely out of Aaa territory much less all the way down to an A-rating territory (assuming the City maintains a strong reserve policy, as further described in our recommendations). Fund balance and cash measures also constitute almost one-third of the rating.
- The City has also consistently maintained a balanced budget.

And, the City's weaknesses are:

- The City's pensions are in Baa territory currently. Some observers believe there is a case for a lower discount rate to estimate the City's pension liability. A lower discount rate would make the liability to go up substantially. The City's CPA firm produced the calculation for a 1 percentage point reduction and we included it in the Risk Model as an option for the user to activate, if they wish. If this scenario came to fruition, pensions would become an even greater drag on the City. In fact, the Risk Model shows a good chance that pensions reach B territory (the worst rating) well before the end of the 30-year analysis period. Finally, it is worth noting that the Risk Model shows that one of the pension measures in the scorecard (pension liabilities compared to revenues) is at risk of slipping down to a score equivalent to the next lower rating tier (Ba) within in the next five years. As we will discuss more later, a continued downward trajectory on pensions could influence bond ratings analysts to give the City a lower rating.
- Though the City's current indebtedness is not nearly the problem that pensions are, it is not helping the City's bond rating either. Currently, debt measures sit between Aa and A territory.

More debt reduces the City's score on the indicators. We can illustrate with the table below. The table shows the City's scores under different simulations, starting with the City's current score and ending with the City's simulated score at the end of 30 years. The simulation does not produce a single score for the end of 30 years, but rather produces a range of possible scores. For this reason, we show the average, optimistic, and pessimistic outcomes.⁷ The table uses assumptions identical to that described earlier in this report and assumes \$600 million of new debt in support of the City's programs, including Vision 2050, plus debt issued by future City Councils, as described earlier. We can see that the score at the end of the 30 years is worse than the City's current score under all three perspectives in the table (average, optimistic, pessimistic). The good news is that when we consider just debt, at least the scores do remain broadly consistent with an Aa rating. But, what about if we consider more than just debt? Other factors do enter into the final bond rating of course.

Exhibit 4.1 – Simulated Results on Moody's Scorecard under the Assumptions Described Earlier in the Report

Rating	Score for Each Rating		City's Current Score	Average Score at end of 30 years	Optimistic Score at end of 30 years	Pessimistic Score at end of 30 years
	Min	Max				
Aaa	0.05	1.5				
Aa	1.5	2.5	1.65	2.14	2.00	2.30
A	2.5	3.5				
Baa	3.5	4.5				
Ba	4.5	5.5				
B or below	5.5	6.5				

⁷ Optimistic and pessimistic are defined as the points at which 5% of the outcomes produced by the model are above or below the point indicated on the table.

To examine the other considerations that go into a rating, Exhibit 4.2 changes the assumptions in the Risk Model to be less favorable for the City, including: a lower discount rate on pensions (1 percentage point) and performance equivalent to an Aa rating for fund balances, cash balances, and operating history (which would be less favorable than the City's recent history would suggest). We can see that the City's scores now deteriorate enough that the pessimistic outcome places the City in the "A" rating equivalent scoring tier. What the table does not show is how the scores change for periods less than 30 years. The Risk Model tells us that the risk of a downgrade is present in the near-term future, not just the long-term future. This is because the City is close enough to the next lower tier of scoring for its debt and pension measures that it is plausible that the City will reach these lower tiers in five to ten years. We'll discuss this more detail in the next section. Over the long-term, the City's strong property tax base (and growth in that base) can balance out some of the nearer-term challenges (assuming the challenges don't also get worse).

Exhibit 4.2 – Simulated Results on Moody's Scorecard under Less Favorable Assumptions

Rating	Score for Each Rating		City's Current Score	Average Score at end of 30 years	Optimistic Score at end of 30 years	Pessimistic Score at end of 30 years
	Min	Max				
Aaa	0.05	1.5				
Aa	1.5	2.5	1.65	2.39	2.30	
A	2.5	3.5				2.50
Baa	3.5	4.5				
Ba	4.5	5.5				
B or below	5.5	6.5				

The reader will notice that even on this second table, the scores are certainly not disastrous, by any means: the average score is still within the Aa equivalent tier. That said, we must remember that the final bond rating a municipality receives is not a purely mechanical exercise, where the key financial indicators dictate the bond rating. According to Moody's: "The scorecard is not a calculator. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to begin viewing and comparing local government credits. It therefore acts as a starting point for a more thorough and individualistic analysis." Put another way, the rest of the rating is subject to a human element: the rating analyst. In a real-life scenario characterized by unfavorable performance across the indicators that Moody's looks at we can't discount the possibility that the analyst might decide to "put a thumb on the scale" and raise the chance of a downgrade. For example, perhaps a significant amount of new debt along with further deterioration in the City's pension situation dampens the rating analyst's enthusiasm for the City of Berkeley's debt even more than the Moody's scorecard suggests. Finally, it could be possible that rating agencies could change the weightings of the indicators they consider. GFOA has observed that the measures favored by rating agencies and the relative weight placed on them has evolved over time. It seems unlikely that debt and pensions would come to occupy a less important place in rating considerations given that they currently constitute a relatively small consideration compared to fund balance / cash and tax base. Given that pensions and debt are biggest risk to future debt affordability, we'll examine this risk more in the next subsection.

Finally, the model can address different interest rate environments and property markets. Some observers believe that sustained higher interest rates may result from efforts to combat inflation. This would result in economic stagnation and impact on the housing market. In fact, the Federal Reserve Bank of Dallas recently stated that the property market is showing "signs of a brewing U.S. housing bubble". The implication is that bubbles pop, with the types of consequences we saw in the 2008. To explore these concerns further, we adjusted the model assumptions to give more weight to a rising interest rate environment and to reduce, by half, the chances of growth in the City's revenue and property values. Note that the baseline assumptions in the Risk Model **did not** assume uninterrupted growth in property values, but did assume a good chance of a long-term upward trajectory. These new assumptions result in a good chance of long-term stagnation. Under these assumptions, unsurprisingly, the City's is at significantly greater risk of slipping below an Aa equivalent score. Interestingly, the City's informal policy of not borrowing at rates above 5% makes a noticeable difference in the high interest rate environment: the City stops borrowing at a certain point and pays back existing debt, which helps its score. The take-away is that unfavorable turns in the economic environment will have a noticeable impact on the financial indicators and increase the risk of a ratings downgrade.

[Pension, Debt and the Risk Posed to the City's Bond Rating](#)

Though pension and debt do not dominate the Moody's scorecard and are not the most important consideration in bond ratings, they still can influence bond ratings. For example, especially poor performance or notable deterioration from previous performance might capture the attention of the bond ratings analyst. To illustrate, the table below displays results from one of thousands of simulations the Risk Model produced, using the more unfavorable assumptions described in the previous section. We chose to illustrate using the more unfavorable assumptions because it helps make the point we wish to make more clearly. Also, keep in mind this is just one of the thousands of simulations we developed, so it's not intended to show generalizable results (unlike the tables in the last section which summarized results from across the thousands of simulations).

The top set of rows in the table shows the City's current values for the key financial indicators associated with debt and pension in the Moody's scorecard. The next set of rows shows the scores the indicators receive under the Moody's methodology. The scores can range from 1 to 6, where 1 is the best (Aaa equivalent) and 6 is the worst (equivalent to B or below). The final row is the average of all indicators in the Moody's scorecard, which includes indicators not shown in the rows above (e.g., tax base, fund balance, etc.). Remember that the average is weighted towards the indicators Moody's deems most important (see Exhibit 3.1).

We see that the City's current score across all indicators is a 1.65 (bottom left corner), consistent with a strong Aa rating. However, as we move to right and further into the future, we see City's score on debt and pensions deteriorate (the numbers on the 1 through 6 scale get higher). We can also see the average score move upwards. The movement upwards is not as dramatic because debt and pensions only account for 20% of the total score. The measures that account for the other 80% perform well, often in Aaa territory. Nevertheless, we see that although the City's score remains consistent with an Aa rating, it has become consistent with a weak Aa (or Aa3 in Moody's terminology). It should be noted that the cutoff

points used in the table to differentiate strong from weak come directly from Moody’s documentation.⁸ With this in mind, it becomes more understandable why an analyst might decide to downgrade the City to an A rating, if they observe the City’s scorecard result fall from a strong to a weak Aa. They might conclude that the possibility of continued decline, for example, merits a lower rating.

Exhibit 4.3 – Example Results from a Simulation the Risk Model Produced

	Now	3	4	5	6	7	8	9	10	11	12
VALUES FOR INDICATORS											
Net Direct Debt / Full Value	1.3%	2.2%	2.3%	2.2%	3.0%	2.9%	2.7%	3.5%	3.8%	3.8%	3.8%
Net Direct Debt / Operating revenues (x)	0.76	1.29	1.34	1.86	1.78	1.69	2.08	2.28	2.20	2.10	2.01
Adjusted Net Pension Liability (3-Year Average) to Full Value (%)	8.7%	13.7%	13.7%	13.8%	14.0%	14.1%	14.7%	15.2%	16.4%	17.7%	18.8%
Adjusted Net Pension Liability (3-Year Average) to Revenues (x)	5.24	7.73	8.26	8.49	8.72	8.90	8.80	9.17	9.44	9.67	9.93
SCORE FOR DEBT & PENSION INDICATORS (1 THRU 6 SCALE)											
Net Direct Debt / Full Value	2	3	3	3	3	3	3	3	3	3	3
Net Direct Debt / Operating revenues (x)	3	3	3	3	3	3	3	3	3	3	3
Adjusted Net Pension Liability (3-Year Average) to Full Value (%)	4	5	5	5	5	5	5	5	5	5	6
Adjusted Net Pension Liability (3-Year Average) to Revenues (x)	4	5	5	6	6	6	6	6	6	6	6
SCORE FOR TOTAL OF ALL INDICATORS (1 THRU 6 SCALE)											
	1.65	2.2	2.2	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.3
	^	^	^	^	^	^	^	^	^	^	^
	Strong	Weak									
	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa

Finally, the Risk Model can be used to explore different weightings on financial indicators. For instance, we could give greater weight to pensions and debt and less to cash and fund balances (perhaps because cash and fund balance measures are very similar, so weighting both heavily in the analysis could be seen as “double counting”). This feature of the Risk Model could be used to mimic how a ratings analyst might decide to weigh the indicators differently than Moody’s standard documentation suggests. Unsurprisingly, weighting debt and pensions more puts downward pressure on the City’s scores.

Develop and Maintain Strong Financial Policies

Financial policies can help the City maintain its good bond rating. An example is the City’s General Fund Reserve Policy. GFOA’s review of the City’s policy finds that it includes all the critical features of a good policy and calls for a reserve equal to Moody’s Aaa equivalent threshold. That said, it is important to recall that Moody’s looks across all “operating funds”, which includes more than the General Fund. **Hence, there could be an argument for defining reserve policies for other critical operating funds.**

The City also has a debt policy. The policy has many of the features of a good policy, but there may be some opportunities for improvement. Particularly salient to our discussion of bond ratings is debt affordability. The City’s debt policy notes that “the City is subject to debt capacity limit for its general obligation bonds: 15% of assessed value.” This amount of debt would be equivalent to the second lowest rating, Ba, under Moody’s scoring. **Hence, there may be a case for defining a more locally appropriate debt affordability policy.** For example, even under the most aggressive assumptions of how much debt the City might issue, the Risk Model did not show that there was a high chance that debt issued in support of the Vison 2050 would bring the City’s scorecard result below an “A” equivalent score on the measure

⁸ Note that Moody’s doesn’t use the terms “strong” and “weak”, but rather a numeric code. We elected to use the more descriptive terms of “strong” and “weak” in order to make the table more understandable.

comparing debt to property value of the tax base. The A rating is defined as debt equal to between 1.75% and 4% of property value. This might be a good starting point for defining a locally affordable limit. The City could “stress test” affordability by simulating larger issues to see how much pressure is placed on the scorecard result by increasing the amount of debt. It could be that the City’s strong tax base and fund balance / cash practices would make it practical to incur debt beyond 4% of property value without putting the score at too much risk, but perhaps 15% is still too much. Of course, we must remind ourselves that bond ratings consider only the interest of the City’s creditors. Just because creditors are willing to lend does not mean the City should borrow. More debt also places more of a burden on taxpayers. Taxpayer burden should be analyzed as part of developing a debt affordability policy. We’ll discuss this more in one of our other recommendations, later in this report.

Another opportunity for improvement of the City’s debt policy might be to define interest rate ceilings for issuing debt. GFOA understands that the City has an informal policy that considers “5%” the interest rate ceiling beyond which the City will not issue debt. Formalizing this policy, or something like it, could help make a positive impression on rating analysts. The GFOA Risk Model can be used to help the City stress test different policy choices because the user can customize the interest rate ceiling the Risk Model uses and adjust assumed behavior of the interest rate environment.

Finally, **a structurally balanced budget policy could be helpful.** The City has a good history of running budget surpluses. A municipal government is subject to legislative requirements to pass a balanced budget. However, the definition of a balanced budget is just that inflows equal outflows for the year and says nothing about the long-term sustainability of how the budget is balanced. For example, according to the law, an asset could be sold to pay for the compensation of permanent City staff positions. An asset is a one-time revenue while staff compensation is a recurring expenditure, so this strategy would not be advisable even if it is legal. A structurally balanced budget policy commits a local government to adopting a budget that is balanced using sustainable strategies. GFOA is happy to provide the City with templates for such a policy, if the City is interested in pursuing it. This kind of policy would support both a strong score in the “operating history” and, perhaps, the “institutional framework” measures in the Moody’s system. For example, Moody’s recognizes “unusually strong budget management and planning” as a “notching factor” that could justify a higher score for a municipality than the ratios in the scorecard might suggest. A structurally balanced budget policy could be an illustration strong budget management and planning.

Manage the Risk Posed by Pensions

As we've discussed, pensions are the Achilles' heel of the City's bond rating. The City has been considering strategies to manage its pension risk and has established an irrevocable supplemental (Section 115) pension trust. This could help support a good bond rating. This is supported by conversations the City's Finance Director has had with bond rating agencies: the City's current pension challenges has kept it from achieving an Aaa rating and continued deterioration in pension position could even lead to the City slipping to an A or a lower rating.

Support a Strong Tax Base

If pensions are the City's Achilles heel, then its aegis is its tax base. Not only is the tax base directly responsible for 30% of the City's score on the Moody's scorecard, it directly impacts other measures as well. For example, the Moody's scorecard method compares debt and pensions to the full value of taxable property in the City. Of course, the tax base also determines how much revenue the City can raise, which influences fund balances and the City's ability to balance its budget. Therefore, the City should take active steps to preserve and to enhance its tax base. GFOA has found that there are unrealized opportunities for municipal governments to better reflect the financial interests of municipal government in land use planning. After all, land use planning will have an important influence on how the tax base develops and how the tax base develops will have an important impact on the quality of life in Berkeley (like the City's ability to invest in infrastructure!). The City can learn more about GFOA's findings and recommendations for how to make the connection between land use planning and city finances in [this report \[Note to reader: as of the date the City of Berkeley's report was posted the GFOA report on the intersection between land use planning and municipal finances has not be released to the public. It will be available soon\]](#).

Develop and Maintain Measures of Tax Burden

General Obligation (GO) debt is paid for by a special tax levy. Therefore, more GO debt does not place a direct pressure on the City's budget. It does, however, place burden on the City's taxpayers. Voters approve the City's ability to authorize debt. In that way, voters are speaking as to whether debt is affordable to them or not. However, voters are unlikely to have a perfect understanding of the long-term implications of debt for their tax burden. In the past, the City has developed measures that show the average tax burden for a City of Berkeley homeowner. It may be wise to develop the ongoing capacity to monitor and project tax burden, especially if the City plans to continue making use of GO bonds and tax measures. The scope of the GFOA Risk Model covers only City government finances, but the Risk Model does provide much of the information that the City would need to examine the tax burden placed on residents and businesses by future debt. For example, it gives the full range of principal and interest that would need to be covered by taxes every year of the 30-year analysis period. It also provides range of the potential size of the tax base.

Be Strategic about Debt Issuance

The City already has \$117 million in previously authorized debt that it plans to issue in the next few years. This is included in the Risk Model and in the information we've presented in this report. What the risk model doesn't capture is the City staff's capacity to manage the debt issuance and, critically, to manage

the projects that the debt is intended to finance. Prioritizing projects to make sure the City doesn't take on more than it can handle will not only make the best use of limited staff capacity it will help limit the total amount of debt the City takes on. The City has old debt that will gradually be paid down in the coming years. There is some opportunity to moderate the increase in the City's total debt burden by timing the issuance of new debt with expiration of old debt. That said, we must recognize that the amounts of new debt being contemplated do significantly exceed the amount by which old debt will decrease in the next number of years. So, a total increase in the City's debt burden would be inevitable under the assumption that there \$117 million would be issued along with some significant additional amount to support other projects including the Vision 2050 project.

Section 5 – Conclusion and Summary

In conclusion, the City's performance on the key financial indicators used in the Moody's scorecard appears to be robust under a variety of circumstances. That said, the final bond rating the City receives is not purely a function of these indicators. Human judgment, applied by bond ratings analysts, determine the final score. Their judgment could be swayed, negatively, by the risks posed by debt and pensions, which we described earlier in this report. We have outlined a number of opportunities for the City to take proactive measures to preserve and protect its bond rating and, thus, its capacity to borrow at favorable interest rates.

To conclude, let's recap the key take-aways from this report.

- The City has important strengths that bolster its ability to borrow, including a strong tax base, fund balances, and a history of balanced budgets. That said, the City's current policy identifies a limit on borrowing equal to 15% of assessed value. Borrowing this much would place the City at the equivalent of a Ba score or the second lowest score for the key financial indicator of debt compared to the value of property in the City. That would, of course, exert strong downward pressure on the City's bond rating. The City should develop a more locally appropriate debt limit, rather than relying on statutory limits (which are set without regard to local context). For example, debt equal to 4% of property value would still provide room for the City to issue more debt (the City is currently at less than 2%), while keeping that measure with the scoring tier equivalent to an A rating. The GFOA Risk Model can be used to "stress test" different policies.
- An unfavorable turn in the economic environment could impact the City's bond rating. The Risk Model can be used to simulate high interest rate environments and stagnant (or even declining) housing markets. Unsurprisingly, these conditions increase the chances that the key financial indicators we analyzed will slip into territory associated with a lower bond rating. This is important because some observers believe that a higher interest rate environment and stagnant or declining property market are real possibilities.
- Growth in the City's tax base supports borrowing and repayment of debt. Hence, the City should consider how it can use the City's land use planning capabilities to support the financial capacity of City government. Land use planning could be used to improve the revenue productivity of the land uses in the City's jurisdiction.
- The City's pension liabilities are a drag on the City and its capacity to borrow. Pensions are clearly the weak spot in the City's bond rating given how the pensions stand today. Some observers believe that the current discount rates assumed for the pensions' investments may be too optimistic. Lower discount rates would increase the size of the liability even further. This emphasizes the need for the City to find ways to manage its pension debt.
- The City can adopt certain financial policies to maintain good management practices. This will help make a positive impression on bond rating analysts. It is important to remember that even though our Risk Models shows the City is likely to perform consistently with an Aa rating in most scenarios: A) in many scenarios the City's position deteriorates from strong Aa to a weak Aa; and B) ratings are ultimately the product of the judgment of the bond ratings analyst. An analyst's

enthusiasm for the City's debt might dampened enough by this deterioration that the analyst decides on a ratings downgrade for the City.

- Though our analysis focused on the direct impact of debt on the finances of City government, the City should also be mindful of the burden on taxpayers. The Risk Model provides much of the information the City would need to estimate burdens on taxpayers under different scenarios.
- The City already has \$117 million in previously authorized debt that it plans to issue in the next few years. Given the City's interest in issuing more debt to support the Vision 2050 and other programs, the City should remain mindful of the City staff's capacity to manage new debt issuance and, critically, to manage the projects that the debt is intended to finance. Prioritizing projects to make sure the City doesn't take on more than it can handle will not only make the best use of limited staff capacity, it will help limit the total amount of debt the City takes on.
- By following a prudent borrowing strategy, managing pensions, and following other recommendations in this report the City should have a good chance of making a positive impression on bond ratings analysts and maintaining its ratings, all while preserving some additional capacity for the City to borrow.

Appendix 1 – Limitations of GFOA’s Analysis

This section highlights the most important limitations of our analysis.

Our analysis is not predictive. GFOA does not forecast bond ratings. Rather, our model generates hundreds or even thousands of different scenarios to show how the future could unfold. This helps the City think more broadly about risk so that it can be more prepared for whatever future event does eventually come to pass. Finally, it is important to note that low probability events are still possible events. Hence, even if our model says an event has a low probability, then that does not mean it won’t occur.

GFOA is not a risk management consultant. We worked with the City to find out which risks to bond ratings are most salient and then modeled those risks quantitatively to judge the potential impact. It is not our place to determine what the City’s attitude towards risk should be or to substitute GFOA’s attitude towards risk for the City’s. GFOA builds models to help you explore the questions, but ultimately you have to make the decisions.

Our analysis is based on historical records. Historical data is often a good way to model potential future outcomes. However, historical data will not be perfect.

Our analysis is not inclusive of every risk the City could possibly face. We examined the City’s past history and worked with City staff to identify the risks that posed the most clear and present danger to the City’s bond rating. However, it is possible that the City could experience a shock that no one was expecting or that the City could be impacted by a low probability, but high consequence event.

The calculation of the key indicators is subject to some interpretation. Though Moody’s does produce detailed documentation of their methods, there is still some interpretation required. For example, the measure of fund balance is supposed to include all “operating funds”. It is ultimately up to the analyst to decide which funds are operating funds and which aren’t. It could be that GFOA would have a different interpretation than Moody’s. That said, given that our Risk Model did duplicate the City’s current score, our interpretation should at least be close.

Good decisions do not always lead to good outcomes. Excel simulation tools can enhance one’s perception and understanding of uncertainty and risk.⁹ However, when dealing with uncertainty, even the best decision may not lead to a good outcome, if luck goes against you.¹⁰

⁹ “To survive in an increasingly unpredictable world, we need to train our brains to embrace uncertainty,” Emre Soyer, Quartz Magazine, January 9, 2017 <https://qz.com/879162/to-survive-in-an-increasingly-unpredictable-world-we-need-to-train-our-brains-to-embrace-uncertainty/>.

¹⁰ This is one of the primary lessons in: Annie Duke. *Thinking in Bets: Making Smarter Decisions When You Don’t Have All the Facts*. Portfolio. 2019.



Sophie Hahn
Councilmember, District 5
City of Berkeley
2180 Milvia Street
Berkeley, CA, 94704
(510) 981-7150 | shahn@berkeleyca.gov

To: Honorable Mayor and Members of the City Council
 From: Councilmember Sophie Hahn (Author)
 Subject: Study: Sabbatical Leave for City of Berkeley Employees

RECOMMENDATION

Refer to the City Manager study of a potential Sabbatical Leave policy for all City of Berkeley employees, modeled after the City's existing agreements with several bargaining units.

Consult with labor partners and City employees to explore a variety of terms and options, and the costs/benefits of unpaid, partially paid, and paid Sabbatical Leaves. Report findings to Council, outlining possible options and their financial impacts as well as potential benefits to recruitment, morale, longevity of tenure, and wellbeing.

SUMMARY STATEMENT

A nationwide municipal worker shortage threatens the ability of local governments to address the needs of their constituents and deliver services to the community. To address this shortage, exacerbated by a wave of Baby Boomer retirements, and the pandemic's "great resignation," the City of Berkeley is working to both retain long-time employees and attract new talent.

In an increasingly competitive job market, and with neighboring cities also vying for skilled workers, Berkeley must consider new and innovative approaches. While the City already utilizes traditional strategies such as digital marketing and recruitment campaigns, expanding the benefits available to employees can increase the City's overall competitiveness and demonstrate appreciation for long-term employees.

Sabbatical leave is already included in Memorandums of Understanding (MOUs) between the City of Berkeley and SEIU Local 1021, representing Community Services and Part-Time Recreation Activity Leaders, and Local One, the Public Employees Union.

This item refers to the City Manager to evaluate options and consider the benefits and costs of adopting a Sabbatical Leave policy across the organization, including possible paid and partially paid sabbatical leaves, enabling long-term employees to enjoy periodic "work breaks" to pursue outside interests, spend time with family, travel, gain skills, or simply rest, recharge and refresh.

BACKGROUND

Sabbaticals are periods of extended leave – paid or unpaid – traditionally granted to university professors and more recently to other workers for study, travel, or personal growth. Employees take their leaves with a commitment to return to work. The modern sabbatical originated in academia – Harvard University in 1880 became the first to offer its professors time off from teaching duties to conduct academic research. Since then, the sabbatical has become more commonplace in the modern work environment, with companies like Microsoft, Intel, Deloitte, McDonalds, AARP, and many more now offering sabbaticals to their employees.

Sabbaticals offer many benefits and can be an important asset in attracting labor, reducing burnout – a major driver of high turnover – and increasing productivity. They allow employees to recharge while offering opportunities for both personal and professional growth. A rigorous study of professionals across private, public, and nonprofit sectors who took sabbaticals, conducted by the Harvard Business Review, found that “people largely experienced significant, positive changes in their work and life” and that sabbaticals could be viewed as “relatively easy-to-implement, preventative investments.”¹

According to a survey by the Society for Human Resource management, in 2019 only 11% of companies offered sabbaticals, and even less – just 5% offered paid sabbaticals.² The rarity of sabbaticals makes it a competitive benefit and a way for companies – and cities – to be ahead of the curve. The Harvard Business Review found that sabbaticals, as a benefit, are growing exponentially and Adecco, the world’s largest Human Resources company, identified them as one of the top five workplace trends.³ Experts say this trend is driven by a shift in how work fits into our lives, with workers increasingly prioritizing work-life balance, and wellbeing.

According to the National League of Cities, between March 2020 and March 2022, local government employment declined by more than 300,000 workers – threatening municipalities’ abilities to perform essential functions and deliver critical services to residents.⁴ Action is needed to address this shortage and ensure appropriate levels of staff are secured, and talented staff with unique skills and experiences are retained.

¹ Schabram, K., Bloom, M., & DiDonna, D. (2023, February 23). Research: The Transformative Power of Sabbaticals. Harvard Business Review. <https://hbr.org/2023/02/research-the-transformative-power-of-sabbaticals>

² Sammer, J. (2023, December 21). Sabbaticals could be the solution to employee burnout. SHRM. <https://www.shrm.org/topics-tools/news/benefits-compensation/sabbaticals-solution-to-employee-burnout>

³ Hall, R. (2024, August 27). Workers prioritising employers that offer sabbaticals in work-life balance shift. The Guardian. <https://www.theguardian.com/money/article/2024/aug/27/workers-prioritising-employers-that-offer-sabbaticals-in-work-life-balance-shift>

⁴ Municipal Workforce Labor Shortage. National League of Cities. (2023, January 26). <https://www.nlc.org/resource/improving-opportunities-and-boosting-economic-mobility/challenges/municipal-workforce-labor-shortage/>

While the City of Berkeley has employed many different strategies to attract new employees, it has struggled to fill vacancies in multiple agencies and departments. According to 2024 presentations before the Budget Committee, Berkeley’s Finance Department had a 25% vacancy rate.⁵ IT had an 18% vacancy rate.⁶ Health, Housing, and Community Service had an 18% vacancy rate.⁷ Many departments have utilized traditional means of recruitment including digital campaigns, landing page ads, and social media outreach. However, traditional methods have fallen short. To fill these vacancies, the City must become a more attractive employer to workers – and workers are changing.

Younger generations work differently, and they are more likely to value work-life balance and mental health. In a survey conducted by Handshake, 80% of undergrads expressed concern about burnout and almost 9 in 10 said work-life balance, mental health, and overall well-being are “very important” to them at work.⁸

In addition to appealing to young people, sabbaticals are a means of fostering talent, and workers who took sabbaticals “reported greater self-clarity and confidence in their managerial skills” and “those who filled in during the sabbatical-taker’s absence had their own experiences of self-discovery and were able to showcase hidden talents.”⁹

The Sabbatical Project, an organization researching the transformative power of sabbaticals, has found that sabbaticals can be a “peak-life experience,” providing a space for “transitions, healing, discovery, and growth.”¹⁰ Testimonials collected from sabbatical takers detail stories of spending time with loved ones, reconnecting with one’s culture and the natural world, taking up cooking, learning a new language and skill, healing one’s body and mind, and more. A full collection of testimonials from the Sabbatical Project can be found at thesabbaticalproject.org/stories.

REVIEW OF EXISTING PLANS, PROGRAMS, POLICIES, AND LAWS

Currently, two city employee unions have bargained for sabbatical leave – SEIU Local 1021 representing Community Services and Part-Time Recreation Activity Leaders as well as Local One, the Public Employees Union.

⁵ Finance Department. (2024, May 8). Proposed Budget Fiscal Years 2025 & 2026: Finance. [PowerPoint slides]. City of Berkeley. <https://berkeleyca.gov/sites/default/files/legislative-body-meeting-attachments/Item%2003f%20Finance%20FY25-26%20Department%20Budget%20Presentation.pdf>

⁶ Information Technology Department. (2024, May 8). Proposed Budget Fiscal Years 2025 & 2026: Information Technology. [PowerPoint slides]. City of Berkeley. https://berkeleyca.gov/sites/default/files/legislative-body-meeting-attachments/Item%2003e%20IT%20FY25-26_Department%20Budget%20Presentation.pdf

⁷ Department of Health, Housing, and Community Services. (2024, May 8). Proposed Budget Fiscal Years 2025 & 2026: Health, Housing and Community Services. [PowerPoint slides]. City of Berkeley. <https://berkeleyca.gov/sites/default/files/legislative-body-meeting-attachments/Item%2003b%20HHCS%20FY25-26%20Department%20Budget%20Presentation.pdf>

⁸ *How gen Z is changing the conversation around mental health at work*. Handshake. (2024, May 21). <https://joinhandshake.com/blog/network-trends/gen-z-mental-health-at-work/>

⁹ Schabram, K., Bloom, M., & DiDonna, D. (2023, February 23). Research: The Transformative Power of Sabbaticals. Harvard Business Review. <https://hbr.org/2023/02/research-the-transformative-power-of-sabbaticals>

¹⁰ Schabram, K., Bloom, M., & DiDonna, D. *Our research*. The Sabbatical Project. (n.d.). <https://thesabbaticalproject.org/research/>

PEU 24.10:¹¹

After eight (8) consecutive years of employment with the City, an employee may apply for a sabbatical leave without pay for up to six (6) months. Such leave may be granted by the appropriate authority upon the recommendation of the employee's department head but such leave shall not be unreasonably denied. There shall be no requirement that the employee exhaust paid leave balances prior to such sabbatical leave. Life and Health insurances shall be paid by the City for the duration of an approved Sabbatical Leave.

Every Sabbatical Leave shall require an employee commitment of two (2) years service following return from leave. In the event the full two year service commitment is not performed, the employee shall repay a pro rata amount of the life and health insurance premium paid by the City during the sabbatical leave based on the percentage of the two year service commitment not performed.

SEIU/CSU 1021 24.4:¹²

After eight (8) consecutive years of employment with the City, an employee may apply for a sabbatical leave without pay of up to six (6) months. Sabbatical leave is not intended to be used for the six-month period immediately prior to retirement. . . . There shall be no requirement that the employee exhaust paid leave balances prior to such sabbatical leave. Life and Health insurance shall be paid by the City for the duration of an approved Sabbatical Leave. For employees who fail to return to work at the expiration of the approved Sabbatical Leave or fail to return for the equivalent amount of time he or she was approved for Sabbatical Leave, such employee shall reimburse the City or the City may deduct the cost of the Health and Life Insurance premiums paid by the City on behalf of the employee from the employee's payout of their accrued leave balance due at termination.

Berkeley's Strategic Plan identifies the long-term goals and short-term priorities that the City government will focus on to benefit the Berkeley community. One of these key priorities includes attracting and retaining a talented and diverse City government workforce.¹³ The recommendations in this item support that key strategic goal.

¹¹ City of Berkeley, Public Employees Union - Local One. (29 July, 2021). Memorandum of Understanding between City of Berkeley and Public Employees Union - Local One. <https://berkeleyca.gov/sites/default/files/documents/PEULocal1MOU.pdf>

¹² City of Berkeley, Service Employees International Union Local 1021. (29 July, 2021). Memorandum Agreement between City of Berkeley and Service Employees International Union Local 1021. <https://berkeleyca.gov/sites/default/files/documents/SEIU-CSU-Local1021-MOU.pdf>

¹³ *Strategic plan*. City of Berkeley. (n.d.). <https://berkeleyca.gov/your-government/our-work/strategic-plan>

ACTIONS/ALTERNATIVES CONSIDERED

The City has employed various traditional tactics to attract new talent. However, despite some success, most City departments continue to struggle with high vacancy rates. With fewer dedicated employees, the City will struggle to achieve its strategic goals, administer forward-thinking programs and initiatives, and serve the community.

RATIONALE FOR RECOMMENDATION

Our staff are the City of Berkeley's greatest assets. Many employees are experts in their field and provide indispensable services. A report from the City Auditor titled "Staff Shortages: City Services Constrained by Staff Retention Challenges and Delayed Hiring," recommended the City take additional steps to address employee dissatisfaction and detailed several key findings including:¹⁴

- ***Berkeley's staff shortages constrained city services***, but the City did not have a clear strategy to improve retention during our audit period. ***More employees left the City than were hired in each year*** of the audit period, contributing to the staff shortage.
- Employee dissatisfaction made it harder for the City to retain staff. Surveyed employees reported dissatisfaction with workloads, professional development opportunities, pay, and communication and support from city leadership.

IMPLEMENTATION, ADMINISTRATION, AND ENFORCEMENT

The City Manager should review studies and expert opinions about sabbatical policies and their potential structures, review the City's two existing sabbatical leave policies, consult with labor and employees, and return to the City Council a report including the costs/benefits of adopting a policy for all City of Berkeley employees. Evaluation of satisfaction with the two existing policies can provide additional information. Additionally, before official adoption of any policy, the City Manager should study the fiscal impacts and feasibility of providing paid or partially paid sabbatical leave.

Because this referral is for a study, and no implementation will take place until further Council action, this referral does not include discussion of how a potential Sabbatical Leave policy could be implemented and administered.

ENVIRONMENTAL SUSTAINABILITY

N/A

¹⁴ Wong, J., Palmer, C., Mullin, E., Kuechle, K., & Miller, P. (2023, June 22). Staff Shortages: City Services Constrained by Staff Retention Challenges and Delayed Hiring. Berkeley City Auditor. https://berkeleyca.gov/sites/default/files/documents/Staff%20Shortages%20--%20City%20Services%20Constrained%20by%20Staff%20Retention%20Challenges%20and%20Delayed%20Hiring_0.pdf

FISCAL IMPACTS

Currently, the limited sabbatical leave options offered to certain City employees are partially benefitted, but unpaid. There are costs to the organization even when an unpaid Sabbatical Leave is taken, including extra work for colleagues, and the potential need for short term fill-in labor. This item asks the City Manager to evaluate the costs of adopting a city-wide paid, partially paid or unpaid sabbatical leave policy, and return to Council to report on the benefits and costs of such a policy

OUTCOMES AND EVALUATION

The City Manager should periodically consult with labor partners to learn why employees have or have not taken/considered taking advantage of the City's Sabbatical Leave policy. A study of employees who have taken Sabbatical Leave should consider whether employees are reporting higher levels of satisfaction following their leave, and how it impacts their interest in staying with the City for the long term. The City Manager's report should include some metrics to evaluate whether a policy that may be adopted successfully meets the policy's goals.

CONTACT

Councilmember Sophie Hahn, (510) 981-7150



Office of the City Manager

On May 23, 2023, the City Council adopted the recommendation outlined in this staff report, referring to the Budget and Finance Policy Committee to prioritize funding to the vehicle replacement fund to make up the shortfall over time in order to stabilize the fund.

CONSENT CALENDAR

May 23, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Liam Garland, Director, Department of Public Works

Subject: Audit Status Reports: Fleet Replacement Fund Short Millions & Rocky Road: Berkeley Streets At Risk and Significantly Underfunded

POLICY COMMITTEE RECOMMENDATION

On April 13, 2023, the Facilities, Infrastructure, Transportation, Environment & Sustainability Committee adopted the following action: M/S/C (Hahn/Robinson) to send the item to City Council with a positive recommendation that Council:

1. Refer to the City Manager to establish a policy that the Public Works Department will be responsible for reviewing, submitting, and approving all departmental requests to Council for adding new vehicles to the fleet to facilitate maximum cost recovery through the vehicle replacement fund, consistency with fleet rightsizing studies, oversight, and timely electrification of the fleet.
2. Refer to the Budget and Finance Committee to prioritize funding to the vehicle replacement fund to make up the shortfall over time in order to stabilize the fund.

Vote: All Ayes.

INTRODUCTION

On November 19, 2020, the City Auditor published the Rocky Road: Berkeley Streets at Risk and Significantly Underfunded Audit Report¹, reviewing the funding resources to sufficiently maintain City streets, and asking if Public Works has clear policies and processes to guide paving decisions. This is the first status report regarding this audit. On June 2, 2021, the City Auditor published the Fleet Replacement Fund Short Millions Audit Report², reviewing the solvency of the fund to sufficiently replace vehicles and asking if Public Works has the key information necessary to manage the Fleet program. This is the first status report to City Council on the efforts made to implement the Audit Report's recommendations for Fleet.

CURRENT SITUATION AND ITS EFFECTS

The Street Paving Audit Report noted two findings and five recommendations for the Public Works Department to review, implement and report to Council. As of this report,

¹ Rocky Road: Berkeley Streets at Risk and Significantly Underfunded <https://berkeleyca.gov/sites/default/files/2022-01/Rocky-Road-Berkeley-Streets-at-Risk-and-Significantly-Underfunded.pdf>

² Audit: Fleet Replacement Fund Short Millions: <https://berkeleyca.gov/sites/default/files/2022-01/Fleet-Replacement-Fund-Short-Millions.pdf>

three recommendations have been implemented and two recommendations have been partially implemented.

The Fleet Audit Report noted two findings and twelve recommendations for the Public Works Department to review, implement and report to Council. As of this report, there are updates to the status of all twelve recommendations. The first set of seven recommendations was related to the underfunding of the replacement fund. One recommendation has been partly implemented, the remaining six recommendations have been started. The second set of five recommendations focused on Public Works having critical information available to inform management and decision making. All five recommendations under this finding have been started.

The attachment provides a detailed table of audit report recommendations, steps towards corrective action, and implementation updates. The next status report will be in May.

BACKGROUND

Public Works' Engineering Division is responsible for capital projects to maintain over 216 centerline miles of streets in Berkeley, while the Streets & Utilities Division handles day-to-day maintenance of those streets. Public Works' Equipment Maintenance Division manages the maintenance, purchase, and replacement of the City's 730 fleet vehicles, heavy duty trucks and large equipment, including public safety, fire, and alternative fuel vehicles and equipment. Public Works' Administrative and Fiscal Services Division is responsible for the Department's budget and fiscal oversight, regulatory compliance and reporting, and analytical support for routine and special projects in all Public Works operating divisions.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Public Works replaces vehicles with alternative fuel, hybrid and electric vehicles whenever possible given availability of fleet technology, available budget and charging infrastructure. Streets that are improved to benefit all users help encourage more bicycling and walking, which lowers greenhouse gas emissions. Streets that are improved to include green infrastructure help reduce pollution and clean stormwater before it reaches the Bay.

POSSIBLE FUTURE ACTION

Public Works will continue to address the remaining three partially implemented recommendations in the Streets Audit and the twelve started and partially implemented recommendations in Fleet Audit.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

In the biennial budget adoption for FY 2023 and FY 2024, the City Council allocated an increase of \$5,000,000 (FY2023) and \$9,100,000 (FY2024) to street paving in the Capital Improvement Fund. The Council also passed a funding guideline to approve an \$8,000,000 increase in future fiscal years. This funding is intended to raise paving

funding to levels sufficient to maintain current pavement conditions. The Measure L Bond Measure, if approved by Berkeley voters on November 8, 2022, would raise \$300,000,000 towards street and traffic safety improvements, including improvements that advance bicycle and pedestrian use and safety. Project funding would be allocated over several years to raise the pavement condition index (PCI) to 70 or above, which is a "Good" status.

CONTACT PERSON

Sean O'Shea, Administrative & Fiscal Services Manager (510) 981-6306

Joe Enke, Manager of Engineering (510) 981-6411

Greg Ellington, Equipment Management Superintendent (510) 981-9469

Attachment:

1. Audit Findings and Recommendations Response Report – Streets
2. Audit Findings and Recommendations Response Report - Fleet

Audit Title: Rocky Road: Berkeley Streets at Risk and Significantly Underfunded					
Finding	Recommendation		Lead Department	Expected or Actual Implementation Date	Status of Audit Recommendations, Corrective Action Plan, and Progress Summary
Without significant additional funding, Berkeley streets will continue to deteriorate and deferred maintenance costs will increase.	1.1	Annually, conduct a budget analysis, based on the deferred maintenance needs at that point in time, to determine what level of funding is necessary to achieve the desired goals of the Street Rehabilitation Program. Report findings to City Council. This information will be helpful during updates to the Five-Year Street Rehabilitation Plan and during the budgeting process.	Public Works	Ongoing	<u>Partly Implemented:</u> The City received a PTAP grant to fund a consultant (PEI) to survey the entire City's paving condition. The consultant's report is pending. The newly adopted Street Rehab policy says that the City will conduct funding sufficiency analysis based on existing deferred maintenance. This analysis will be included as part of the biannual Paving Plan adoption. Public Works will propose a budget as part of the biannual CIP adoption to address the paving needs, based on available resources, and will present any funding shortfalls to the Council.
Without significant additional funding, Berkeley streets will continue to deteriorate and deferred maintenance costs will increase.	1.2	Identify funding sources to achieve and maintain the goals of the Street Rehabilitation Program.	Public Works	Ongoing	<u>Partly Implemented:</u> Funding sources for street improvement are identified in the Capital Improvement Program budget. The City Council also approved a ballot measure for the November 2022 ballot which if passed, will provide up to \$300,000,000 to improve Berkeley's streets, sidewalks and bike and ped infrastructure. Approximately \$230 million would be allocated to Street Rehabilitation and Repair.

<p>The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.</p>	<p>2.1</p>	<p>Update the Street Rehabilitation and Repair Policy annually and define who is responsible for ensuring the Policy is updated, as stated in the Policy.</p>	<p>Public Works</p>	<p>January 2022</p>	<p><u>Implemented:</u> Public Works Commission approved a Street Rehabilitation and Repair Policy March, 2021, which was received and revised after consideration at the FITES Commission in May 2021, and ultimately adopted by City Council on January 25, 2022. The Policy and Five Year Paving Plan were considered and adopted on the same Council agenda. The Street and Maintenance Policy shall be adopted by City Council at a minimum interval of 5 years, after review by the Transportation and Infrastructure Commission.</p>
<p>The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.</p>	<p>2.2</p>	<p>When updating the Street Rehabilitation and Repair Policy, incorporate equity to align with Vision 2050 and clearly define how it will be applied to the street maintenance and rehabilitation planning process.</p>	<p>Public Works</p>	<p>January 2022</p>	<p><u>Implemented:</u> The updated Street Rehabilitation and Repair Policy was adopted with clear language placing Equity as an objective: "The benefits of good infrastructure shall be distributed equally throughout the entire community regardless of income, political influence, or demographic characteristics of the residents in the area. Equity means that disadvantaged residents with more pressing needs experience benefits sooner than others, as defined by the City within the adopted Five Year Plan." The policy also calls for the designation of an Equity Zone, serving neighborhoods with historic underinvestment, which is to be prioritized to achieve the PCI goals of 70 sooner than the remainder of the City.</p>

<p>The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.</p>	<p>2.3</p>	<p>Define goals and performance measures to guide the Street Rehabilitation and Repair Policy and Street Rehabilitation Program that align with other plans and policies relevant to street paving (e.g., Complete Streets Policy, Vision 2050, etc.). Regularly report to Council on performance measures.</p>	<p>Public Works</p>	<p>January 2022</p>	<p><u>Implemented:</u> Performance Metrics are included as a major part of the adopted Specific Policy. Key areas: 1) The goal is to get to standard PCI of 70 for roadways: Arterials, Collectors, Bus Routes, Bikeway Network, and Equity Zone. 2) Funding should be prioritized with Equity in mind 3) Performance metrics reporting will be included with the biannual Paving Plan review.</p>
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Audit Title: Fleet Replacement Fund Short Millions					
Finding	Recommendation		Lead Department	Expected or Actual Implementation Date	Status of Audit Recommendations, Corrective Action Plan, and Progress Summary
The Replacement Fund is underfunded by millions of dollars.	1.1	Calculate the dollar value of the City’s replacement needs. Use results from the recent rate study to adjust departments’ replacement fees to cover their share of the costs associated with vehicle replacement, including customization and personnel.	Public Works	Ongoing	<u>Partly Implemented:</u> The current fleet replacements costs have been updated in FUND\$ Fleet Management System to include all costs, and have been reflected in the FY 23 & FY 24 Operating budget and the five year replacement schedule communicated in the FY 23-27 CIP.
The Replacement Fund is underfunded by millions of dollars.	1.2	Conduct an analysis of the City’s current fleet and determine the optimal fleet size to provide services efficiently and effectively. This analysis should include fleet units identified as reserve, backup, and “pool” vehicles. The outcome of the analysis should be a plan to achieve and provide funding for the optimal fleet size.	Public Works	February - May 2023	<u>Started:</u> Staff issued an RFP to analyze its fleet and received two solicitations. Public Works has selected Mercury Associates to be the consultant to lead the study.

<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.3</p>	<p>Work with the City Manager’s Office to adjust the funding model of the Equipment Replacement Fund or adopt a new one to ensure appropriate funding for timely fleet replacement, such as annually transferring money from the General Fund based on an assessment of the City’s overall fleet needs and priorities. Expand the current vehicle and equipment replacement policy to ensure transparency of key provisions of the new or updated model.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Public Works presented an Equipment Replacement Fund deficit reduction proposal in its departmental budget presentation to the Budget & Finance Policy Committee and in submittals for General Fund consideration to the City Manager. While not funded in FY 23/24, the department will keep monitoring the fund health and make funding proposals in future budget development cycles.</p>
<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.4</p>	<p>Revise the vehicle and equipment replacement policy to include that Public Works should regularly assess the personnel expenditures related to vehicle and equipment replacement and ensure that they are appropriate and proportional to their duties.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Draft policy has been updated and is going through final departmental review.</p>
<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.5</p>	<p>Revise the vehicle and equipment replacement policy to prevent replacing unfunded vehicles by ensuring that contributed funds are available for the purchase.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Draft policy has been updated and is going through final departmental review.</p>

<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.6</p>	<p>Develop an Administrative Regulation that clarifies Public Works’ responsibilities to manage the fleet and maintain sufficient fleet replacement funding.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> The department has drafted a policy document use instead of an AR.</p>
<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.7</p>	<p>To help secure the funding needed for transitioning to electric vehicles by 2030, work with the City Manager’s Office to develop a budgetary plan to purchase electric vehicles. The plan should align with the City’s fleet electrification goals and take into consideration the current economic downturn, funding availability, available infrastructure, and electric vehicle availability.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> EV purchases for FY 23-24 have been outlined in the budget. A budgetary plan for transitioning to EVs by 2030 is not yet available.</p>
<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.1</p>	<p>Conduct a needs assessment of vehicles overdue for replacement and create a plan that documents a timeline and cost for replacement. Report the findings to City Council.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Backlog vehicles to be purchased have been included in the FY 23-24 budget, though a formal needs assessment has not been completed.</p>

<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.2</p>	<p>Update the vehicle and equipment replacement policy to include criteria for prioritizing fleet replacement. The policy should include a requirement to communicate a delay in replacement of their fleet to affected departments. In Administrative Regulation described in recommendation 1.6, specify that the vehicle and equipment replacement policy should include such criteria.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Policy update is in draft form and awaits final approval.</p>
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Public Works lacks information on vehicle and equipment replacement for decision making.	2.3	<p>Work with the vendor of the new fleet management system to configure it to address the data issues identified in this report, including:</p> <ul style="list-style-type: none"> • Tracking Replacement Funds collected and leftover funds by department; • Zeroing out the balance after a vehicle is replaced; • Adjusting the replacement date and reporting the rationale if a replacement is deferred; <p>and</p> <ul style="list-style-type: none"> • Displaying any information needed to prioritize replacements based on specified criteria. 	Public Works	December 2022	<p><u>Started:</u> Data issues have been presented to the vendor/project management team, though the new data system has not yet been implemented.</p>
Public Works lacks information on vehicle and equipment replacement for decision making.	2.4	Clean and update the vehicle and equipment database before migrating it to the new fleet management system to ensure accuracy and data integrity.	Public Works	December 2022	<p><u>Started:</u> Data cleanup is underway however the Assetworks implementation is behind schedule and the go-live date is planned for the future.</p>

<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.5</p>	<p>Update the vehicle and equipment replacement policy or develop a separate policy to require staff manage the City's data appropriately to ensure accurate complete information to support management decisions.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Policy update is in draft form and awaits final approval.</p>
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