



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 2021 Final Revenue Report

During FY 2021, General Fund revenue and transfers increased from FY 2020 by \$8,340,556 or 3.73%, from \$223,687,644 to \$232,028,200. That increase was due primarily to Transfers of \$11.4 million from the City's reserve funds (\$6.9 million from the Stabilization Reserve Fund and \$4.5 million from the Catastrophic Reserve Fund) to mitigate the negative impacts of the COVID-19 pandemic.

In addition, Other Revenues Income for FY 2021 totaled \$10,354,768 which is \$2,322,963 or 28.9% more than the \$8,031,805 received in FY 2020. The increase was primarily due to \$1.5 million received in FY 2021 for the COVID Relief Program and \$.9 million received for the Berkeley Relief Fund.

However, that's only part of the FY 2021 story:

At mid-year, FY 2021 General Fund year-over-year revenue growth was approximately 15%, compared to the actual revenue growth of 3.73% for the entire year. This indicates that the first half economic performance was solid and helped to absorb the negative impacts of the second half.

Another part of the FY 2021 story is that business-related revenues were hit hard by the continuing impact of the COVID-19 pandemic, as follows:

- Sales Tax revenue totaled \$15,792,305, which was \$1,765,234 or 10.1% less than the \$17,557,539 received in FY 2020.
- Transient Occupancy Tax (TOT) revenue totaled \$2,292,480 which was \$4,095,015 or 64.1% less than the \$6,387,495 received in FY 2020.
- Business License Tax revenue totaled \$17,809,332, which was \$3,200,121 or 15.2% less than the \$21,009,453 received in FY 2020.
- U1 Business License Tax revenue totaled \$4,818,740 which was \$778,619 less than the \$5,597,359 received in FY 2020.
- Interest Income totaled \$5,917,722, which was \$2,024,465 or 25.5% less than the \$7,942,187 received in FY 2020.

- Ambulance Fee revenue totaled \$3,081,204, which was \$1,914,989 or 38.3% less than the \$4,996,193 received in FY 2020.

On the other hand, property-related revenues were strong during the COVID-19 pandemic, as follows:

- Secured Property Tax revenues totaled \$68,166,155, which was \$4,973,477 or 7.87% more than the \$63,192,678 received in FY 2020.
- Property Transfer Tax revenue totaled \$21,469,955, which was a decrease of \$625,552 or 2.8% from the \$22,095,507 received in FY 2020. The amount of \$21,469,955 received in FY 2021 was \$4,969,955 more than the adopted budget amount of \$16,500,000. The primary reason for the \$625,552 decrease in Property Transfer Tax was that the May 2021 payment of \$3,384,375 from the County was not received until July 12, 2021 (FY 2022).
- Unsecured Property Tax totaled \$3,448,412, which was an increase of \$284,244 or 9.0% from the \$3,164,168 received in FY 2020.
- Vehicle In-Lieu Tax revenue totaled \$14,380,453, which was \$1,024,409 or 7.7% more than the \$13,356,044 received in FY 2020.

General Fund Revenue and Transfers, FY 2021 and FY 2020 Comparison

| Revenue Categories | FY 2021 | | | | FY 2020 | | | | Comparison FY21 vs FY 20 | |
|---|----------------------|----------------------|---------------------|----------------|----------------------|----------------------|---------------------|----------------|--------------------------|---------------|
| | 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 | \$61,165,454 | \$68,166,155 | \$7,000,701 | 111.45% | \$63,192,622 | \$63,192,678 | (\$6,944) | 99.99% | 4,973,477 | 7.87% |
| Redemptions -Regular | 534,512 | 757,854 | 223,342 | 141.78% | 668,140 | 580,941 | (\$87,199) | 86.95% | 176,913 | 30.45% |
| Supplemental Taxes | 1,260,000 | 2,249,517 | 989,517 | 178.53% | 1,400,000 | 2,334,597 | \$934,597 | 166.76% | (85,080) | -3.64% |
| Unsecured Property Taxes | 2,250,000 | 3,448,412 | 1,198,412 | 153.26% | 2,500,000 | 3,164,168 | \$664,168 | 126.57% | 284,244 | 8.98% |
| Property Transfer Tax | 16,500,000 | 21,469,955 | 4,969,955 | 130.12% | 12,500,000 | 22,095,507 | \$9,595,507 | 176.76% | (625,552) | -2.83% |
| Property Transfer Tax-Measure P (New December 21, 2018) | 4,747,414 | 10,919,576 | 6,172,162 | 230.01% | 1,509,218 | 9,512,603 | \$8,003,385 | 630.30% | 1,406,973 | 14.79% |
| Sales Taxes | 15,786,200 | 15,792,305 | 6,105 | 100.04% | 18,238,000 | 17,557,539 | (\$680,461) | 96.27% | (1,765,234) | -10.05% |
| Soda Taxes | 970,794 | 953,069 | (17,725) | 98.17% | 1,459,057 | 1,331,313 | (\$127,744) | 91.24% | (378,244) | -28.41% |
| Utility Users Taxes | 12,750,000 | 13,892,200 | 1,142,200 | 108.96% | 15,000,000 | 13,475,915 | (\$1,524,085) | 89.84% | 416,285 | 3.09% |
| Transient Occupancy Taxes | 5,070,000 | 2,292,480 | (2,777,520) | 45.22% | 7,800,000 | 6,387,495 | (\$1,412,505) | 81.89% | (4,095,015) | -64.11% |
| Short-term Rentals | 676,260 | 694,197 | 17,937 | 102.65% | 1,020,000 | 1,280,267 | \$260,267 | 125.52% | (586,070) | -45.78% |
| Business License Tax | 12,984,192 | 17,809,332 | 4,825,140 | 137.16% | 19,584,000 | 21,009,453 | \$1,425,453 | 107.28% | (3,200,121) | -15.23% |
| Recreational Cannabis | 1,300,000 | 1,712,641 | 412,641 | 131.74% | 510,000 | 1,300,887 | \$790,887 | 255.08% | 411,754 | 31.65% |
| UI Revenues | 2,700,000 | 4,818,740 | 2,118,740 | 178.47% | 1,000,000 | 5,597,359 | \$4,597,359 | 559.74% | (778,619) | -31.91% |
| Other Taxes | 922,048 | 1,362,227 | 440,179 | 147.74% | 1,116,860 | 1,536,731 | \$419,871 | 137.59% | (174,504) | -11.36% |
| Vehicle In-Lieu Taxes | 12,421,597 | 14,380,453 | 1,958,856 | 115.77% | 13,333,826 | 13,356,044 | \$22,218 | 100.17% | 1,024,409 | 7.67% |
| Parking Fines-Regular Collections | 5,049,000 | 3,571,391 | (1,477,609) | 70.73% | 6,600,000 | 3,892,325 | (\$2,707,675) | 58.97% | (320,934) | -8.25% |
| Parking Fines-Booting Collections | | | 0 | | 200,000 | 8,685 | (\$191,315) | 4.34% | (8,685) | -100.00% |
| Moving Violations | 190,000 | 131,756 | (58,244) | 69.35% | 190,000 | 209,894 | \$19,894 | 110.47% | (78,138) | -37.23% |
| Ambulance Fees | 5,103,208 | 3,081,204 | (2,022,004) | 60.38% | 4,200,000 | 4,996,193 | \$796,193 | 118.96% | (1,914,989) | -38.33% |
| Interest Income | 2,851,200 | 5,917,722 | 3,066,522 | 207.55% | 3,564,000 | 7,942,187 | \$4,378,187 | 222.84% | (2,024,465) | -25.49% |
| Franchise Fees | 1,551,696 | 1,726,470 | 174,774 | 111.26% | 2,068,928 | 1,839,102 | (\$229,826) | 88.89% | (112,632) | -6.12% |
| Other Revenue | 6,246,348 | 10,354,768 | 4,108,420 | 165.77% | 7,980,544 | 8,031,805 | \$51,261 | 100.64% | 2,322,963 | 28.92% |
| IDC Reimbursement | 5,490,000 | 5,345,014 | (144,986) | 97.36% | 6,100,000 | 5,489,783 | (\$610,217) | 90.00% | (144,769) | -2.64% |
| Transfers | 17,274,293 | 21,180,762 | 3,906,469 | 122.61% | 5,386,188 | 7,564,173 | \$2,177,985 | 140.44% | 13,616,589 | 180.01% |
| Total Revenue: | \$195,794,216 | \$232,028,200 | \$36,233,984 | 118.51% | \$197,128,383 | \$223,687,644 | \$26,559,261 | 113.47% | \$8,340,556 | 3.73% |

Notes: (1) This statement is presented on a budgetary basis (i.e., cash).
 (2) Current vendor no longer breaks out Regular and Boating Parking Fines Collections.

Secured Property Tax (+\$4,973,477 more than FY 2020 Actual)

During FY 2021, Secured Property Tax revenues totaled \$68,166,155, which was \$4,973,477 or 7.8% more than the \$63,192,678 received in FY 2020, and was consistent with the 7.7% increase in assessed value reflected in the County's Certification of Assessed Valuation. The FY 2021 total of \$68,166,155 was \$7,000,701 more than the adopted budget amount of \$61,165,454.

Unsecured Property Tax (+\$284,244 more than FY 2020 Actual)

During FY 2021, Unsecured Property Tax revenues totaled \$3,448,412, which was \$284,244 or 9.0% more than the \$3,164,168 received in FY 2020, and was more than the 7.1% increase in assessed value reflected in the County's Certification of Assessed Valuation. The FY 2021 total of \$3,448,412 was \$1,198,412 more than the adopted budget amount of \$2,250,000.

Property Transfer Tax (-\$625,552 less than FY 2020 Actual)

During, FY 2021, Property Transfer Tax revenue totaled \$21,469,955, which was a decrease of \$625,552 or 2.8% from the \$22,095,507 received in FY 2020. The amount of \$21,469,955 received in FY 2021 was \$4,969,955 more than the adopted budget amount of \$16,500,000. The primary reason for the \$625,552 decrease in Property Transfer Tax was that the May 2021 payment of \$3,384,375 from the County was not received until July 12, 2021 (FY 2022).

This revenue source is typically budgeted at \$12.5 million as any excess above that amount is transferred to the reserve fund and the Capital Improvement Fund the following fiscal year. However, Council suspended the policy in FY 2021 in order to approve a

onetime increase of \$4 million in the baseline to \$16.5 million, to help deal with the impact of the COVID-19 pandemic.

In addition, \$10,919,576 in Measure P taxes (taxes effective December 21, 2018) was collected during FY 2021 compared to \$9,512,603 collected during FY 2020. The primary reason for the increase was there were more multi-million transactions during FY 2021 than there were in FY 2020.

Sales Tax (-\$1,765,234 less than FY 2020 Actual)

During FY 2021, Sales Tax revenue totaled \$15,792,305, which was \$1,765,234 or 10.1% less than the \$17,557,539 received in FY 2020. The amount of \$15,792,305 received in FY 2021 was \$6,105 more than the adopted budget amount of \$15,786,200. The decline in FY 2021 was primarily due to the impact COVID-19 had on retail businesses.

Utility Users Taxes (+\$416,285 more than FY 2020 Actual)

UUT revenue in FY 2021 increased by \$416,285 or 3.1%, to \$13,892,200 from \$13,475,915 received in FY 2020. The \$13,892,200 collected in FY 2021 was \$1,142,200 or 9.0% more than the adopted budget amount of \$12,750,000.

The increase in FY 2021 was primarily attributable to decreases in Telephone (-\$68,183), Cellular (-\$160,037) and Cable (-\$136,800), which were more than offset by increases in Gas (+\$164,499) and Electric (+\$616,825).

Transient Occupancy Tax (-\$4,095,015 less than FY 2020 Actual)

Transient Occupancy Tax (TOT) revenue for FY 2021 totaled \$2,292,480 which was \$4,095,015 or 64.1% less than the \$6,387,495 received in FY 2020. The FY 2021 decline in revenue was attributable to a substantial decline in room occupancy, due to the impact of the COVID-19 pandemic. More specifically, the pandemic resulted in a decline of \$3,296,482 or 22.6% in TOT revenue at the City's five largest hotels during FY 2021, versus a 22.6% decrease during FY 2020, with a range of 34.5% to 83.5%.

Business License Taxes (-\$3,200,121 less than FY 2020 Actual)

During FY 2021, BLT revenue totaled \$17,809,332, which was \$3,200,121 or 15.2% less than the \$21,009,453 received in FY 2020. The \$17,809,332 collected in FY 2021 was \$4,825,140 or 37.2% more than the adopted budget amount of \$12,984,192. The decline in FY 2021 was due primarily to the impact of COVID-19. Specifically, FY 2020 BLT is based on businesses 2019 gross receipts, and FY 2021 BLT is based on their 2020 gross receipts. In March 2020, the COVID-19 pandemic required many businesses to temporarily close for safety reasons. The unexpected temporary closures created a very negative impact on many businesses (especially retail and hotels) and forced some to permanently close.

In addition, during FY 2021, U1 Business License Tax revenue totaled \$4,818,740 which was \$778,619 less than the \$5,597,359 received in FY 2020. The \$4,818,740 collected in FY 2021 was \$2,118,740 more than the adopted budget amount of \$2,700,000.

Vehicle In Lieu Taxes (+\$1,024,409 more than FY 2020 Actual)

For FY 2020, VLF revenue totaled \$14,380,453, which was \$1,024,409 or 7.7% more than the \$13,356,044 received in FY 2020, and was consistent with the 7.7% increase in

assessed value for FY 2021. The amount of \$14,380,453 received in FY 2021 was \$1,958,856 more than the adopted budget amount of \$12,421,597.

Parking Fines (-\$320,934 less than FY 2020 Actual)

During FY 2021, Parking Fines revenue decreased by \$320,934 or 8.3% to \$3,571,391, from \$3,892,325 in FY 2020, despite an increase in ticket writing, from 100,219 to 113,648 or 13.4%. The number of tickets written (and their collectability) were negatively impacted by the Governor's shelter in place orders related to the COVID-19 pandemic.

Interest Income (-\$2,024,465 less than FY 2020 Actual)

During FY 2021, Interest Income totaled \$5,917,722, which was \$2,024,465 or 25.5% less than the \$7,942,187 received in FY 2020. It was also \$3,066,252 more than the adopted budget amount of \$2,851,200. The decline in interest income in FY 2021 primarily resulted from the following, which was triggered by the Federal Reserve Board voting on March 15, 2020 to cut short-term interest rates back to zero, in order to mitigate the negative impact of the COVID-19 pandemic on the US economy: (1) The average book value of long-term investments were lower in FY 2021 until June 2021; (2) the average balance of investments in lower-yielding short-term investments were higher in FY 2021; and (3) the weighted-average interest rates were lower in FY 2021.

Ambulance Fees (-\$1,914,989 less than FY 2020 Actual)

For FY 2021, Ambulance Fee revenue totaled \$3,081,204, which was \$1,914,989 or 38.3% less than the \$4,996,193 received in FY 2020. This decrease was primarily due to the impact of the COVID-19 pandemic, which resulted in substantially less transports in FY 2021 than there were in FY 2020. The total of \$3,081,204 collected was \$2,022,004 less than the FY 2021 adopted budget amount of \$5,103,208.

Other Revenues (+\$2,322,963 more than FY 2020 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 Income for FY 2021 totaled \$10,354,768 which was \$2,322,963 or 28.9% more than the \$8,031,805 received in FY 2020. The increase was primarily due to \$1.5 million received in FY 2021 for the COVID Relief Program and \$.9 million received for the Berkeley Relief Fund.

Indirect Cost Reimbursements (-\$144,769 less than FY 2020 Actual)

During FY 2021, IDC Reimbursement \$5,345,014 which was \$144,769 or 2.6% less than the \$5,489,783 received in FY 2020. This was primarily attributable to a slight decrease in the indirect cost allocation base (i.e., total direct salaries and wages) in FY 2021. IDC Reimbursement 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 both.

Transfers (+\$13,616,589 more than FY 2020 Actual)

During FY 2021, Transfers totaled \$21,180,762 which was \$13,616,589 or 180.0% more than the \$7,564,173 received in FY 2020. The increase was primarily due to the transfers of \$11.4 million from the reserve funds (\$6.9 million from the Stabilization Reserve Fund

and \$4.5 million from the Catastrophic Reserve Fund) to mitigate the negative impacts of COVID-19 pandemic, and a \$.9 Million from the IT Allocation Fund

KEY TO THE GENERAL FUND REVENUES

REAL PROPERTY TAXES

Under the State Constitution, Real Property Taxes (Property Taxes) are applied to all taxable real and personal property (i.e., possessory interest, and other personal property considered to be permanently attached to the property), and are set at 1% of the assessed value. The Alameda County Assessor maintains property tax assessment rolls that account for all property. Property Taxes are adjusted per the following:

- ❑ The assessed value of real property that has not changed ownership increases by the change in the California Consumer Price Index up to a maximum of 2% per year.
- ❑ Property that changes ownership; is substantially altered; is newly constructed; “state-assessed” rather than “local-assessed” property; and personal property (i.e., possessory interest, and other personal property considered to be permanently attached to the property), is assessed at the full market value in the first year, and subject to the 2% cap, thereafter.

In 1979, in order to mitigate the loss of Property Tax revenues after approval of Proposition 13, the State legislature approved AB 8. This action was approved to provide a permanent method for allocating the proceeds from the 1% property tax rate, by allocating revenues back to local governments based on their historic shares of property tax revenues. As part of the State’s 1993-94 budget, the AB 8 formula was altered requiring another ongoing shift in City Property Tax revenue to K-12 schools and community colleges (Education Revenue Augmentation Fund or ERAF).

Proposition 1A, enacted in November 2004, provides protection for local property taxes, sales taxes, and VLF revenues by prohibiting the State Legislature from taking any action that would:

- ❑ Reduce the local Bradley Burns Uniform sales and Use Tax rate or alter its allocation.
- ❑ Decrease VLF revenue from the 0.65% rate without providing replacement funding.
- ❑ Shift property taxes from cities, counties or special districts except under certain circumstances.

The City’s Property Tax is collected by Alameda County. The City currently receives approximately 32.57% of the 1% countywide real property tax levied within the City limits, and most of the revenue is received in December and April. These percentages do not take into consideration the contributions made to the former redevelopment projects.

| ALLOCATION OF COUNTY-WIDE PROPERTY TAX | |
|---|--------------------|
| Agency/Jurisdiction Allocation | % Allocated |
| City of Berkeley | 32.57 |
| County General Fund | 15.06 |
| Schools | 42.85 |
| Special Districts | 9.52 |
| Total 1% Countywide Tax Allocation | 100.00 |

Analysis of Real Property Tax

Factors that affect the revenue generated by property taxes are:

- ❑ Changes in assessed values, which are caused by inflation adjustments up to 2%, construction activity, and sales of properties;
- ❑ Economic growth in the Bay Area; and
- ❑ The rate of collection.

| CHANGES IN TAXABLE ASSESSED VALUES & COLLECTION RATE | | | | |
|---|--------------|--------------|--------------|--------------|
| Description | 2018 | 2019 | 2020 | 2021 |
| Taxable Assessed Value (\$1,000) | \$17,376,517 | \$18,580,711 | \$19,811,196 | \$21,335,186 |
| \$ Change Assessed Value (\$1,000) | 1,175,644 | 1,204,194 | 1,230,485 | 1,523,990 |
| % Change Assessed Value | 7.26% | 6.93% | 6.62% | 7.69% |
| % Prop Tax Collected | 98.89% | 99.14% | 98.74% | 98.96% |

FY 2021 Real Property Tax revenues totaled \$68,166,155, which was \$4,973,477 or 7.87% more than the \$63,192,678 received in FY 2020, and was consistent with the 7.7% increase in assessed value. The FY 2021 total of \$68,166,155 is \$7,000,701 more than the adopted budget amount of \$61,165,454.

The growth in annual property tax revenues is generally close to the growth in annual assessed values. Differences between the two result primarily from reassessment refunds and changes in delinquency rates.

Forecast of Property Tax Revenue

The revenue projection for Real Property Tax revenue is primarily based on the annual County Assessor's Office estimate of assessed values, which is provided in June each year. The difference between the estimate in June and the actual certification in August

is generally small. Real Property Tax revenue is currently projected to grow at about 4.6% in FY 2022, 3.5% in FY 2023 and 3.5% in FY 2024. Staff updates these original Adopted Budget projections quarterly.

| REAL PROPERTY TAXES | | | | | | |
|----------------------------|----------------|--------------|--------------|-------------------|--------------|--------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$59,178,773 | \$63,192,678 | \$68,166,155 | \$71,280,000 | \$73,774,800 | \$76,356,918 |
| \$ Change | 3,140,555 | 4,013,905 | 4,973,477 | 3,113,845 | 2,494,800 | 2,582,118 |
| % Change | 5.60% | 6.78% | 7.87% | 4.6% | 3.50% | 3.50% |

SUPPLEMENTAL REAL PROPERTY TAXES

Supplemental Taxes are the result of the reassessment of property as of the 1st day of the month following either an ownership change or completion of new construction. In most cases, this reassessment results in one or more supplemental tax bills being sent to the property owner during the year, in addition to the annual property tax bill.

The Assessor determines the new value of the property based on the current market, and then calculates the difference between the new value (set at the time of purchase or completion of new construction) and the old value (set on January 1st of the previous fiscal year). The result is the supplemental assessment value. Once the new assessed value of a property has been determined, the Assessor will send a notification of the amount to be assessed to the owner.

Analysis of Supplemental Real Property Tax

Factors that affect the revenue generated by Supplemental Taxes are the sales of real property and/or new construction in the City that occurs after the assessment lien date (of January 1st) until the end of the fiscal year, June 30th.

For FY 2021, Supplemental Tax revenue totaled \$2,249,517, which is a decrease of \$85,080 or 3.6% from the \$2,334,597 received in FY 2020. The amount of \$2,249,517 received in FY 2021 was \$989,517 more than the adopted budget amount of \$1,260,000.

Forecast of Supplemental Real Property Tax Revenue

Supplemental Tax revenues are very volatile from year to year. Therefore, revenues are projected to decline 11% in FY 2022 and then remain flat in FY 2023 and FY 2024. The volatility is due to fluctuations in the reassessment backlog worked on by the County Assessor’s Office. As the County works on reassessment applications, this revenue typically goes up. Staff updates these original adopted budget projections quarterly.

| SUPPLEMENTAL REAL PROPERTY | | | | | | |
|-----------------------------------|----------------|-------------|-------------|-------------------|-------------|-------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$2,174,903 | \$2,334,597 | \$2,249,517 | \$2,000,000 | \$2,000,000 | \$2,000,000 |
| \$ Change | (62,746) | 159,694 | (85,080) | (249,517) | 0 | 0 |
| % Change | (2.8%) | 7.3% | (3.6%) | (11.1%) | 0% | 0% |

PROPERTY TRANSFER TAXES

The Property Transfer Tax (Transfer Tax) rates are set by the City of Berkeley. The City’s transfer tax rate is 1.5% for properties with a consideration of up to \$1.5 million, and 2.5% for transferred properties with a consideration of over \$1.5 million. The additional 1% (Measure P revenue) will be used for general municipal purposes such as navigation centers, mental health support, rehousing and other services for the homeless, including homeless seniors and youth.

The \$1.5 million threshold will be adjusted annually to capture approximately the top 33% of such transfers based on transfers that occurred in the 12 months preceding September 1 of the preceding year. However, the threshold cannot be reduced below \$1.5 million, meaning that the tax on properties transferred for \$1.5 million or less would remain at 1.5%, notwithstanding any adjustment.

The tax is due when the documents of transfer are recorded with the County. Title companies collect the tax as part of the sale closing process, and remit the funds to Alameda County when sales or transfers are finalized. Penalties are imposed on delinquent payments, and interest is charged from the date of delinquency until paid. Alameda County remits the amounts due monthly, and the amounts are credited to the General Fund.

Seismic Retrofit Rebate Program. In Berkeley, a portion of Transfer Taxes are used to fund the City’s Seismic Retrofit Rebate Program for residential housing. Upon transfer of a qualifying residential property, the buyer may voluntarily choose to reserve up to 1/3 of the total Transfer Tax to perform voluntary seismic upgrades as specified by the City.

Property owners have up to one year after the recording of the sale to complete the seismic work and file for the rebate. An extension for good cause may be requested in writing up to one year past the original deadline date, provided the request is made prior to the one-year filing deadline.

Analysis of Property Transfer Tax

Because Property Transfer Tax is tied directly to all real property sales, it is a volatile revenue source, and difficult to predict more than one year at a time. Factors that affect the revenue generated by Transfer Taxes are the sale price of property and the frequency with which property is sold. These immediate factors are driven by the availability of

mortgage loans, the level of long-term interest rates, the supply and demand for real estate in Berkeley, and general economic growth in the Bay Area.

For FY 2021, Property Transfer Tax revenue totaled \$21,469,955, which is a decrease of \$625,552 or 2.83% from the \$22,095,507 received in FY 2020. The amount of \$21,469,955 received in FY 2021 was \$4,969,955 more than the adopted budget amount of \$16,500,000. The primary reason for the \$625,552 decrease in Property Transfer Tax was that the May 2021 payment of \$3,384,375 from the County was not received until July 12, 2021 (FY 2022).

This revenue source is typically budgeted at \$12.5 million as any excess above that amount is transferred to the reserve fund and the Capital Improvement Fund the following fiscal year. However, Council suspended the policy in FY 2021 in order to approve a one-time increase of \$4 million in the baseline to \$16.5 million, to help deal with the impact of the COVID-19 pandemic.

In addition, \$10,919,576 in Measure P taxes (taxes effective December 21, 2018) was collected during FY 2021 compared to \$9,512,603 collected during FY 2020. The primary reason for the increase was there were more multi-million transactions during FY 2021 than there were in FY 2020.

Forecast of Transfer Tax Revenue

Staff is forecasting recurring Transfer Tax revenue of \$12.5 million in FY 2022 through FY 2024, net of budgeted seismic retrofit rebates. Staff is of the opinion that total Transfer Tax revenue (the recurring and non-recurring amounts) will be close to the level of \$21 million for FY 2022 through FY 2024. In addition to the \$21 million projected for FY 2022, the May 2021 property transfer tax receipt of \$3,384,375, that was sent late by the County, will be included in FY 2022 revenue.

Any amounts above the \$12.5 million baseline will be non-recurring (one-time) revenue, available for one-time expenditure allocations only.

| PROPERTY TRANSFER TAX | | | | | | |
|--------------------------|----------------|--------------|--------------|-------------------|--------------|--------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$19,952,981 | \$22,095,507 | \$21,469,955 | \$21,000,000 | \$21,000,000 | \$21,000,000 |
| \$ Change | 1,041,613 | 2,142,526 | (625,552) | (469,955) | 0 | 0 |
| % Change | 5.51% | 10.73% | (2.83%) | (2,2%) | 0% | 0% |

| Measure P | | | | | | |
|--------------------------|-----------------------|----------------|----------------|--------------------------|----------------|----------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$2,932,313 | \$9,512,603 | \$10,919,576 | \$8,500,000 | \$8,500,000 | \$8,500,000 |
| \$ Change | 2,932,313 | 6,580,290 | 1,406,973 | (2,419,576) | 0 | 0 |
| % Change | | 224.4% | 14.79% | (22.2%) | 0% | 0% |

VEHICLE IN-LIEU TAX / LICENSE FEES (VLF)

Motor Vehicle In-Lieu Tax (VLF) is a tax imposed by the State on the ownership of a registered vehicle. VLF is collected by the State Department of Motor Vehicles (DMV) and more than 95% of these fees are divided equally between counties and cities, and their aggregate shares are distributed in proportion to the respective populations of the cities and counties. The State withholds less than 5% of these fees for the support of the Department of Motor Vehicles. Until 1998-99, the annual license fee was 2% of the market value of the vehicle as determined by the DMV. In 1998-99, the State reduced the license fees by 25%, but agreed to backfill local jurisdictions for this loss in revenue.

In 2004, the Governor lowered the annual VLF to 0.65%, from 2.0%. In the budget agreement between the Governor and cities and counties, the Governor agreed to backfill the 1.35% difference in VLF with property taxes from the Education Revenue Augmentation Fund (ERAF), in exchange for cities and counties taking cuts of \$350 million in FY 2005 and FY 2006. Berkeley's share of the cut was \$1.83 million in both FY 2005 and FY 2006. Beginning in FY 2006, this property tax in lieu of VLF began to grow at the same rate as the change in gross assessed valuation of taxable property in the City from the prior year.

Analysis of VLF

Factors that have affected the revenue generated by VLF in the past include the sales of new vehicles in California, DMV administrative costs, and the proportion of Berkeley's population to the total for the State and County. Starting in FY 2006, the rate of growth in the assessed values of properties also impacted VLF revenues, as the amount of the VLF paid increases by the change in gross assessed values of taxable properties.

For FY 2021, VLF revenue totaled \$14,380,453, which is \$1,024,409 or 7.7% more than the \$13,356,044 received in FY 2020, and was consistent with the 7.7% increase in assessed value for FY 2021. The amount of \$14,380,453 received in FY 2021 was \$1,958,856 more than the adopted budget amount of \$12,421,597.

Forecast of VLF Revenue

VLF revenue projections are based on trend analysis, growth in assessed value and communications with the State Controller's Office staff about new vehicle sales and DMV administrative costs reported. VLF revenue is tied to the change in gross assessed values of taxable properties.

| VEHICLE IN-LIEU TAX / LICENSE FEES (VLF) | | | | | | |
|---|----------------|--------------|--------------|-------------------|--------------|--------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$12,540,784 | \$13,356,044 | \$14,380,453 | \$14,959,837 | \$15,483,432 | \$16,025,352 |
| \$ Change | 717,867 | 815,260 | 1,024,409 | 579,384 | 523,595 | 541,920 |
| % Change | 6.1% | 6.5% | 7.7% | 4.03% | 3.5% | 3.5% |

PERSONAL PROPERTY TAXES (UNSECURED PROPERTY)

Personal property tax is assessed at the rate of 1% of the market value on a business' personal property, such as office furniture, machinery, boats, aircraft and other equipment. The tax is billed and collected by Alameda County in a single installment due August 31st, and most of the amount due to the City is remitted in September and credited to the General Fund.

Analysis of Personal Property Taxes

Factors that affect the revenue generated by taxes on personal property are business capital expenditures growth, and the collection rate. The growth in annual personal property tax revenues should generally be close to the growth in annual assessed values, except for significant changes in collection rates. In addition, prior years' personal property levies collected in the current year and refunds are included in the total and can cause significant variances.

For FY 2021, Unsecured Property Tax revenues totaled \$3,448,412, which was \$284,244 or 9.0% more than the \$3,164,168 received in FY 2020, and was consistent with a 7.1% increase in FY 2021 assessed value. The amount of \$3,448,412 received in FY 2021 was \$1,198,412 more than the adopted budget amount of \$2,250,000.

Forecast of Personal Property Tax Revenue

Staff is projecting a decline of approximately 24% to \$2,625,000 in FY 2022 and then level out through FY 2024, based on the County Assessor's estimate of a 25% decline in business personal property, due to the effects of COVID-19.

| PERSONAL PROPERTY TAX | | | | | | |
|------------------------------|----------------|-------------|-------------|-------------------|-------------|-------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$2,878,275 | \$3,164,168 | \$3,448,412 | \$2,625,000 | \$2,625,000 | \$2,625,000 |
| \$ Change | 191,077 | 285,893 | 284,244 | (823,412) | 0 | 0 |
| % Change | 7.11% | 9.93% | 9.0% | (23.9%) | 0% | 0% |

SALES TAXES

Sales Tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The Use Tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer. The proceeds of sales and use taxes imposed within the boundaries of Berkeley are distributed by the State to various agencies, with the City of Berkeley receiving 1% of the amount collected. In March 2004, voters of California approved Proposition 57, the California Economic Recovery Bond Act. Legislative provisions implementing Proposition 57 provide for a swapping of ¼ cent to be used by the State to repay the bonds, effective July 1, 2004. The so called “triple flip” provisions consist of (a) a reduction of the Bradley Burns Local Sales and Use Tax rate by ¼% in tandem with a new ¼% state rate to fund fiscal recovery bond repayment; (b) repayment to cities and counties with additional local property tax previously allocated to local schools; and (c) repayment to local schools with State general funds.

Effective April 1, 2009, the State sales and use tax rate was increased by 1%, from 8.75% to 9.75%. This 1% tax rate increase expired on July 1, 2011. However, Proposition 30, temporary Taxes to Fund Education, was approved by voters at the state-wide election on November 6, 2012. This measure provided for an increase in the tax rate of .25% for four years (January 1, 2013 through December 31, 2016). In 2016, California voters approved Proposition 55 to extend Prop 30 from 2019 through 2030 with the same mandatory audits and transparency requirements.

The total sales tax rate for Alameda County is currently 10.25% and distributed as follows:

| DISTRIBUTION OF SALES TAX COLLECTED WITHIN ALAMEDA COUNTY | |
|--|-----------------------|
| Agency | Distribution % |
| State of California | 6.00% |
| State Public Safety Fund (Proposition 172) | 0.50% |
| City of Berkeley | 1.00% |
| Alameda County Transactions and Use Tax | .50% |
| Alameda County Children’s Health and Child Care | .50% |
| Alameda County Transportation Improvement Authority | .50% |
| Alameda County Transportation Commission | .50% |
| Alameda County Transportation Funds | .25% |
| Bay Area Rapid Transit District (BART) | .50% |
| Total Sales Tax | 10.25% |

Analysis of Sales Tax

Factors that affect the revenue generated by Sales Tax include:

- ❑ Overall economic growth in the Bay Area and competition from neighboring cities;
- ❑ Growth rate of specific dominant commercial/industrial sectors in Berkeley;
- ❑ Berkeley’s business attraction/retention efforts, especially on retail establishments; and
- ❑ Catalog and Internet sales

For FY 2021, Sales Tax revenue totaled \$15,792,305, which is \$1,765,234 or 10.1% less than the \$17,557,539 received in FY 2020. The amount of \$15,792,305 received in FY 2021 was \$6,105 more than the adopted budget amount of \$15,786,200. The decline in FY 2021 was primarily due to the impact COVID-19 had on retail businesses.

| SALES TAX | | | | | | |
|--------------------------|----------------|--------------|--------------|-------------------|--------------|--------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$18,663,550 | \$17,557,539 | \$15,792,305 | \$18,287,215 | \$19,827,678 | \$20,660,832 |
| \$ Change | 1,227,959 | (1,106,011) | (1,765,234) | 2,494,910 | 1,540,463 | 833,154 |
| % Change | 7.00% | (5.93%) | (10.1%) | 15.8% | 8.4% | 4.2% |

Forecast of Sales Tax Revenue

The City’s sales tax consultant is projecting a strong rebound in the City’s sales tax revenues starting in FY 2022. Annual Sales Tax revenue is projected to increase by 15.8% in FY 2022 and then level off with an 8.4% increase in 2023 and 4.2% in FY 2024.

BUSINESS LICENSE TAX

A tax receipt (colloquially called a “business license”) is issued each year upon payment of a Business License Tax (BLT), which is either a fixed amount or based on a varying percentage of the prior year’s gross receipts, depending on the type of business. The Business License must be renewed on January 1st each year, and the required tax is delinquent if paid after February 28th.

Analysis of Business License Tax

Factors that affect the BLT revenue are:

- ❑ Number of business renewals;
- ❑ Commercial and industrial growth rates;
- ❑ Attraction/loss of businesses;
- ❑ Economic growth in the Bay Area; and
- ❑ Results of Finance BLT collection activity; and the City Auditor’s and Finance Department audit programs.

For FY 2021, BLT revenue totaled \$17,809,332, which is \$3,200,121 or 15.23% less than the \$21,009,453 received in FY 2020. The \$17,809,332 collected in FY 2021 was

\$4,825,140 or 37.2% more than the adopted budget amount of \$12,984,192. The decline in FY 2021 was due primarily to the impact of COVID-19. Specifically, FY 2020 BLT is based on businesses' 2019 gross receipts, and FY 2021 BLT is based on their 2020 gross receipts. In March 2020, the COVID-19 pandemic required many businesses to temporarily close for safety reasons. The unexpected temporary closures created a very negative impact on many businesses (especially retail and hotels) and forced some to permanently close.

Forecast of Business License Tax Revenue

BLT revenues are projected to recover approximately 4% in FY 2022 and 5% in FY 2023 and FY 2024.

| BUSINESS LICENSE TAX | | | | | | |
|--|----------------|--------------|--------------|-------------------|--------------|--------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$19,848,803 | \$21,009,453 | \$17,809,332 | \$18,498,146 | \$19,423,053 | \$20,394,205 |
| \$ Change | (45,862) | 1,014,835 | (3,200,121) | 688,814 | 924,907 | 971,152 |
| % Change | .2% | 5.11% | (15.23%) | 3.9% | 5.00% | 5.00% |
| Estimated # of Licenses (calendar year) | 13,029 | 13,029 | 12,100 | 12,100 | 12,100 | 12,100 |

U1 Business License Revenue

For FY 2021, U1 Business License Tax revenue totaled \$4,818,740 which is \$778,619 less than the \$5,597,359 received in FY 2020. The \$4,818,740 collected in FY 2021 was \$2,118,740 more than the adopted budget amount of \$2,700,000.

UTILITY USERS TAX

Utility Users Tax (UUT) has generally been a steady and reliable source of General Fund revenue for most cities, and Berkeley's 4th largest source of GF revenue. Utility Users Tax is charged at the rate of 7.5% to all users of a given utility (electricity, gas, telephone, cable, and cellular), other than the corporation providing the utility (a utility company's consumption of all utilities used in the production or supply of their service is not taxed). The tax is not applicable to State, County, or City agencies, or to insurance companies and banks.

Analysis of UUT

Some factors that affect the revenue generated by UUT are:

- Consumption/use of gas, electricity, telecommunication services, cable, and cellular;
- Regulatory actions, including deregulation and re-regulation;

- ❑ PUC rate changes;
- ❑ Market forces;
- ❑ Evolution of technology; and
- ❑ Legislative actions at State and Federal levels

About 71% of UUT revenues were generated from gas and electric services and 29% from telecommunications during FY 2021, compared to a ratio of 60% / 40% in the past:

UUT revenue in FY 2021 increased by \$416,284 or 3.1%, to \$13,892,199 from \$13,475,915 received in FY 2020. The \$13,892,199 collected in FY 2021 was \$1,142,199 or 9.0% more than the adopted budget amount of \$12,750,000.

The increase in FY 2021 is primarily attributable to decreases in Telephone (-\$68,183), Cellular (-\$160,037) and Cable (-\$136,800), which were more than offset by increases in Gas (+\$164,499) and Electric (+\$616,825).

Forecast of UUT Revenues

UUT is projected to decrease in FY 2022 by over 6%, and then level off in FY 2023 and FY 2024.

| UTILITY USERS TAX | | | | | | |
|--------------------------|----------------|--------------|--------------|-------------------|--------------|--------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$13,973,744 | \$13,475,915 | \$13,892,199 | \$13,000,000 | \$13,000,000 | \$13,000,000 |
| \$ Change | (854,376) | (497,829) | 416,284 | (892,199) | 0 | 0 |
| % Change | 5.76% | (3.56%) | 3.1% | (6.42%) | 0% | 0% |
| Cable | 1,240,599 | 1,130,787 | 993,986 | 1,001,070 | 1,001,070 | 1,001,070 |
| Gas/Elec | 9,037,982 | 9,146,167 | 9,927,490 | 9,104,524 | 9,104,524 | 9,104,524 |
| Phone | 1,867,460 | 1,348,107 | 1,279,924 | 1,411,041 | 1,411,041 | 1,411,041 |
| Cellular | 1,827,703 | 1,850,854 | 1,690,798 | 1,483,365 | 1,483,365 | 1,483,365 |

FRANCHISE FEES: CABLE - ELECTRIC - GAS

Cable Franchise

Prior to the passage of State Bill AB2987, Federal and State laws allowed cities to grant franchises to cable companies to use the public right-of-way (PROW) to install and provide video service. The cable company, in turn, applied for a permit to install the video facilities. The permit also allowed for maintenance work once the installation was complete. Under the current franchise agreement, the cable company pays Berkeley an annual franchise fee of 5% of gross revenues, in quarterly installments. In addition, they support the Public Access Channel programming (B-TV). The cable franchise expired on November 12, 2007. State Bill AB 2987 allows companies to apply for statewide cable

television franchises, and the bill maintains the City’s 5% franchise fee. In addition to the 5% franchise fee, the bill allows the City to receive an additional fee of 1% of the gross revenue for Public, Educational and Government (PEG) purposes.

Electric & Gas Franchises

These franchise fees (ultimately paid by the consumer) are variable fees based on gross receipts for the sale of electricity or gas within the City, and is the greater of these two calculations:

1. Electric or Gas Franchise Ordinance: 2% of gross receipts attributable to miles of line operated; or
2. 1937 Act Computations: gross receipts within the City times 0.5%.

Electric/Gas franchise fees are paid annually to the General Fund. Electric and gas franchise payments are based on two methods of calculating gross receipts. The electric/gas company must complete both calculations, and the payment made is the greater amount. In addition, the PUC approved a franchise fee surcharge since PG&E no longer handles all energy service, in order to prevent cities from losing franchise revenue generated by third parties. The surcharge is an estimate of the amount of revenues generated by third parties multiplied by the franchise fee rate.

Analysis of Franchise Fees

For FY 2021, Franchise Fee revenue totaled \$1,726,470, which is \$112,632 or 6.12% less than the \$1,839,102 received for FY 2020, as a result of a decline of \$102,312 in Cable, \$9,297 in Electric, and \$1,023 in Gas. The \$1,726,470 collected in FY 2021 was \$174,774 or 11.3% more than the adopted budget amount of \$1,551,696.

Forecast of Franchise Fee Revenue

Franchise Fee revenues are projected to increase by 2% in FY 2022 through FY 2024.

| FRANCHISE FEES | | | | | | |
|--------------------------|----------------|-------------|-------------|-------------------|-------------|-------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$1,821,316 | \$1,839,102 | \$1,726,470 | \$1,613,283 | \$1,645,549 | \$1,678,460 |
| Cable | 920,878 | 818,637 | 716,325 | 718,109 | 732,471 | 747,120 |
| Electric | 530,175 | 598,023 | 588,726 | 524,608 | 535,101 | 545,803 |
| Gas | 370,263 | 422,442 | 421,419 | 370,566 | 377,977 | 385,537 |

TRANSIENT OCCUPANCY TAXES

Transient Occupancy Tax (TOT) is assessed at the rate of 12% on the room charge for rental of transient lodging when the period of occupancy is 30 days or less. This is sometimes referred to as a “hotel tax.” Hotel guests pay the 12% tax.

Analysis of TOT

Factors that affect the revenue generated by TOT are: the number of hotel rooms available for occupancy; their level of occupancy; and the average room rates charged. Economic cycles that impact personal or business discretionary spending also impact travel, and thus affect the number of occupied rooms in a particular economic cycle.

Transient Occupancy Tax (TOT) revenue for FY 2021 totaled \$2,292,480 which is \$4,095,015 or 64.1% less than the \$6,387,495 received in FY 2020. The FY 2021 decline in revenue is attributable to a substantial decline in room occupancy, due to the impact of the COVID-19 pandemic. More specifically, the pandemic resulted in a decline of \$3,296,482 or 22.6% in TOT revenue at the City’s five largest hotels during FY 2021, versus a 22.6% decrease during FY 2020, with a range of 34.5% to 83.5%.

Forecast of TOT Revenue

The Adopted Budget TOT revenue forecast is based on projections for the 12 largest hotels (TOT = number of rooms times hotel’s estimate of occupancy rate times average room rate). Revenues are currently projected to decrease by 67.59% in FY 2021, and then increase by 5% in FY 2022 and FY 2023.

| TRANSIENT OCCUPANCY TAX | | | | | | |
|--------------------------|----------------|-------------|-------------|-------------------|-----------|-----------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$7,995,133 | \$6,387,495 | \$2,292,480 | \$2,173,500 | 2,282,175 | 2,396,284 |
| \$ Change | 187,860 | (1,607,638) | (4,095,015) | 118,980 | 108,675 | 114,109 |
| % Change | 2.41% | (20.11%) | (64.1%) | 5.19% | 5% | 5% |

INTEREST INCOME

The City employs a strict cash management program to ensure that all available funds are invested to earn the maximum yield consistent with safety and liquidity. Invested money is pooled and each of the funds receives interest income based on its share of monthly net cash balances. Short-term securities are purchased at a discount (the interest income earned by the City is the difference between the price paid by the City and the par value of the bonds). Long-term securities purchased by the City pay an interest coupon (generally semi-annually). Interest is allocated from the General Fund each month to other designated City funds, based on their net cash balances.

Analysis of Interest Income

For FY 2021, Interest Income totaled \$5,917,722, which was \$2,024,465 or 25.49% less than the \$7,942,187 received in FY 2020. It was also \$3,066,522 more than the adopted budget amount of \$2,851,200. The decline in interest income in FY 2021 primarily resulted from the following, which was triggered by the Federal Reserve Board voting on March 15, 2020 to cut short-term interest rates back to zero, in order to mitigate the negative impact of the COVID-19 pandemic on the US economy: (1) The average book value of long-term investments were lower in FY 2021 until June 2021; (2) the average

balance of investments in lower-yielding short-term investments were higher in FY 2021; and (3) the weighted-average interest rates were lower in FY 2021.

Forecast of Interest Income

Interest Income projections are made by taking the existing investments and multiplying by the effective yield, and adding the calculation for estimated interest income on future investments (estimate of amounts to be invested in the various maturities, times the estimate of the applicable interest rate. Interest income is projected to decline in FY 2022 through FY 2024, due to lower interest rates resulting from the Federal Reserve Board reduction of short-term interest rates back to zero to mitigate the negative impact of the COVID-19 pandemic.

| INTEREST INCOME | | | | | | |
|--------------------------|----------------|-------------|-------------|-------------------|-------------|-------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$4,334,404 | \$7,942,187 | \$5,917,722 | \$4,462,320 | \$4,411,120 | \$4,411,120 |

PARKING FINES

AB 408 decriminalized parking violations, changing punishment from a criminal penalty to a civil liability. In doing so, it substituted a system of citations and civil penalties, to be adjudicated by an administrative structure within the city or other agency rather than the court system. This structure was intended to allow cities more control and efficiency in the administration of parking fines.

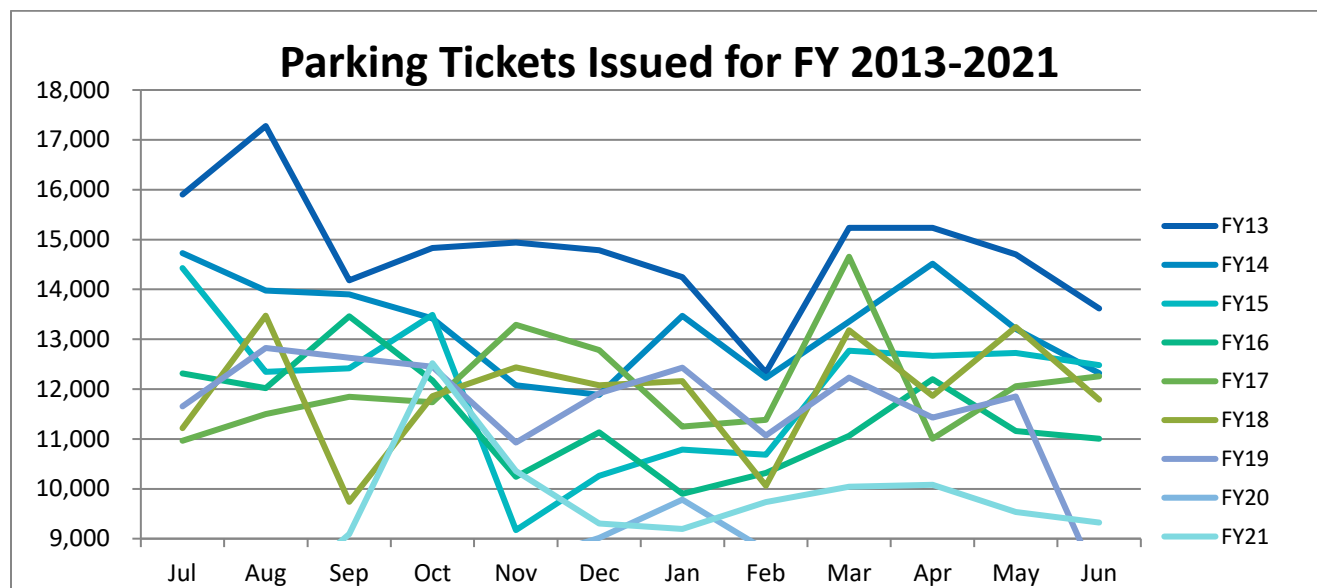
Analysis of Parking Fines

Factors that affect the revenue generated by Parking Fines include:

- ❑ Amounts established for payment of parking tickets and related charges
- ❑ Number of working parking meters
- ❑ Collections using a professional collections agency and also registration holds with DMV and/or liens with the Franchise Tax Board

For FY 2021, Parking Fines revenue decreased by \$320,934 or 8.25% to \$3,571,382, from \$3,892,325 in FY 2020, primarily as a result of the Governor’s shelter in place orders resulting from the COVID-19 pandemic.

After hitting a high of \$11.9 million in revenue and 312,005 tickets written in FY 2007, Parking Fines revenue and ticket writing has declined nearly every year since then. The graph below shows the year-over-year declines in ticket writing from FY 2013 through FY 2021, as follows:



| PARKING FINES | | | | | | |
|--------------------------------------|----------------|-------------|-------------|-------------------|-------------|-------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Net Regular Collections | \$6,002,211 | \$3,892,325 | \$3,571,391 | \$3,726,450 | \$3,912,773 | \$4,108,411 |
| Total Booting Collections | 211,913 | 0 | 0 | 0 | 0 | 0 |
| Total Collections | 6,214,124 | 3,892,325 | 3,571,391 | 3,726,450 | 3,912,773 | 4,108,411 |
| \$ Change | (393,877) | (2,109,886) | (320,934) | 155,059 | 186,323 | 195,638 |
| % Change | (5.96%) | (35.15%) | (8.25%) | 4.34% | 5% | 5% |
| Parking Citations | 139,516 | 100,219 | 113,648 | 115,921 | 118,239 | 120,604 |

Forecast of Parking Fine Revenue

Revenue projections are based on: an estimate of valid tickets issued times the average ticket price times the collection rate (including use of a collection agency, registration holds with DMV and/or liens with the Franchise Tax Board) minus Jail Construction Fund payments.

AMBULANCE FEES

By agreement with Alameda County, the City of Berkeley is the exclusive provider of all emergency ground ambulance service within the City limits. The contract began in July 1, 1999 and has been extended to June 30, 2024. The specific ambulance fee depends

on the type of service delivered. Clients and clients' insurance companies are billed monthly by an outside agency (ADPI) that also maintains the City's accounts receivable subsidiary records. The Fire Department receives the remitted amounts and the revenues are credited to the General Fund.

Analysis of Ambulance Fees

For FY 2021, Ambulance Fee revenue totaled \$3,081,204, which is \$1,914,989 or 38.33% less than the \$4,996,193 received in FY 2020, due to the impact of the COVID-19 pandemic. The total of \$3,081,204 collected was \$2,022,004 less than the FY 2021 adopted budget amount of \$5,103,208.

| AMBULANCE FEES | | | | | | |
|--------------------------|----------------|-------------|-------------|-------------------|-------------|-------------|
| | Actual Revenue | | | Projected Revenue | | |
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| Total Collections | \$4,424,808 | \$4,996,193 | \$3,081,204 | \$3,154,002 | \$3,217,082 | \$3,281,424 |
| \$ Change | 81,355 | 571,385 | (1,914,989) | 72,798 | 63,080 | 64,342 |
| % Change | 1.87% | 12.91% | (38.33%) | 2.36% | 2.00% | 2.00% |

Forecast of Ambulance Fee Revenue

Projections are based on trend analysis and discussions with the Ambulance Fee vendor and Fire Department staff for estimates of each type of service, and the total collections rate. This revenue source is projected to increase by approximately 2% in FY 2022 through FY 2024.

Progress Back from COVID Emergency

GENERAL FUND REVENUES - FY 2021 vs FY 2019

| Revenue Categories | FY 2021 | | | | FY 2019 | | | | Comparison | |
|-------------------------------------|--------------------|--------------------|-------------------|-------------|--------------------|--------------------|-------------------|-------------|-------------------|-----------|
| | Adopted | Actual | Variance | % Received | Adopted | Actual | Variance | % Received | Actuals | % Change |
| Secured Property Taxes | 61,165,454 | 68,166,155 | 7,000,701 | 111% | 57,966,998 | 59,178,773 | 1,211,775 | 102% | 8,987,382 | 15% |
| Supplemental Taxes | 1,260,000 | 2,249,517 | 989,517 | 179% | 1,400,000 | 2,174,903 | 774,903 | 155% | 74,615 | 3% |
| Unsecured Property Taxes | 2,250,000 | 3,448,412 | 1,198,412 | 153% | 2,500,000 | 2,878,275 | 378,275 | 115% | 570,137 | 20% |
| Property Transfer Taxes | 16,500,000 | 21,469,955 | 4,969,955 | 130% | 12,500,000 | 19,952,981 | 7,452,981 | 160% | 1,516,974 | 8% |
| Property Transfer Tax - Measure P | 4,747,414 | 10,919,576 | 6,172,162 | 230% | 0 | 2,932,313 | 2,932,313 | N/A | 7,987,264 | 272% |
| Sales Taxes | 15,786,200 | 15,796,055 | 9,855 | 100% | 18,140,977 | 18,696,421 | 555,444 | 103% | (2,900,366) | -16% |
| Soda Tax | 970,794 | 995,387 | 24,593 | 103% | 1,500,000 | 1,606,178 | 106,178 | 107% | (610,790) | -38% |
| Utility Users Taxes | 12,750,000 | 13,892,200 | 1,142,200 | 109% | 15,000,000 | 13,973,744 | (1,026,256) | 93% | (81,544) | -1% |
| Transient Occupancy Taxes(TOT) | 5,070,000 | 2,292,480 | (2,777,520) | 45% | 7,800,000 | 7,995,188 | 195,188 | 103% | (5,702,708) | -71% |
| Short-term Rentals | 676,260 | 694,197 | 17,937 | 103% | 840,000 | 1,831,361 | 991,361 | 218% | (1,137,164) | -62% |
| Business License Taxes | 12,984,192 | 17,687,766 | 4,703,574 | 136% | 19,200,000 | 19,217,704 | 17,704 | 100% | (1,529,938) | -8% |
| Recreational Cannabis | 1,300,000 | 1,712,641 | 412,641 | 132% | 500,000 | 1,168,794 | 668,794 | 234% | 543,847 | 47% |
| Measure U1 | 2,700,000 | 4,818,740 | 2,118,740 | 178% | 1,000,000 | 5,866,230 | 4,866,230 | 587% | (1,047,490) | -18% |
| Other Taxes | 1,456,560 | 2,120,081 | 663,521 | 146% | 2,215,999 | 2,308,999 | 93,000 | 104% | (188,917) | -8% |
| Vehicle In Lieu Taxes | 12,421,597 | 15,995,869 | 3,574,272 | 129% | 12,381,128 | 12,540,784 | 159,656 | 101% | 3,455,084 | 28% |
| Parking Fines - Regular Collections | 5,049,000 | 3,571,391 | (1,477,609) | 71% | 6,018,123 | 6,125,554 | 107,431 | 102% | (2,554,162) | -42% |
| Parking Fines - Booting Collections | - | - | - | 0% | - | - | - | 0% | - | 0% |
| Moving Violations | 190,000 | 131,756 | (58,244) | 69% | 235,000 | 177,824 | (57,176) | 76% | (46,069) | -26% |
| Ambulance Fees | 5,103,208 | 3,081,204 | (2,022,004) | 60% | 4,613,194 | 4,424,808 | (188,386) | 96% | (1,343,604) | -30% |
| Interest Income | 2,851,200 | 5,917,722 | 3,066,522 | 208% | 2,500,000 | 4,506,331 | 2,006,331 | 180% | 1,411,391 | 31% |
| Franchise Fees | 1,551,696 | 1,726,470 | 174,774 | 111% | 1,984,643 | 1,821,316 | (163,327) | 92% | (94,845) | -5% |
| Other Revenues | 6,246,348 | 8,814,850 | 2,568,502 | 141% | 6,266,637 | 9,646,549 | 3,379,912 | 154% | (831,699) | -9% |
| Indirect cost reimbursements | 5,490,000 | 5,345,014 | (144,986) | 97% | 4,952,317 | 5,223,724 | 271,407 | 105% | 121,290 | 2% |
| Transfers | 17,274,293 | 21,180,762 | 3,906,469 | 123% | 5,241,024 | 7,693,500 | 2,452,476 | 147% | 13,487,262 | 175% |
| | | | | | | | | | | |
| Total General Fund Revenues | 195,794,216 | 232,028,202 | 36,233,986 | 119% | 184,756,040 | 211,942,253 | 27,186,213 | 115% | 20,085,949 | 9% |