



Office of the City Manager

Date: December 9, 2021  
To: Budget and Finance Policy Committee  
From: Dee Williams-Ridley, City Manager  
Submitted by: Henry Oyekanmi, Finance Director  
Subject: FY 2022 First Quarter Revenue Report

As evidenced by the revenues received in the first quarter of FY 2022, the City continues to benefit from a robust housing market that contributes to Real Estate Transfer Tax revenues. This and other real estate valuation-based revenue streams have helped to blunt the severe impact that the continuing COVID health emergency has had on other revenues. No significant revenues have yet been received for Property Taxes or Vehicle In-lieu revenues due to the standard yearly timing of those receipts (normally Oct/Nov and Apr/May).

Some other revenue categories (such as Sales Taxes) that generally track with the overall regional economy have made significant gains in the first quarter of FY 2022, compared with the same quarter in FY 2021 (which was heavily impacted by COVID). Sales Taxes for the first quarter, however, are just barely at the levels of the first quarter of FY 2020, still reflecting the stagnant growth attributable to COVID-affected economic conditions.

Receipt of revenues from Transient Occupancy (Hotel) Taxes and Short-term Rentals, which are directly related to travel to the City, are still much lower than pre-pandemic levels, even if there has been some recovery from the shut-downs and travel restrictions of early FY 2021.

Overall, General Fund total revenues for the first quarter of FY 2022 are \$15.4M higher than the same quarter in FY 2021, but that was at the initial peak of the economic effects of the pandemic, as the trailing receipts of Sales and TOT taxes from the initial COVID shutdown were impacting City revenues. And while FY 2022 first quarter revenue is \$10.5M higher than the same quarter in pre-pandemic FY 2020, more than half of that amount (\$5.7M) is due to ARPA Relief funds allocated to General Fund. The remainder is attributable to the increase in receipts of Property Transfer Taxes (including the Measure P taxes on high-value transactions).

## General Fund Revenue and Transfer In FY 2022 1<sup>st</sup> Quarter vs FY 2021 1<sup>st</sup> Quarter Comparison

Revenue Categories	FY 2022				FY 2021				Comparison FY22 vs FY 21	
	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	\$71,382,000	\$3,272,735	(\$68,109,265)	4.58%	\$61,165,454	\$3,298,714	(\$57,866,740)	5.39%	(25,979)	-0.79%
Redemptions - Regular	831,441	84,930	(746,511)	10.21%	534,512	123,151	-411,361	23.04%	(38,221)	-31.04%
Supplemental Taxes	2,000,000	222,865	(1,777,135)	11.14%	1,260,000	313,161	-946,839	24.85%	(90,296)	-28.83%
Unsecured Property Taxes	2,625,000	39,971	(2,585,029)	1.52%	2,250,000	(2,404)	-2,252,404	-0.11%	42,375	-1762.69%
Property Transfer Tax	21,000,000	12,299,015	(8,700,985)	58.57%	16,500,000	4,746,819	-11,753,181	28.77%	7,552,196	159.10%
Property Transfer Tax-Measure P (New December 21, 2018)	8,500,000	3,924,007	(4,575,993)	46.16%	4,747,414	1,002,599	-3,744,815	21.12%	2,921,408	291.38%
Sales Taxes	18,287,215	4,896,380	(13,390,835)	26.77%	15,786,200	3,827,061	-11,959,139	24.24%	1,069,319	27.94%
Soda Taxes	990,210	237,577	(752,633)	23.99%	970,794	260,569	-710,225	26.84%	(22,992)	-8.82%
Utility Users Taxes	13,000,000	3,311,793	(9,688,207)	25.48%	12,750,000	3,078,308	-9,671,692	24.14%	233,485	7.58%
Transient Occupancy Taxes	2,173,000	1,206,282	(966,718)	55.51%	5,070,000	539,035	-4,530,965	10.63%	667,247	123.79%
Short-term Rentals	630,000	289,862	(340,138)	46.01%	676,260	62,436	-613,824	676.260	227,426	364.25%
Business License Tax	18,498,146	494,990	(18,003,156)	2.68%	12,984,192	186,479	-12,797,713	1.44%	308,511	165.44%
Recreational Cannabis	1,643,739	532,085	(1,111,654)	32.37%	1,300,000	44,883	-1,255,117	3.45%	487,202	1085.49%
U1 Revenues	5,120,350	71,648	(5,048,702)	1.40%	2,700,000	34,236	-2,665,764	1.27%	37,412	109.28%
Other Taxes	1,761,714	361,941	(1,399,773)	20.54%	922,048	267,921	-654,127	29.06%	94,020	35.09%
Vehicle In-Lieu Taxes	14,959,837	-	(14,959,837)	0.00%	12,421,597	-	-12,421,597	0.00%	-	-
Parking Fines-Regular Collections	3,726,450	1,347,952	(2,378,498)	36.17%	5,049,000	599,640	-4,449,360	11.88%	748,312	124.79%
Parking Fines-Booting Collections										
Moving Violations	132,600	51,839	(80,761)	39.09%	190,000	15,789	-174,211	8.31%	36,050	228.32%
Ambulance Fees	3,154,002	746,006	(2,407,996)	23.65%	5,103,208	630,108	-4,473,100	12.35%	115,898	18.39%
Interest Income	4,462,320	1,369,448	(3,092,872)	30.69%	2,851,200	1,217,126	-1,634,074	42.69%	152,322	12.51%
Franchise Fees	1,613,283	177,082	(1,436,201)	10.98%	1,551,696	189,820	-1,361,876	12.23%	(12,738)	-6.71%
Other Revenue	6,729,979	2,086,510	(4,643,467)	31.00%	6,246,348	3,439,931	-2,806,417	55.07%	(1,353,421)	-39.34%
IDC Reimbursement	5,490,000	1,111,423	(4,378,577)	20.24%	5,490,000	1,221,056	-4,268,944	22.24%	(109,633)	-8.98%
Transfers	27,354,923	6,838,731	(20,516,192)	25.00%	17,274,293	4,432,641	-12,841,652	25.66%	2,406,090	54.28%
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<b>Total Revenue:</b>	<b>\$236,066,207</b>	<b>\$44,975,072</b>	<b>-\$191,091,135</b>	<b>19.05%</b>	<b>\$195,794,216</b>	<b>\$29,529,079</b>	<b>-\$166,265,137</b>	<b>15.08%</b>	<b>\$15,445,993</b>	<b>52.31%</b>

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

The first quarter review generally focuses primarily on the major revenue fluctuation and changes that have occurred that might result in significant changes in future projections. Typically, Staff waits until the mid-year to identify General Fund revenue projections that should be revised. Staff will monitor these revenues for one more quarter and make the determination of revising the projections at the half year point.

During the first quarter of FY 2022, General Fund revenue and transfers increased by \$15,445,993 or 52.3%, from \$29,529,079 in the first quarter of FY 2021, to \$44,975,072 in the first quarter of FY 2022, due primarily to the following increases:

- Property Transfer Taxes \$ 7,552,196
- Measure P 2,921,408
- Sales Taxes 1,069,319
- Transient Occupancy Taxes (TOT) 667,247
- Parking Fines 748,312
- Transfers In 2,406,090

### **Secured Property Tax (-\$25,979 less than FY 2021 Actual)**

During the first quarter of FY 2022, Secured Property Tax revenues totaled \$3,272,735, which was \$25,979 or .8% less than the \$3,298,714 received for the same period in FY 2021. This first quarter revenue reflects a relatively small amount received from the previous year's levy that was unpaid during that fiscal year. The amount received was typical of what is historically received in the first quarter. The FY 2022 Adopted Budget assumes a 4.72% increase for the year, while the County's Certification of Assessed Valuation reflects growth of 4.48%.

**Unsecured Property Tax (+\$42,375 more than FY 2021 Actual)**

During the first quarter of FY 2022, Unsecured Property Tax revenues totaled \$39,971, which was \$42,375 or 1,762.7% more than the net refund of (\$2,404) in the same period in FY 2021. The FY 2022 Adopted Budget reflected a decline of 31.4%, while the County's Certification of Assessed Valuation growth reflected growth of 1.96% for FY 2022. Staff will probably be increasing the FY 2022 Unsecured Property Tax revenue projection once the half year results are analyzed.

**Property Transfer Tax (+\$7,552,196 more than FY 2021 Actual)**

During the first quarter of FY 2022, Property Transfer Tax totaled \$12,299,015, which was \$7,552,196 or 159.1% more than the \$4,746,819 received for the first quarter of FY 2021. However, \$3,384,375 of that increase resulted from the late payment by the County of the May 2021 Property Transfer Taxes, which should have been received in FY 2021.

The primary reasons for the remaining \$4,167,821 increase in Property Transfer Tax were (1) The dollar value of property sales increased by 36.1% during the first quarter of FY 2022, as illustrated in the table below; and (2) The number of property sales transactions increased by 67 or 32.7% during the first quarter of FY 2022, as illustrated in the table below. Staff will closely monitor this revenue for another quarter before proposing a change in the FY 2022 projection for Property Transfer Taxes and/or Measure P taxes.

<b>Property Sales Under \$1.5 million</b>				
	<b>July</b>	<b>August</b>	<b>September</b>	<b>Total</b>
FY 2022	\$179,675,533	\$115,008,000	\$107,276,800	\$401,960,333
FY 2021	74,018,291	115,007,000	106,351,773	295,377,064
Change	105,657,242	1,000	925,027	106,583,269
% Change	142.7%	0.0%	0.9%	36.1%

<b>Transactions</b>				
	<b>July</b>	<b>August</b>	<b>September</b>	<b>Total</b>
FY 2022	114	84	74	272
FY 2021	50	82	73	205
Change	64	2	1	67
% Change	128.0%	2.4%	1.4%	32.7%

**Measure P-Property Transfer Tax (+\$2,921,408 more than FY 2021 Actual)**

In addition, \$3,924,007 in Measure P taxes (a tax which took effect on December 21, 2018) was collected during the first quarter of FY 2022, which was \$2,921,408 or 291.4% more compared to \$1,002,599 collected during the first quarter of FY 2021. The increase was a result of (1) The September 2020 collection of \$678,093 being recorded in October 2020; and (2) significant increases in property sales amount in FY 2022 versus those for the same period in FY 2021.

<b>Property Sales \$1.5 million+</b>				
	<b>July</b>	<b>August</b>	<b>September</b>	<b>Total</b>
FY 2022	\$117,712,500	\$126,787,000	\$147,899,400	\$392,398,400
FY 2021	39,265,000	60,994,900		100,259,900

Change	78,447,500	65,793,000		292,138,500
% Change	199.8%	107.9%		291.4%

**Sales Tax (+\$1,069,319 more than FY 2021 Actual)**

For the first quarter of FY 2022, Sales Tax revenue totaled \$4,896,380, which was \$1,069,319 or 27.9% more than the \$3,827,061 received for the first quarter of FY 2021. The increase was consistent with the following projection made by the City's Sales Tax Consultant:

Sales Tax Category	Revenue Projection
General Retail	\$ 3,582,787
Food Products	5,573,760
Transportation	2,482,737
Construction	1,227,280
Business-to-business	1,782,010
Miscellaneous	786,424
Subtotal	15,434,998
County pool	3,956,336
State pool	9,966
County sharing	(970,065) <sup>1</sup>
CDTFA admin.	(144,019) <sup>2</sup>
Total	\$18,287,216

**Utility Users Taxes (+\$233,485 more than FY 2021 Actual)**

Utility Users Tax revenue for the first quarter of FY 2022 totaled \$3,311,793, which was \$233,485 or 7.6% more than the \$3,078,308 received for the same period in FY 2021. This increase of \$233,485 resulted from the following:

FY 2022 Actual First Quarter Revenues and FY 2021 Actual First Quarter Revenues				
	FY2022	FY 2021	\$ Change	% Change
Telephone	\$ 305,385	\$ 310,767	\$ -5,382	-1.73%
Cable	252,245	258,207	- 5,962	-2.31%
Cellular	432,303	371,264	61,039	16.44%
Electric	1,858,586	1,710,948	147,638	8.63%
Gas	463,274	427,122	36,152	8.46%
Total	\$3,311,793	\$3,078,308	\$233,485	7.58%

**Transient Occupancy Tax (+\$667,247 more than FY 2021 Actual)**

Transient Occupancy Tax (TOT) revenue for the first quarter of FY 2022 totaled \$1,206,282, which was \$667,247 or 123.8% more than the \$539,035 received for the first quarter of FY 2021. The increase in FY 2022 was primarily attributable to an increase of 155.8% occupancy at the five largest hotels in Berkeley during the quarter.

<sup>1</sup> The cities in Alameda County share 5% of their Bradley Burns sales taxes with the County; and,

<sup>2</sup> The CDTFA administrative fees are a percentage of taxes CDTFA charges to administer the sales tax program

**Short-Term Rentals (+\$227,426 more than FY 2021 Actual)**

Short-Term Rentals revenue for the first quarter of FY 2022 totaled \$289,862, which was \$227,426 or 364.3% more than the \$62,436 received for the first quarter of FY 2021.

**Business License Taxes +(\$308,511 more than FY 2021 Actual)**

Business license Taxes (BLT) revenue for the first quarter of FY 2022 totaled \$494,990, which was \$308,511 or 165.4% more than the \$186,479 received for the first quarter of FY 2021. BLT are not due yet, so it is too soon to determine what the FY 2022 trends are.

**Recreational Cannabis (+\$487,202 more than FY 2021 Actual)**

Recreational Cannabis revenue for the first quarter of FY 2022 totaled \$532,085, which was \$487,202 or 1,085.5% more than the \$44,883 received in the first quarter of FY 2021. This increase was primarily attributable to \$240,260 in Recreational Cannabis receipts during the first quarter of FY 2021 that did not get recorded in the General Ledger before the close of the first quarter. Recreational Cannabis taxes are not due yet, so it is too soon to determine what the FY 2022 revenue trends are.

**U1 Revenues (+\$37,412 more than FY 2021 Actual)**

U1 revenues for the first quarter of FY 2022 totaled \$71,648, which was \$37,412 or 109.3% more than the \$34,236 received in the first quarter of FY 2021. U1 revenues are not due yet, so it is too soon to determine what the FY 2022 U1 revenues trends are.

**Vehicle In Lieu Taxes (\$0 more than FY 2021 Actual)**

There was no Vehicle in Lieu Taxes (VLF) received during the first quarter of FY 2022 and FY 2021, since they are not yet due. However, the County's Certification of Assessed Valuation reflects growth of 4.48%. Changes in VLF revenues are based on the growth in assessed values.

**Parking Fines (+\$748,312 more than FY 2021 Actual)**

Parking Fines revenue for the first quarter of FY 2022 totaled \$1,347,952, which was \$748,312 or 124.8% more than the \$599,640 received for the first quarter of FY 2021. The primary reason for the increase was a significant increase in ticket writing. From March 2020 to June 2020, Parking Enforcement was limited in the violations they were able to write due to COVID-19. Between July 2020-August 2020, meter enforcement began again and Residential Preferential Parking renewal occurred, which allowed Parking Enforcement to begin residential parking enforcement in October 2020.

During the quarter, ticket writing increased from 23,645 or 31.1% in the first quarter of FY 2021 to 31,006 in the first quarter of FY 2022, as follows:

	<b>July</b>	<b>August</b>	<b>Sept.</b>	<b>Total</b>
FY 2022	9,548	9,674	11,784	31,006
FY 2021	6,810	7,744	9,091	23,645
Difference	+2,738	+1,930	+2,693	+7,361
% Difference	+40.2%	+24.9%	+29.6%	+31.1%

**Ambulance Fees (+\$115,898 more than FY 2021 Actual)**

Ambulance Fees revenue for FY 2022 totaled \$746,006, which was \$115,898 or 18.4% more than the \$630,108 received for the same period during FY 2021. This increase was primarily due to an increase in the number of transports.

**Interest Income (+\$152,322 more than FY 2021 Actual)**

For the first quarter of FY 2022, interest income totaled \$1,369,448, which was \$152,322 or 12.5% more than the total of \$1,217,126 received for the same period in FY 2021. This increase was primarily attributable to a significant increase in the proportion of the portfolio that was invested in long-term (i.e., one year or more) securities than in short-term securities (i.e., less than one year, which paid rates ranging from .01%-.25%), despite the decline in average interest rates.

Primarily as a result of the Fed's actions, the net interest rate earned by the City dropped from a range of 1.13%-1.17% during the first quarter of FY 2021, to a range of .912%-1.057% during the first quarter of FY 2022, as follows:

<b>Monthly Net Interest Rate Earned</b>			
<b>FY</b>	<b>July</b>	<b>August</b>	<b>September</b>
2022	.912%	1.028%	1.057%
2021	1.17%	1.13%	1.14%

**Franchise Fees (-\$12,738 less than FY 2021 Actual)**

Franchise Fees for the first quarter of FY 2022 totaled \$177,082, which was \$12,738 or 6.7% less than the \$189,820 received for the same period in FY 2021.

**Transfers (+\$2,406,090 more than FY 2021 Actual)**

Transfers from other funds for the first quarter of FY 2022 totaled \$6,838,731 which was \$2,406,090 or 54.3% more than the \$4,432,641 received for the same period in FY 2021. This was primarily attributable to the Transfer of \$5,742,339 from the American Rescue Plan Fund in the first quarter of FY 2022 to recover from the impact of the COVID-19 pandemic, compared to the Transfer of \$1,725,000 from the Stabilization Reserve Fund and the \$1,125,000 from the Catastrophic Reserve Fund during the FY 2021 first quarter, to mitigate the negative impact of COVID-19.

**Other Revenues (-\$1,353,421 less than FY 2021 Actual)**

Other Revenues consists 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 for the first quarter of FY 2022 totaled \$2,086,510 which was \$1,353,421 or 39.3% less than the \$3,439,931 received for the first quarter of FY 2021. This decrease resulted primarily from the receipt in the first quarter of FY 2021 of \$704,000 from East Bay Community Foundation for the Berkeley Relief Fund, to finance grant payments to assist businesses and nonprofit organizations impacted by the COVID-19 pandemic.