BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE SPECIAL MEETING

Thursday, June 22, 2023
9:00 AM

2180 Milvia Street, 1st Floor - Cypress Room

Committee Members:

Mayor Jesse Arreguin, Councilmembers Rashi Kesarwani and Kate Harrison
Alternate: Councilmember Sophie Hahn

This meeting will be conducted in a hybrid model with both in-person attendance and virtual participation. For in-person attendees, face coverings or masks that cover both the nose and the mouth are encouraged. If you are feeling sick, please do not attend the meeting in person.

Remote participation by the public is available through Zoom. To access the meeting remotely using the internet: Join from a PC, Mac, iPad, iPhone, or Android device: Use URL - https://cityofberkeley-info.zoomgov.com/j/1606807814. If you do not wish for your name to appear on the screen, then use the drop down menu and click on "rename" to rename yourself to be anonymous. To request to speak, use the “raise hand” icon on the screen. To join by phone: Dial **1-669-254-5252 or 1-833-568-8864 (Toll Free)** and Enter Meeting ID: **160 680 7814**. If you wish to comment during the public comment portion of the agenda, 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.

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.

AGENDA

Roll Call

Public Comment on Non-Agenda Matters

Minutes for Approval

Draft minutes for the Committee's consideration and approval.

1. **Minutes - June 8, 2023**

Committee Action Items

The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker.

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

2. **Presentation from the City Attorney on the Department's FY 24 Proposed Budget and Funding Requests**
From: City Manager
Contact: Farimah Brown, City Attorney, (510) 981-6950

3. **FY 24 Proposed Budget** *(Item contains supplemental material)*
From: City Manager
Recommendation: Discuss and provide recommendations on the FY 24 Proposed Budget, including funding requests and Council budget referrals.
Financial Implications: See report
Contact: Sharon Friedrichsen, Budget Manager, (510) 981-7000

4. **Interim Housing Program at the Super 8 Motel (1619 University Avenue)**
From: City Manager
Recommendation: Receive a presentation on an interim housing program at the Super 8 Motel (1619 University Avenue) and provide a recommendation to City Council regarding the use of Measure P revenues of approximately $5,016,444 million to support up to two years of operations.
Financial Implications: See report
Contact: Peter Radu, City Manager's Office, (510) 981-7000

Committee Action Items

5. **Presentation on the Status of the Marina Fund**
   From: City Manager
   Recommendation: Receive a presentation on the status of the Marina Fund and options related to the Department of Parks and Recreation, Division of Boating and Waterways loan of $5.5 million loan for demolition and replacement of Docks D and E at the Berkeley Marina.
   Financial implications: See report
   Contact: Scott Ferris, Parks, Recreation and Waterfront, (510) 981-6700

6. **Accept the Risk Analysis for Long-Term Debt (Bonding Capacity) Report provided by Government Finance Officers Association** *(Item contains supplemental material)*
   From: City Manager
   Referred: April 26, 2022
   Due: June 30, 2023
   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

Committee Action Items

7. **Recommendation on Climate, Building Electrification, and Sustainable Transportation Budget Priorities for Fiscal Year 2023 and 2024**
From: Energy Commission
Referred: May 23, 2023
Due: November 7, 2023
Recommendation: The Energy Commission recommends that the Berkeley City Council prioritize and include in the City's budget for the Fiscal Years Ending (FYE) 2023 and 2024 several staff positions, pilot projects, investments in electric vehicles and charging infrastructure, and other measures to ensure that the City's budget is aligned with and provides adequate and needed funding to implement the City's adopted Climate Action Plan, Electric Mobility Roadmap, Building Emissions Saving Ordinance, 2019 ban on gas in new construction, and the Existing Buildings Electrification Strategy.
Financial Implications: See report
Contact: Billi Romain, Commission Secretary, (510) 981-7400

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.

8a. **Referral of Two Health Educator Positions to the COB FY 2024 Budget Process**
From: Peace and Justice Commission
Referred: April 11, 2023
Due: September 26, 2023
Recommendation: Refer to the budget process a request for estimated $150,000 annually, beginning in FY 2024 or as early as the AAO #2 process in spring 2023, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities, as proposed by the Peace and Justice Commission.
Financial Implications: See report
Contact: Okeya Vance-Dozier, Commission Secretary, (510) 981-7100

8b. **Companion Report: Referral of two health educator positions to the COB FY 2024 budget process**
From: City Manager
Referred: April 11, 2023
Due: September 26, 2023
Recommendation: Refer to the Peace and Justice Commission's request for $150,000 annually for staffing, materials, and supplies for health education and outreach to the Budget and Finance Policy Committee for further deliberation.
Financial Implications: None
Contact: Peter Radu, City Manager's Office, (510) 981-7000

9. **Investment Report Update - Investment Policies of Other Jurisdictions**
From: City Manager
Contact: Henry Oyekanmi, Finance, (510) 981-7300

Unscheduled Items

10. **COVID-19 Emergency Rental Assistance; Presentation from the Eviction Defense Center**
From: City Manager
Contact: Lisa Warhuus, Health, Housing, and Community Services, (510) 981-5400

11. **Audit Recommendation Status - Berkeley Police: Improvements Needed to Manage Overtime and Security Work for Outside Entities**
From: City Manager
Referred: May 23, 2023
Due: November 7, 2023
Contact: Jennifer Louis, Police, (510) 981-5900

12. **Audit Status Reports: Fleet Replacement Fund Short Millions & Rocky Road: Berkeley Streets at Risk and Significantly Underfunded**
From: City Manager
Referred: May 23, 2023
Due: November 7, 2023
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: Liam Garland, Public Works, (510) 981-6300

Items for Future Agendas

- **Requests by Committee Members to add items to future agendas**

Adjournment

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

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

COMMUNICATION ACCESS INFORMATION:
This meeting is being held in a wheelchair accessible location. To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at (510) 981-6418 (V) or (510) 981-6347 (TDD) at least three business days before the meeting date. Attendees at public meetings are reminded that other attendees may be sensitive to various scents, whether natural or manufactured, in products and materials. Please help the City respect these needs.
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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 Thursday, June 15, 2023.

Mark Numainville, City Clerk

Communications

Communications submitted to City Council Policy Committees are on file in the City Clerk Department at 2180 Milvia Street, 1st Floor, Berkeley, CA, and are available upon request by contacting the City Clerk Department at (510) 981-6908 or policycommittee@berkeleyca.gov.
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BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE REGULAR MEETING MINUTES

Thursday, June 8, 2023
10:00 AM

2180 Milvia Street, 6th Floor, Berkeley, CA 94704 – Redwood Room

1619 Edith Street, Berkeley, CA 94703 – Teleconference Location

Committee Members:

Mayor Jesse Arreguín, Councilmembers Rashi Kesarwani and Kate Harrison
Alternate: Councilmember Sophie Hahn

This meeting will be conducted in a hybrid model with both in-person attendance and virtual participation. For in-person attendees, face coverings or masks that cover both the nose and the mouth are encouraged. If you are feeling sick, please do not attend the meeting in person.

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MINUTES

Roll Call: 10:05 a.m.

Present: Harrison, Arreguín

Absent: Kesarwani

Public Comment on Non-Agenda Matters – 2 speakers.

Minutes for Approval

Draft minutes for the Committee's consideration and approval.

1. **Minutes - May 16, 2023 (Special)**
   Action: M/S/C (Harrison/Arreguín) to approve the minutes of May 16, 2023.
   Vote: Ayes – Harrison, Arreguín; Noes – None; Abstain – None; Absent – Kesarwani.

Committee Action Items

The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker.

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

Committee Action Items

2. **Additional Allocation of Measure P Funding to "Step Up Housing" Project**
From: Councilmember Bartlett (Author), Councilmember Wengraf (Co-Sponsor), Councilmember Kesarwani (Co-Sponsor)
Referred: August 3, 2022
Due: June 30, 2023
Recommendation: Adopt a Resolution allocating an additional $114,660 per year for 10 years, from Measure P transfer tax receipts to support the increased costs for the lease and operation of a new permanent supportive housing project for the unhoused at the Step-Up Housing Project at 1367 University Avenue. In addition, refer to the next meeting of the Budget and Finance Policy Committee to confirm the availability of requested funding.
On August 3, 2022, the City Council adopted Resolution No. 70,491-N.S. as amended and referred to the Budget & Finance Committee to consider future General Fund needs for this project and confirm availability of funds for the operating budget.
Financial Implications: See report
Contact: Ben Bartlett, Councilmember, District 3, (510) 981-7130
Action: 2 speakers. Presentation made and discussion held. M/S/C (Arreguín /Harrison) The Budget and Finance Committee confirms the availability of funds for the operating budget for the 1367 University Avenue project; and to direct that the developer extend the term of the option agreement to provide the City additional time to acquire the property.
Vote: Ayes – Harrison, Arreguín; Noes – None; Abstain – None; Absent – Kesarwani.

3. **FY 24 Proposed Budget** *(Item contains supplemental material)*
From: City Manager
Recommendation: 1. Receive presentations from the City Auditor, City Attorney, and Office of the Director of Police Accountability on FY 24 Proposed Budget and Funding Requests; and 2. Discuss and provide recommendations to staff on the FY 24 Proposed Budget, including funding requests and Council budget referrals.
Financial Implications: See report
Contact: Sharon Friedrichsen, Budget Manager, (510) 981-7000
Action: 5 speakers. Presentations made by the City Auditor and Office of the Director of Police Accountability and discussion held. The Committee asked questions of staff and provided general direction.

Committee Action Items

4a. Recommendation for RV Lot and Waste Management on Streets for RVs
From: Homeless Services Panel of Experts
Referred: April 11, 2023
Due: September 26, 2023
Recommendation: The Homeless Services Panel of Experts recommends to Council that they refer to staff to expedite all efforts to identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson and that the new lot identified require mandatory safety inspections and fire extinguishers to be provided. The Homeless Services Panel of Experts further recommends that Council refer to staff to develop a waste management plan to be implemented for RVs currently on the streets.
Financial Implications: See report
Contact: Josh Jacobs, Commission Secretary, (510) 981-5400
Action: 1 speaker. Discussion held. M/S/C (Harrison/Arreguín) Moving the item with a qualified positive recommendation, thanking the Homeless Services Panel of Experts for their recommendation on the lot, which staff is still working on; and moving ahead with a budget request for November of $94,000 for the pump-out or dump station.
Vote: Ayes – Harrison, Arreguín; Noes – None; Abstain – None; Absent – Kesarwani.

4b. Companion Report to Recommendation for RV Lot and Waste Management on Streets for RVs
From: City Manager
Referred: April 11, 2023
Due: September 26, 2023
Recommendation: Refer the Homeless Services Panel of Experts' recommendation to identify and expedite a new safe RV parking location/program and develop a waste management plan for RVs on the streets to the Budget and Finance Policy Committee for consideration alongside all other homeless services priorities in the budget process.
Financial Implications: See report
Contact: Peter Radu, City Manager's Office, (510) 981-7000
Action: See action taken on Item 4a.

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.

Unscheduled Items

5a. Referral of two health educator positions to the COB FY 2024 budget process
From: Peace and Justice Commission
Referred: April 11, 2023
Due: September 26, 2023
Recommendation: Refer to the budget process a request for estimated $150,000 annually, beginning in FY 2024 or as early as the AAO #2 process in spring 2023, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities, as proposed by the Peace and Justice Commission.
Financial Implications: See report
Contact: Okeya Vance-Dozier, Commission Secretary, (510) 981-7100

5b. Companion Report: Referral of two health educator positions to the COB FY 2024 budget process
From: City Manager
Referred: April 11, 2023
Due: September 26, 2023
Recommendation: Refer to the Peace and Justice Commission’s request for $150,000 annually for staffing, materials, and supplies for health education and outreach to the Budget and Finance Policy Committee for further deliberation.
Financial Implications: None
Contact: Peter Radu, City Manager's Office, (510) 981-7000

6. Investment Report Update - Investment Policies of Other Jurisdictions
From: City Manager
Contact: Henry Oyekanmi, Finance, (510) 981-7300

7. COVID-19 Emergency Rental Assistance; Presentation from the Eviction Defense Center
From: City Manager
Contact: Lisa Warhuus, Health, Housing, and Community Services, (510) 981-5400

Unscheduled Items

8. **Accept the Risk Analysis for Long-Term Debt (Bonding Capacity) Report provided by Government Finance Officers Association** *(Item contains supplemental material)*
From: City Manager
Referred: April 26, 2022
Due: June 30, 2023
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

9. **Recommendation on Climate, Building Electrification, and Sustainable Transportation Budget Priorities for Fiscal Year 2023 and 2024**
From: Energy Commission
Referred: May 23, 2023
Due: November 7, 2023
Recommendation: The Energy Commission recommends that the Berkeley City Council prioritize and include in the City's budget for the Fiscal Years Ending (FYE) 2023 and 2024 several staff positions, pilot projects, investments in electric vehicles and charging infrastructure, and other measures to ensure that the City's budget is aligned with and provides adequate and needed funding to implement the City's adopted Climate Action Plan, Electric Mobility Roadmap, Building Emissions Saving Ordinance, 2019 ban on gas in new construction, and the Existing Buildings Electrification Strategy.
Financial Implications: See report
Contact: Billi Romain, Commission Secretary, (510) 981-7400

10. **Audit Recommendation Status - Berkeley Police: Improvements Needed to Manage Overtime and Security Work for Outside Entities**
From: City Manager
Referred: May 23, 2023
Due: November 7, 2023
Contact: Jennifer Louis, Police, (510) 981-5900

Unscheduled Items

11. **Audit Status Reports: Fleet Replacement Fund Short Millions & Rocky Road: Berkeley Streets at Risk and Significantly Underfunded**
From: City Manager
Referred: May 23, 2023
Due: November 7, 2023
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: Liam Garland, Public Works, (510) 981-6300

Items for Future Agendas

- None

Adjournment

Action: M/S/C (Arreguín/Harrison) to adjourn the meeting.
Vote: Ayes – Harrison, Arreguín; Noes – None; Abstain – None; Absent – Kesarwani.

Adjourned at 12:21 p.m.

I hereby certify that the foregoing is a true and correct record of the Budget & Finance Committee meeting held on June 8, 2023.

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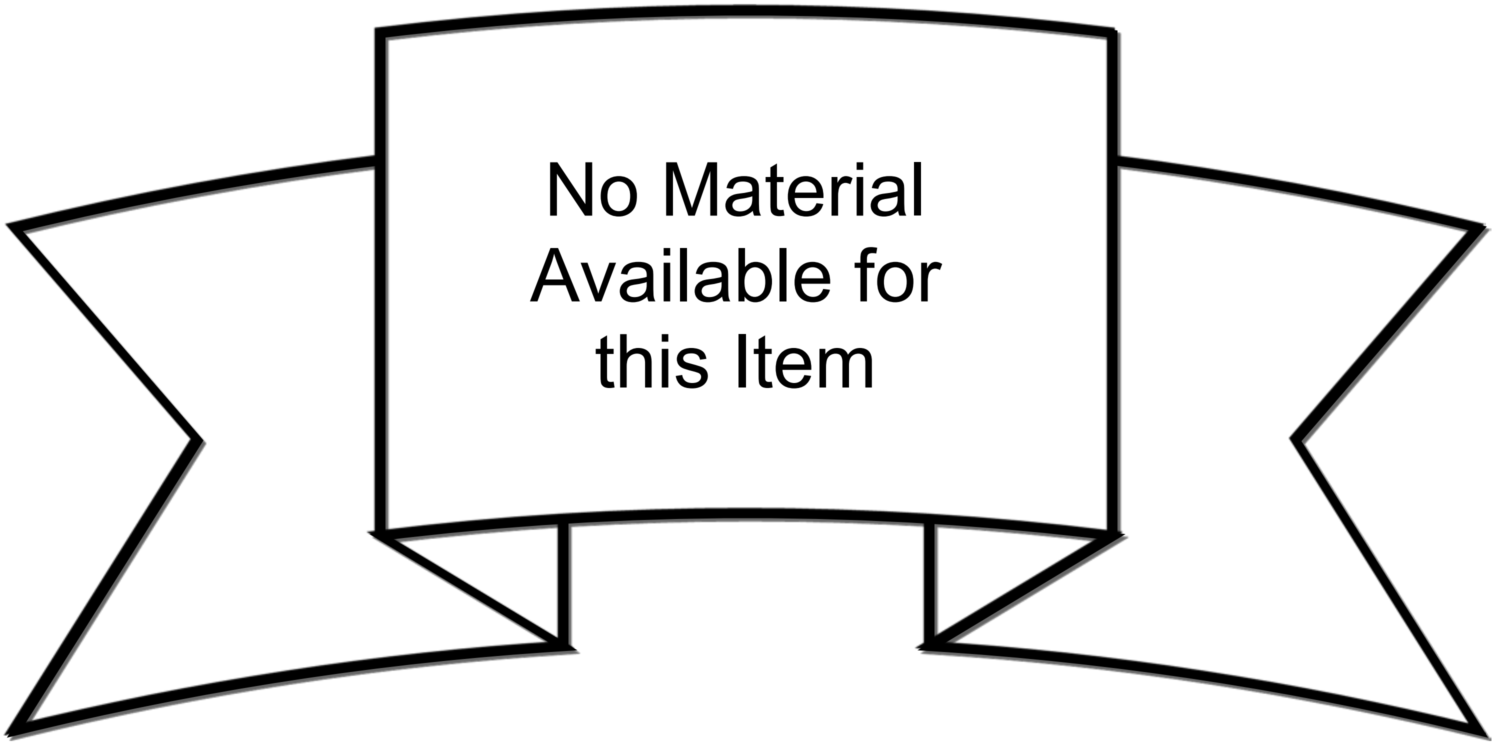
Sarah K. Bunting, Assistant City Clerk



There is no material for this item.

City Clerk Department
2180 Milvia Street
Berkeley, CA 94704
(510) 981-6900

The City of Berkeley Budget and Finance Policy Committee Webpage:

https://berkeleyca.gov/your-government/city-council/council-committees/policy-committee-budget-finance

Kate Harrison
Councilmember, District 4

REVISED AGENDA MATERIAL

Meeting Date: **June 8, 2023**

Item number: **3**

Item Description: **Referral to the June 2023 Budget Process for Funding Harold Way Placemaking Project Schematic Design**

Submitted by: **Councilmember Harrison**

The City Attorney's Office recommends we include specific resolution language when approving use of SOSIP to clarify compliance with the 2013 SOSIP Nexus Study. This resolution is being submitted for the Committee's consideration for inclusion in any budget recommendation sent to Council, and as part of the materials to be adopted by Council in connection with the FY 2023-24 budget.

2180 Milvia Street, Berkeley, CA 94704 Tel: 510.981.7140 TDD: 510.981.6903
E-Mail: *kharrison@CityofBerkeley.info*

RESOLUTION NO. ##,###-N.S.

DESIGNATING THE HAROLD WAY PLACEMAKING PROJECT AS ELIGIBLE FOR SOSIP FUNDING

WHEREAS, on January 29, 2013, the City Council approved the Downtown Streets and Open Space Improvement Plan (“SOSIP”), which provided for a range of pedestrian and recreational improvements in the downtown Berkeley area; and

WHEREAS, on the same date, the City Council approved a Nexus Study in conjunction with its approval of an impact fee to be charged for improvements identified in the SOSIP; and

WHEREAS, the Nexus Study included an appendix listing the specific projects proposed to be funded by the impact fee; and

WHEREAS, the Nexus Study anticipated that in future years, additional improvements would be added to the list of improvements eligible to be funded under the SOSIP;

WHEREAS, Harold Way lies within the SOSIP boundaries.

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby adds the Harold Way Placemaking Project to the list of improvements eligible to be funded by the SOSIP impact fee.

Kate Harrison
Councilmember, District 4

REVISED AGENDA MATERIAL

Meeting Date: June 8, 2023

Item number: 3

Item Description: Referral to the June 2023 Budget Process for $100,000 to Fund an Engineering and Design Process for a Mast Arm and Signal Head for the MLK and Haste Intersection

Submitted by: Councilmember Harrison

The City Attorney's Office recommends we include specific resolution language when approving use of SOSIP to clarify compliance with the 2013 SOSIP Nexus Study. This resolution is being submitted for the Committee's consideration for inclusion in any budget recommendation sent to Council, and as part of the materials to be adopted by Council in connection with the FY 2023-24 budget.

2180 Milvia Street, Berkeley, CA 94704 Tel: 510.981.7140 TDD: 510.981.6903
E-Mail: *kharrison@CityofBerkeley.info*

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RESOLUTION NO. ##,###-N.S.

DESIGNATING THE MLK WAY AND HASTE STREET INTERSECTION TRAFFIC IMPROVEMENTS FOR SOSIP FUNDING

WHEREAS, on January 29, 2013, the City Council approved the Downtown Streets and Open Space Improvement Plan ("SOSIP"), which provided for a range of pedestrian and recreational improvements in the downtown Berkeley area; and

WHEREAS, on the same date, the City Council approved a Nexus Study in conjunction with its approval of an impact fee to be charged for improvements identified in the SOSIP; and

WHEREAS, the Nexus Study included an appendix listing the specific projects proposed to be funded by the impact fee; and

WHEREAS, the Nexus Study anticipated that in future years, additional improvements would be added to the list of improvements eligible to be funded under the SOSIP;

WHEREAS, the MLK Way and Haste Street intersection lies within the SOSIP boundaries and serves to link the Downtown and Berkeley High School.

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby adds the MLK Way and Haste Street intersection project to the list of improvements eligible to be funded by the SOSIP impact fee.

TRANSFER TAX -- MEASURE P PROGRAM LONG-TERM FORECAST-----DRAFT

	Category of Spending	FY 2023 Adopted	FY 2023 Projected	FY 2024 Adopted	FY 2024 Staff Recs	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate
Revenues										
Beginning Fund Balance		**$ 22,783,216**	**$ 22,783,216**	**$ 20,736,186**	**$ 20,736,186**	**$ 6,675,510**	**$ 3,520,907**	**$ (1,738,914)**	**$ (6,618,990)**	**$ (7,160,926)**
*Measure P Revenues**		$ 14,073,750	$ 14,073,750	$ 14,073,750	$ 10,189,500	$ 10,698,975	$ 11,233,923	$ 11,795,619	$ 11,795,619	$ 5,897,809.50
Total Revenues and Balance of Funds		**$ 36,856,966**	**$ 36,856,966**	**$ 34,809,936**	**$ 30,925,686**	**$ 17,374,485**	**$ 14,754,830**	**$ 10,056,705**	**$ 5,176,629**	**$ (1,263,116)**
LESS: Total Expenses		**$ 16,371,646**	**$ 16,120,780**	**$ 17,085,243**	**$ 24,250,176**	**$ 13,853,578**	**$ 16,493,743**	**$ 16,675,695**	**$ 12,337,555**	**$ 12,474,482**
Personnel Costs (1)		*$ 695,730*	*$ 592,010*	*$ 722,413*	*$ 722,413*	*$ 780,206*	*$ 842,623*	*$ 910,032*	*$ 982,835*	*$ 1,061,462*
CMO: Homeless Services Coordinator	Staffing/Infrastructure	$ 196,348	$ 196,348	$ 202,899	$ 202,899	$ 219,131	$ 236,661	$ 255,594	$ 276,042	$ 298,125
Finance: Accountant II	Staffing/Infrastructure	$ 178,858	$ 178,858	$ 193,441	$ 193,441	$ 208,916	$ 225,630	$ 243,680	$ 263,174	$ 284,228
Finance: Contract Staffing	Staffing/Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
HHCS: Community Services Specialist II	Staffing/Infrastructure	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
HHCS: 50% Senior Management Analyst	Staffing/Infrastructure	$ 113,085	$ 113,085	$ 116,560	$ 116,560	$ 125,885	$ 135,956	$ 146,832	$ 158,579	$ 171,265
HHCS: 2 Year Limited Term Community Services Specialist II	Staffing/Infrastructure	$ 207,439	$ 103,719	$ 209,513	$ 209,513	$ 226,274	$ 244,376	$ 263,926	$ 285,040	$ 307,843
Non-Personnel Costs/ Program Expenses		*$ 15,675,916*	*$ 15,528,770*	*$ 16,362,830*	*$ 23,527,763*	*$ 13,073,372*	*$ 15,651,121*	*$ 15,765,663*	*$ 11,354,720*	*$ 11,413,020*
Fire: 5150 Response & Transport - Measure P portion of contract	Immediate Street Conditions and Hygiene	$ 1,321,605	$ 1,321,605	$ 1,556,857	$ 1,321,605	$ 1,321,605	$ 1,321,605	$ 1,321,605	$ 1,321,605	$ 1,321,605
Dorothy Day House Shelter	Emergency Shelter	$ 566,000	$ 566,000	$ 566,000	$ 566,000	$ 580,150	$ 594,654	$ 609,520	$ 624,758	$ 640,377
Dorothy Day House Drop In	Immediate Street Conditions and Hygiene	$ 182,000	$ 182,000	$ 182,000	$ 182,000	$ 186,550	$ 191,214	$ 195,994	$ 200,894	$ 205,916
Pathways STAIR Center	Emergency Shelter	$ 2,499,525	$ 2,499,525	$ 2,499,525	$ 2,499,525	$ 2,499,526	$ 2,499,527	$ 2,499,528	$ 2,499,529	$ 2,499,530
No Place Like Home - Scattered Unit Supportive Services	Permanent Housing	$ 128,750	$ -	$ 105,000	$ 105,000	$ 105,000	$ 105,000	$ 105,000	$ 105,000	$ 105,000
Hope Center - Mental Health Services	Permanent Housing	$ 71,250	$ 71,250	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000
Coordinated Entry System (BACs HRC)	Immediate Street Conditions and Hygiene	$ 1,000,000	$ 150,000	$ 1,000,000	$ 829,498	$ 829,498	$ 829,498	$ 829,498	$ 829,498	$ 829,498
Permanent Housing Subsidies / Shallow Subsidies	Permanent Housing	$ 1,600,000	$ -	$ 1,600,000	$ 1,600,000	$ 1,600,000	$ 1,600,000	$ 1,600,000	$ 1,600,000	$ 1,600,000
Berkeley Food and Housing Project - Men's Housing Program	Emergency Shelter	$ -	$ -	$ -	$ 170,502	$ 170,502	$ 170,502	$ 170,502	$ 170,502	$ 170,502
COVID-19 Emergency Housing Assistance - Housing Retention Program (EDC)	Homelessness Prevention	$ 1,000,000	$ 1,300,000	$ -	$ 2,000,000	$ -	$ -	$ -	$ -	$ -
Anti-Displacement Programs (Legal Assistance, Housing Retention Program, Flexible Housing Funds) (100k to BACS HRC; 275K to EDC and remaining to EBCLC) - tranferred to U1	Homelessness Prevention	$ 900,000	$ 900,000	$ 900,000	$ 900,000	$ -	$ -	$ -	$ -	$ -
BDIC Locker Program	Immediate Street Conditions and Hygiene	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000
LifeLong Medical - Street Medicine	Immediate Street Conditions and Hygiene	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000
YSA Tiny Home	Emergency Shelter	$ 78,000	$ 78,000	$ 78,000	$ 78,000					
DBA- Homeless Outreach Worker	Immediate Street Conditions and Hygiene	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000
Downtown Streets Team	Immediate Street Conditions and Hygiene	$ 225,000	$ 225,000	$ 225,000	$ 225,000	$ 225,000	$ 225,000	$ 225,000	$ 225,000	$ 225,000
Shelter at 742 Grayson Street	Emergency Shelter	$ 1,011,900	$ 1,011,900		$ -	$ -	$ -	$ -	$ -	$ -
Shelter at 1720 San Pablo Ave Lease	Emergency Shelter	$ -	$ 883,200	$ 908,796	$ 908,796	$ 935,160	$ 962,315	$ 990,284	$ -	$ -
Shelter at 1720 San Pablo Ave Supportive Services	Emergency Shelter	$ -	$ 612,559	$ 950,000	$ 950,000	$ 950,000	$ 950,000	$ 950,000	$ -	$ -
Safe RV Parking Program	Emergency Shelter	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Project Homekey- Golden Bear Inn	Permanent Housing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1367 University Avenue Step Up Housing Project*	Permanent Housing	$ -	$ -	$ 539,330	$ 539,330	1,040,027	1,066,027	1,092,678	1,119,995	1,147,995
Russell Street Residence Acquisition	Permanent Housing	$ -	$ -	$ -	$ 4,500,000	$ -	$ -	$ -	$ -	$ -
HHCS: Square One Hotel Vouchers	Emergency Shelter	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Training and Evaluation	Staffing/Infrastructure	$ 133,334	$ -	$ 133,334	$ 133,334	$ 133,334	$ 133,334	$ 133,334	$ 133,334	$ 133,334
Homeless Response Team	Immediate Street Conditions and Hygiene	$ 918,149	$ 918,149	$ 920,085	$ 920,085	$ 920,085	$ 920,085	$ 920,085	$ 920,085	$ 920,085
Berkeley Relief Fund	Homelessness Prevention	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Portable Toilets	Immediate Street Conditions and Hygiene	$ 96,000	$ 96,000	$ 96,000	$ 96,000	$ 96,000	$ 96,000	$ 96,000	$ 96,000	$ 96,000
Berkeley Emergency Storm Shelter (Winter Shelter)	Emergency Shelter	$ 186,500	$ 216,201	$ 350,000	$ 350,000	$ 358,750	$ 367,719	$ 376,912	$ 386,335	$ 395,993
Old City Hall Sprinkler system	Emergency Shelter	$ -	$ -	$ -	$ 400,000					
Inclement Weather Shelter	Emergency Shelter	$ -	$ 412,185	$ -	$ 412,185	$ 412,185	$ 412,185	$ 412,185	$ 412,185	$ 412,185
One-Time Use of Measure P for Nexus Community Programs	Permanent Housing	$ 578,164	$ 578,164	$ 578,164	$ 578,164	$ -	$ -	$ -	$ -	$ -
One-Time Use of Measure P for Nexus Community Programs	Immediate Street Conditions and Hygiene	$ 976,207	$ 976,207	$ 976,207	$ 976,207	$ -	$ -	$ -	$ -	$ -
One-Time Use of Measure P for Nexus Community Programs	Emergency Shelter	$ 882,480	$ 882,480	$ 882,480	$ 882,480	$ -	$ -	$ -	$ -	$ -
One-Time Use of Measure P for Nexus Community Programs	Staffing/Infrastructure	$ 23,837	$ 23,837	$ 23,837	$ 23,837	$ -	$ -	$ -	$ -	$ -
One-Time Use of Measure P for Nexus Community Programs	Homelessness Prevention	$ 262,215	$ 262,215	$ 262,215	$ 262,215	$ -	$ -	$ -	$ -	$ -
Reimagining Public Safety-Expand Downtown Streets Teams as placement for low-level violations	Immediate Street Conditions and Hygiene	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ -	$ -	$ -	$ -	$ -
Equitable Clean Streets	Immediate Street Conditions and Hygiene	$ -	$ 327,293	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expand the scope of services for the Downtown Streets Team to address the need for enhanced services around commercial and industrial areas in the Gilman District twice weekly	Immediate Street Conditions and Hygiene	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ -	$ -	$ -	$ -	$ -
Reimagining Public Safety: Conduct a service needs assessment based on 911 and non-911 calls for service, dispatch, and response and capacity assessment of crisis response and crisis-related services	Staffing/Infrastructure	$ 100,000	$ 100,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reimagining Public Safety: Funding to organizations for Respite from Gender/Domestic Violence	Emergency Shelter	$ 220,000	$ 220,000	$ 220,000	$ 220,000	$ -	$ -	$ -	$ -	$ -
1654 5th Street Operations	Emergency Shelter	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
701 Harrison Transition - Site Security	Emergency Shelter	$ -	$ -	$ -	$ 88,000	$ -	$ -	$ -	$ -	$ -
Public facilities improvement	Staffing/Infrastructure	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -
Encampment Resolution Fund 2 grant match	Emergency Shelter	$ -	$ -	$ -	$ -	$ -	$ 2,496,456	$ 2,527,538	$ -	$ -
Fiscal Year Surplus (Shortfall)		**$ (2,297,896)**	**$ (2,047,030)**	**$ (3,011,493)**	**$ (14,060,676)**	**$ (3,154,603)**	**$ (5,259,820)**	**$ (4,880,076)**	**$ (541,936)**	**$ (6,576,673)**
Ending Fund Balance		**$ 20,485,320**	**$ 20,736,186**	**$ 17,724,693**	**$ 6,675,510**	**$ 3,520,907**	**$ (1,738,914)**	**$ (6,618,990)**	**$ (7,160,926)**	**$ (13,737,598)**

Measure U1 Budget

	FY 2019 Actuals	FY 2020 Actual	FY 2021 Actual [1]	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate
Revenues											
Beginning Fund Balance	**$4,161,615**	**$8,994,778**	**($1,071)**	**$11,189,667**	**$12,624,316**	**$9,325,856**	**438,608**	**$884,914**	**$793,180**	**$510,107**	**$20,389**
ADD: U1 Fund Balance transferred from the General Fund			10,017,583								
ADD: Revenues	**5,828,443**	**5,597,359**	3,845,045	**5,887,567**	**5,865,147**	**5,900,000**	**5,900,000**	**5,900,000**	**5,900,000**	**5,900,000**	**5,900,000**
Total Revenues and Available Fund Balance	**9,990,058**	**14,592,137**	**13,861,557**	**17,077,234**	**18,489,463**	**15,225,856**	**6,338,608**	**6,784,914**	**6,693,180**	**6,410,107**	**5,920,389**
LESS: Total Expenses	**995,280**	**4,574,554**	**2,671,890**	**4,452,918**	**9,163,607**	**14,787,248**	**5,453,694**	**5,991,734**	**6,183,073**	**6,389,719**	**6,612,896**
Personnel Costs [2]	*345,280*	*210,940*	*244,844*	*438,368*	*913,677*	*1,716,383*	*1,853,694*	*2,391,734*	*2,583,073*	*2,789,719*	*3,012,896*
Rent Board		-	-	-	-	-	-	-	-	-	-
HHCS (Measure O/Housing Trust Fund) [3]	-	*81,315*	*161,518*	*198,147*	*510,465*	*474,600*	*512,568*	*553,573*	*597,859*	*645,688*	*697,343*
HHCS Staffing Study Phase 2 [4]	-	-	-	-	-	*463,242*	*500,301*	*540,325*	*583,552*	*630,236*	*680,654*
HHCS Staffing Study Phase 3 [5]	-	-	-	-	-			*389,745*	*420,925*	*454,599*	*490,966*
Empty Homes Tax Staffing Costs [6]	-	-	-	-	-	*372,000*	*401,760*	*433,901*	*468,613*	*506,102*	*546,590*
Finance (Rev Dev Position & Admin Costs)	*345,280*	*129,625*	*83,327*	*240,222*	*403,212*	*406,541*	*439,064*	*474,189*	*512,125*	*553,095*	*597,342*
Non-Personnel and Other Program Costs	650,000	4,363,614	2,427,045	4,014,550	8,249,930	13,070,865	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Small Sites/Community Land Trusts											
1638 Stuart/Small Sites loan (BACLT) -Contract # 31900285	-	230,122	231,732	420,767	-	-	-	-	-	-	-
1638 Stuart/Small Sites loan (BACLT) -Contract # 31900285		-	-	136,198	-	-	-	-	-	-	-
2321-2323 10th St./Small Sites loan (NCLT) -disburse in escrow - Contract # 32100097		-	-	-	715,000	-	-	-	-	-	-
2321-2323 10th St. loan (NCLT) - Contract # 32100097	-	-	44,075	-	861,565	-	-	-	-	-	-
1685 Solano / Small Sites (BACLT) pending request		-	-	1,400,000							
Small Sites Program - unallocated		-	-	-	-	-	-	-	-	-	-
Housing Trust Fund		-	-	-	-	-	-	-	-	-	-
2001 Ashby predev (RCD) - Contract # 32000049	-	1,187,329	269,655	-	-	-	-	-	-	-	-
2527 San Pablo Ave (SAHA) - Contract pending	-	-	-	-	500,000	-	-	-	-	-	-
2012 Berkeley Way reserves (BRIDGE/BFHP) - Contract #32000250	-	-	-	-	3,023,365	-	-	-	-	-	-
Housing Trust Fund Program [7]	-	-	-	-	2,500,000	4,870,865	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Development of New Housing Programs											
Capacity Building for Emerging Developers	-	100,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Berkeley Unified School District Planning Grant	-	-	150,000	-	-	-	-	-	-	-	-
New Housing Programs/Land Trust/Coops	-	-	-	-	150,000	-	-	-	-	-	-
Review and Develop a Social Housing policy (Councilmember Taplin, Mayor Arreguin, Councilmembers Harrison and Hahn)	-	-	-	-	300,000	-	-	-	-	-	-
Project Homekey Reservation (Round 3)						8,000,000					
Anti-Displacement											
Rent Board (EDC & EBCLC)	300,000		460,420	570,830	-	-	-	-	-	-	-
East Bay Community Law Center (EBCLC)	250,000	275,000	-	-	-	-	275,000	275,000	275,000	275,000	275,000
Housing Retention Program (EBCLC)	-	250,000	125,000	(109,409)	-	-	250,000	250,000	250,000	250,000	250,000
Eviction Defense Center (EDC)	-	275,000	-	250,000	-	-	275,000	275,000	275,000	275,000	275,000
Housing Retention Program / Eviction Defense	-	-	-	-	-	-	-	-	-	-	-
Flexible Housing Subsidy Pool (BACS)	100,000	100,000	-	100,000	-	-	100,000	100,000	100,000	100,000	100,000
Additional City Priorities											
Berkeley Relief Fund	-	1,000,000	-	-	-	-	-	-	-	-	-
Landlord Incentives for Section 8 Participation		-	-	100,000	-	-	-	-	-	-	-
1001, 1011 University Ave. acquisition	-	946,163	946,163	946,163	-	-	-	-	-	-	-
Fiscal Year Surplus (Shortfall)	**4,833,163**	**1,022,805**	**1,173,155**	**1,434,649**	**(3,298,460)**	**(8,887,248)**	**446,306**	**(91,734)**	**(283,073)**	**(489,719)**	**(712,896)**
Ending Fund Balance	**8,994,778**	**10,017,583**	**11,189,667**	**12,624,316**	**9,325,856**	**438,608**	**884,914**	**793,180**	**510,107**	**20,389**	**(692,507)**

Notes:

(1) In FY 2021, a separate fund was created for Measure U1 with the General Fund revenues being transferred into the fund. Beginning negative fund balance due to split payroll charges to FY 2020.

(2) Personnel Costs from FY 2025 to FY 2029 assumes an 8 percent increase for increased pension costs

(3) Staffing consist of a Senior Commuity Development Project Coordinator, Senior Management Analyst, and an Assistant Management Analyst with U1 funding a portion of these positions along with other federal entitlement funds from HUD and other local funds

(4) Consist of 1 Senior Community Development Project Coordinator, 1 Program Manager II, and $10,000 for staffing costs

(4) Consist of 1 Community Services Specialist I, 1 Program Manager II and $10,000 for staffing costs

(6) Consists of Accounting Office Specialist III (Finance) 0.25 FTE - $38,750; Associate Planner (Rent Stabilization Board) 1 FTE - $185,670; Office Specialist II (Rent Stabilization Board) 1 FTE - $115,000; Mailing Costs for Outreach and Noticing (Rent Stabilization Board) $10,000; 7.4% Overhead Costs for Counselors, General Counsel, and Office of Executive Director (Rent Stabilization Board) $22,250. Funding in FY 25 and beyond may be shifted to General Fund once revenues are realized.

(7) The FY 24 Estimate of $4.9M includes $3M for the Berkeley Way Hope Center reserves (for a total of $6,023,365 with the FY23 Berkeley Way funds), $1,820,865 in predevelopment funding for St. Paul Terrace and $50,000 for Stuart Street 3rd Amendment. The $2,500,000 is a placeholder for future years projects.

10 YEARS HISTORICAL ACTUAL AND 10 YEARS PROJECTED GENERAL FUND REVENUES

	Historical Actual General Fund Revenue FY 2013 through FY 2022										Projected Genreal Fund Revenue FY 2023 through FY 2032									
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Undesignated Revenues																				
Secured Property Taxes	40,210,337	42,181,381	44,187,339	48,597,795	51,818,261	56,038,218	59,178,773	63,192,678	68,166,155	70,657,482	79,091,256	84,725,717	89,385,632	92,514,129	95,752,123	97,667,166	99,620,509	101,612,919	103,645,177	105,718,081
Supplemental Taxes	729,792	1,139,474	1,445,409	1,469,993	1,874,630	2,237,649	2,174,903	2,334,597	2,249,517	2,317,723	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000	3,468,000	3,537,360	3,608,107	3,680,269	3,753,875
Unsecured Property Taxes	2,298,522	2,496,321	2,602,010	2,661,235	2,568,891	2,687,198	2,878,275	3,164,168	3,448,412	4,422,414	3,806,995	3,806,995	3,806,995	3,806,995	3,806,995	3,883,135	3,960,798	4,040,014	4,120,814	4,203,230
Property Transfer Taxes	11,663,871	14,017,607	15,178,243	17,452,190	17,151,794	18,911,368	12,500,000	12,500,000	12,500,000	18,000,000	18,000,000	18,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Property Transfer Tax - Measure P				-	-	-	2,932,313	9,512,603	10,919,576	20,591,313	10,189,500	10,189,500	10,698,975	11,233,923	11,795,619	14,000,000	7,500,000			
Sales Taxes	15,708,700	16,500,324	16,708,652	15,944,002	20,105,288	17,435,591	18,663,552	17,557,539	15,792,305	18,928,278	19,449,474	19,654,225	20,351,959	21,215,626	22,061,376	22,502,604	22,952,656	23,411,709	23,879,943	24,357,542
Soda Tax	-	-	242,986	1,712,892	1,550,222	1,457,003	1,547,349	1,331,313	953,069	1,025,800	1,147,387	1,147,387	1,147,387	1,147,387	1,147,387					
Utility Users Taxes	14,350,002	14,321,714	14,302,057	14,211,318	15,109,305	14,828,120	13,973,744	13,475,915	13,892,200	14,750,065	17,454,320	17,454,320	17,054,320	17,054,320	17,054,320	17,395,406	17,743,315	18,098,181	18,460,144	18,829,347
Transient Occupancy Taxes(TOT)	5,562,168	6,169,161	7,038,640	7,813,366	7,810,884	7,664,473	7,995,188	6,387,495	2,292,480	5,727,046	7,022,353	8,374,588	8,655,826	9,621,409	10,683,549	10,897,220	11,115,165	11,337,468	11,564,217	11,795,502
Short-term Rentals	-	-	-	-	-	1,053,815	1,831,361	1,280,267	694,197	1,295,798	1,497,432	1,400,000	1,400,000	1,400,000	1,400,000	1,428,000	1,456,560	1,485,691	1,515,405	1,545,713
Business License Taxes	15,266,648	15,370,377	16,102,327	18,089,403	18,829,744	19,879,343	19,858,724	21,009,453	17,809,332	20,403,975	21,138,023	21,560,783	21,991,999	22,431,839	22,880,476	23,338,085	23,804,847	24,280,944	24,766,563	25,261,894
Recreational Cannabis	-	-	-	-	-	112,915	1,168,794	1,300,887	1,712,641	1,250,792	1,000,000	1,000,000	1,020,000	1,040,400	1,061,208	1,082,432	1,104,081	1,126,162	1,148,686	1,171,659
Measure U1	-	-	-	-	-	5,161,615	5,866,230	5,597,359	4,818,740	4,913,872	5,865,147	5,900,000	5,900,000	5,900,000	5,900,000	6,018,000	6,138,360	6,261,127	6,386,350	6,514,077
Vacancy Tax													2,500,000	5,000,000	5,150,000	5,304,500	5,463,635	5,627,544	5,796,370	5,970,261
Other Taxes	-	-	-	2,204,900	2,217,214	2,265,620	2,308,999	2,117,672	2,194,286	3,790,088	4,453,059	4,453,059	4,453,059	4,453,059	4,453,059	4,542,120	4,632,963	4,725,622	4,820,134	4,916,537
Vehicle In Lieu Taxes	8,738,116	9,277,702	9,616,322	10,308,802	10,940,732	11,759,099	12,482,284	13,356,044	14,380,453	15,006,003	16,626,651	17,811,134	18,790,746	19,448,422	20,129,117	20,531,699	20,942,333	21,361,180	21,788,403	22,224,171
Parking Fines - Regular Collections	8,484,032	6,850,399	6,248,975	6,134,784	6,120,474	6,016,274	6,125,554	3,901,010	3,571,391	4,765,819	5,800,000	5,800,000	5,300,000	5,300,000	5,300,000	5,406,000	5,514,120	5,624,402	5,736,890	5,851,628
Moving Violations	248,798	670,363	673,244	252,752	232,523	188,443	177,824	209,894	131,756	156,253	132,600	132,600	135,252	137,957	137,957	140,716	143,531	146,401	149,329	152,316
Ambulance Fees	4,134,875	4,024,708	4,313,595	4,102,074	4,183,673	4,343,453	4,424,808	4,996,193	3,081,204	3,833,730	5,330,779	5,350,779	3,880,779	3,880,779	3,880,779	3,958,395	4,037,562	4,118,314	4,200,680	4,284,694
Interest Income	3,320,372	2,465,334	2,650,102	2,465,654	2,385,493	3,516,234	4,506,331	7,942,187	5,917,722	6,694,122	7,618,485	8,826,211	8,826,211	8,826,211	8,826,211	9,002,735	9,182,790	9,366,446	9,553,775	9,744,850
Franchise Fees	1,577,739	1,665,316	1,864,892	1,916,975	1,988,589	2,009,931	1,821,316	1,839,102	1,726,470	1,720,056	1,720,056	1,720,056	1,720,056	1,720,056	1,720,056	1,754,457	1,789,546	1,825,337	1,861,844	1,899,081
Other Revenues	8,932,636	10,028,892	12,574,200	6,903,710	8,736,414	8,921,154	9,155,728	8,031,805	10,280,563	6,946,010	6,640,308	6,640,308	6,640,308	6,640,308	6,640,308	6,773,114	6,908,576	7,046,748	7,187,683	7,331,437
Indirect cost reimbursements	4,385,381	4,419,604	4,560,279	5,183,605	5,768,901	6,168,695	5,223,724	5,489,783	5,345,014	5,074,695	6,604,970	6,604,970	6,604,970	6,604,970	6,604,970	6,737,069	6,871,811	7,009,247	7,149,432	7,292,421
Transfers	4,553,891	3,617,466	3,610,698	4,515,979	4,562,675	5,773,499	5,763,084	5,386,188	17,487,282	27,354,923	17,096,148	7,591,924	4,472,621	4,562,074	4,562,074	4,653,315	4,746,382	4,841,309	4,938,135	5,036,898
Total Undesignated Revenues	**150,165,880**	**155,216,143**	**163,919,970**	**171,941,428**	**183,955,705**	**198,429,710**	**202,558,855**	**211,914,152**	**219,364,767**	**259,626,258**	**261,084,943**	**261,544,556**	**264,137,095**	**273,339,864**	**280,347,585**	**286,484,170**	**285,166,898**	**282,954,872**	**288,350,245**	**293,855,214**
Designated Revenues																				
Prop. Transfer Taxes for capital improvements	-	-	-	-	-	-	7,452,981	9,595,507	8,969,955	24,901,750	4,873,786	4,873,786	8,017,475	9,218,349	10,479,266	11,008,851	11,549,028	12,100,009	12,662,009	13,235,249
Total Designated Revenues	**-**	**-**	**-**	**-**	**-**	**-**	**7,452,981**	**9,595,507**	**8,969,955**	**24,901,750**	**4,873,786**	**4,873,786**	**8,017,475**	**9,218,349**	**10,479,266**	**11,008,851**	**11,549,028**	**12,100,009**	**12,662,009**	**13,235,249**
TOTAL REVENUES AND TRANSFERS	**150,165,880**	**155,216,143**	**163,919,970**	**171,941,428**	**183,955,705**	**198,429,710**	**210,011,836**	**221,509,659**	**228,334,722**	**284,528,008**	**265,958,729**	**266,418,342**	**272,154,570**	**282,558,213**	**290,826,851**	**297,493,021**	**296,715,926**	**295,054,881**	**301,012,254**	**307,090,463**

FY 2024 Proposed Budget
Consolidated General Fund Funding Request

Department	Expenditure Type/Description	Requesting Amount	Request Category	Type of Request	Reason for Request	Recommend to fund	AAO#1 or AAO#2	Defer to FY 25 & FY 26 Budget Dev.	Withdraw from Consideration
PERSONNEL									
City Attorney	Deputy City Attorney IV (7 FTEs)	$ 377,359	New FY24 GF Dept. Request	On-Going	Reallocation of 7 DCA III to DCA IV position				
CMO - Communications	Communications Specialist	$ 208,776	Unfunded Tier 2 & 3 Request	On-Going	Backup PIO coverage for emergencies				
CMO - Neighborhood Svcs.	Community Services Specialist I	$ 167,595	New FY24 GF Dept. Request	On-Going	Homeless Response Team Unit			X	
CMO - Neighborhood Svcs.	Community Services Specialist III	$ 235,458	New FY24 GF Dept. Request	On-Going	Homeless Response Team Unit			X	
CMO - Neighborhood Svcs.	Code Enforcement Officer I	$ 156,100	Unfunded Tier 2 & 3 Request	On-Going	Reduce response time to complaints			X	
HHCS	Senior Community Development Project Coordinator	$ 215,121	New FY24 GF Dept. Request	On-Going	HCS staffing study recommendation				
HHCS	Program Manager II	$ 238,121	New FY24 GF Dept. Request	On-Going	HCS staffing study recommendation				
Human Resources	Assistant HR Analyst	$ 180,952	New FY24 GF Dept. Request	On-Going	Position request through Employer of Choice Initiative to support Workers' Compensation				
Human Resources	HR Technician	$ 170,652	New FY24 GF Dept. Request	On-Going	Position request through Employer of Choice Initiative to support Training / Workforce Development				
Human Resources	HR Technician	$ 170,652	New FY24 GF Dept. Request	On-Going	Position request through Employer of Choice Initiative to support Transactions				
ODPA	Police Accountability Investigator	$ 220,916	Appeared on two or more list	On-Going	To reach parity with the IAB and have 2 dedicated full-time investigators for the highly complex misconduct investigations.				
ODPA	Communications Specialist	$ 211,456	New FY24 GF Dept. Request	On-Going	To assist the DPA in the outreach to the community as referenced in section (14)(m) of the charter				
PRW	Associate Civil Engineer	$ 266,968	Appeared on two or more list	On-Going	To cover project management costs of CIP Funded projects				
PRW	DEI Internships	$ 101,000	New FY24 GF Dept. Request	On-Going	To cover costs of 6 DEI / Connectedness internships				
Planning	Green Building Program Manager	$ 128,671	New FY24 GF Dept. Request	On-Going	Convert position from temporary to permanent. Full Cost of the position - $257,342; General Fund portion is $128,671				
Planning	50% GIS Specialist	$ 73,544	Unfunded Tier 2 & 3 Request	One-Time	Assistant Planner/Geographic Information Systems Analyst. 2 year term				
Police	5 Parking Enforcement Officers	$ 641,975	Unfunded Tier 2 & 3 Request	On-Going	Address parking/traffic matters that do not necessitating a sworn officer response. Expanded Preferential Parking Program				
Police	1 Parking Enforcement Supervisor	$ 150,350	Unfunded Tier 2 & 3 Request	On-Going	Required supervision for added Parking Enforcement Officers				
Public Works	Parking Enforcement Personnel -Parking Meter Fund	$ 2,800,000	New FY24 GF Dept. Request	On-Going	Shifting PEO direct personnel costs from on-street parking fund to General Fund				
Public Works	OS II - (100% GF)	$ 123,137	Appeared on two or more list	On-Going	Transportation: Parking Citation Review. Support to citation review program, continuing backlog with current staffing levels				
Public Works	Applications Programmer Analyst I (GF - 15%)	$ 29,459	Appeared on two or more list	On-Going	Streets & Utilities: To support implementation of NexGen, Assetworks, Zonar and Mobile Device Management.				
Public Works	Transportation Manager (GF - 12.5%, 501 - 12.5%)	$ 79,593	Appeared on two or more list	On-Going	Transportation - Restoring Transportation Division Manager classification after Reclass of previous Transportation Manager to Dept Deputy Director over Transportation and				
Councilmember Taplin	West Berkeley Park Ambassadors	$ 300,000	Unfunded Tier 2 & 3 Request	One-Time	Funding for Park Ambassadors:2-3 part time positions for one year at San Pablo Park, Strawberry Creek Park and Aquatic Park seven days a week				
Councilmember Droste, Parks and Waterfront &	Adopt-A-Spot Program	$ 500,000	Unfunded Tier 2 & 3 Request	On-Going	Volunteer coordinator and entry level position coordinator- Recommending partial funding for 1 position in Tier 1				
Councilmember Robinson, Councilmember Harrison, Councilmember Bartlett, and Councilmember Hahn	Parking/Towing Fines & Fees Reform	$ 383,512	FY 23 Council Budget Referrals	On-Going	Ongoing annual funding to the FY 2024 Mid-Biennial Budget Update for 2 Associate Management Analyst FTEs to administer and expand the indigent payment plan program.				
Councilmember Robinson, Councilmember Bartlett, Councilmember Harrison, and Councilmember Humbert	Southside Impact Fee Nexus Study	$ 250,000	FY 23 Council Budget Referrals	One-Time	Consultant to be engaged over a two-year process, starting in 2024, to assist with the vision, capital list, nexus study, fee schedule, and other requirements.				
Councilmember Harrison	Staffing Costs Associated with Acquisition of and Prevention of Displacement from Multi-Family Housing	$ 579,000	FY 23 Council Budget Referrals	On-Going	Refer $579,000 to the June 2023 Budget Process for annual City staffing costs and for allied non-profits to implement and administer programs associated with acquisition and prevention of displacement from multi-family housing including the Small Sites Program, and implementation of other programs to allow purchases by the city, non-profits and or residents to maintain affordability				
Councilmember Harrison and Councilmember Hahn	Adopt an Ordinance Adding a Chapter 11.62 to the Berkeley Municipal Code to Regulate the Use of Carryout and Produce Bags and Promote the Use of Reusable Bags	$ 350,000	FY 23 Council Budget Referrals	On-Going	Refer to the Fiscal Year 2023 AAO #1 Budget Process up to $350,000 per year for staffing for this ordinance and other plastic reduction ordinances.				
Councilmember Harrison	Sole source procurement contract for Two Full-Time Social Workers for Social Justice	$ 147,000	FY 23 Council Budget Referrals	On-Going	Sole source procurement contract for annual staffing costs associated with funding two social workers to provide low-income immigrants, asylum seekers, unaccompanied children, young dreamers, and displaced families with direct legal services and legal representation.				

FY 2024 Proposed Budget
Consolidated General Fund Funding Request

Department	Expenditure Type/Description	Requesting Amount	Request Category	Type of Request	Reason for Request	Recommend to fund	AAO#1 or AAO#2	Defer to FY 25 & FY 26 Budget Dev.	Withdraw from Consideration
George Lippman, Chairperson, Peace and Justice Commission	Two health educator positions to the COB FY 2024 budget process	$ 150,000	FY 23 Council Budget Referrals	On-Going	Request for estimated $150,000 annually, beginning in FY 2024 or as early as the AAO #2 process in spring 2023, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities, as proposed by the Peace and Justice Commission.				
Councilmember Harrison	Staffing Costs Associated with Administering the Empty Homes Tax	$ 372,000	FY 23 Council Budget Referrals	On-Going	Refer $372,000 to the June 2023 Budget Process for annual City staffing costs to administer the Empty Homes Tax: Accounting Office Specialist III (Finance) 0.25 FTE - $38,750 Associate Planner (Rent Stabilization Board) 1 FTE - $185,670 Office Specialist II (Rent Stabilization Board) 1 FTE - $115,000 Mailing Costs for Outreach and Noticing (Rent Stabilization Board) $10,000 7.4% Overhead Costs for Counselors, General Counsel, and Office of Executive Director (Rent Stabilization Board) $22,250				
Sub-Total Personnel		**$ 9,979,367**							
NON-PERSONNEL									
CMO - Communications	Replacement for Citywide Email system	$ 100,000	New FY24 GF Dept. Request	One-Time	IT and Communications have developed requirements to match capabilities of current system with refinements to upgrade system				
CMO - Neighborhood Svcs.	Traffic barricades rental	$ 75,000	New FY24 GF Dept. Request	On-Going	for large street closures on special events				
Fire	Recruitment & Retention- Priority 5	$ 200,000	New FY24 GF Dept. Request	One-Time	Retention & Referral Program (Paramedic)- based on 10				
Fire	Recruitment & Retention- Priority 6	$ 200,000	New FY24 GF Dept. Request	One-Time	Retention & Referral Program (Firefighter)- based on 10				
HHCS	Supplies, Equipment, Cubicles, etc.	$ 10,000	New FY24 GF Dept. Request	On-Going	Costs associated with adding new staff				
Human Resources	LEARN Module for Training	$ 50,000	New FY24 GF Dept. Request	One-Time	Training Citywide				
Human Resources	Consulting Fee - data analysis	$ 50,000	New FY24 GF Dept. Request	On-Going	Threat Assessment and Workplace Violence Prevention				
Human Resources	Consulting Fee - data analysis	$ 100,000	New FY24 GF Dept. Request	One-Time	Class & Comp, Recruitment Project Management, Data Analysis				
Information Technology	City-wide Facilities Wi-Fi	$ 350,000	New FY24 GF Dept. Request	One-Time	Improve connectivity for all City facilities, including outdoor areas, such as, Marina and other offsite facilities				
Information Technology	MS Teams and SharePoint	$ 100,000	New FY24 GF Dept. Request	One-Time	Enterprise solution for collaboration on broader scale to increase productivity and efficiencies.				
OED	Civic Arts Grants	$ 41,685	New FY24 GF Dept. Request	On-Going	Increases Civic Arts Grants Budget to annual amount of $200,000				
PRW	Camp Scholarships / DEI Programs	$ 154,450	New FY24 GF Dept. Request	On-Going	FY 24 budget at $75,000. Request for additional funding to cover the cost of camp scholarships, per new policy, and DEI programs				
PRW	Marina Fund	$ 1,500,000	New FY24 GF Dept. Request	On-Going	To cover gap in FY24 operations costs; fund balance is depleted				
PRW	Training, conferences, certifications	$ 128,115	New FY24 GF Dept. Request	On-Going	Training for PRW staff				
PRW	Online registration software	$ 28,000	New FY24 GF Dept. Request	On-Going	To cover costs of new server and doc mgmt. system, required to meet increased online recreation registration needs				
Planning	Historic Context Statement OR Historic Resource Evaluation	$ 275,000	Appeared on two or more list	One-Time	Provide funding for a citywide Historic Context Statement (HCS) per Landmarks Preservation Commission budget request in 2022				
Police	Police Training Academy	$ 299,550	New FY24 GF Dept. Request	On-Going	Estimated Academy cost, Body Armor and equipment, Hotel, Per Diem, various training supplies, etc. per recruit (12 recruits)				
Police	Police Recruitment and Retention Pilot Program	$ 107,000	New FY24 GF Dept. Request	On-Going	Costs for retention and referral pilot programs				
Public Works	Maintenance for (3) new public restrooms	$ 48,000	New FY24 GF Dept. Request	On-Going	FY24 for all three bathrooms is $48,000 for Jan – June 2024 for two new restrooms + Channing Restroom				
Public Works	Sewer Low Income Discount/Subsidy	$ 55,000	New FY24 GF Dept. Request	One-Time	FY24 EBMUD Berkeley participation CIP low income cap program				
Public Works	Parking enforcement non-personnel- Parking Meter Fund	$ 700,000	New FY24 GF Dept. Request	On-Going	Shifting PEO non-personnel costs from on-street parking fund to General Fund				
Public Works	Zero Waste Low Income Discount/Subsidy	$ 100,000	New FY24 GF Dept. Request	On-Going	Proposed ZW rate discount for low income customers				
Public Works	ISF Request	$ 1,603,000	New FY24 GF Dept. Request	On-Going	Projected General Fund impact of all four ISF funds updated for FY 24 at full levels. Future costs to be determined			X	
Councilmember Harrison	Fund Mayoral Budgetary Analyses	$ 100,000	Unfunded Tier 2 & 3 Request	One-Time	Certified public accountant to provide supplemental budgetary assistance				
Councilmember Taplin	West Berkeley Transportation Plan	$ 300,000	Unfunded Tier 2 & 3 Request	One-Time	Consultant to conduct a study and draft a comprehensive plan for transportation in West Berkeley through 2050				
Councilmember Harrison	Transportation Network Company User Tax to Support Priority Mobility Infrastructure,	$ 1,800,000	Unfunded Tier 2 & 3 Request	One-Time	Transportation Network Company User Tax General Fund revenue for the construction and maintenance of Tier 1 protected bicycle lanes and crossings, Priority pedestrian street crossings and quick-build public transit projects under the Street Repair Program.				
Councilmember Taplin	West Berkeley Residential Preferential Parking Program	$ 1,046,009	Unfunded Tier 2 & 3 Request	One-Time	Staffing (6 Officers and 1 Supervisor) 6 new parking enforcement vehicles with automated license plate recognition systems and signage installation				
Councilmember Hahn and Councilmember Wengraf	Reconsideration of Hopkins Corridor Plan in Light of Newly Available Material Information	$ 400,000	FY 23 Council Budget Referrals	One-Time	Refer $400,000 to the FY 2024 budget process to fund a comprehensive, independent study of the McGee to Gilman portion of Hopkins Street, as specified below under Alternatives to be Considered and Independent Study Specifications.				
Councilmember Taplin and Councilmember Wengraf	No Right on Red Signs	$ 135,000	FY 23 Council Budget Referrals	One-Time	Implementation of "No Right on Red" signs to all intersections with traffic lights. Refer the necessary appropriations of $135,000 to the 2022 November Annual Appropriations Ordinance.				

FY 2024 Proposed Budget
Consolidated General Fund Funding Request

Department	Expenditure Type/Description	Requesting Amount	Request Category	Type of Request	Reason for Request	Recommend to fund	AAO#1 or AAO#2	Defer to FY 25 & FY 26 Budget Dev.	Withdraw from Consideration
Councilmember Taplin, Councilmember Harrison, and Councilmember Hahn	Down Payment Assistance (DPA) and Closing Cost Assistance Revolving Loan Fund Pilot	$ 500,000	FY 23 Council Budget Referrals	One-Time	Refer to the budget process $500,000 for a local Down Payment Assistance (DPA) and Closing Cost Assistance Revolving Loan Fund Pilot Program, providing third-lien shared appreciation loans (SALs) to cover down payments and closing costs for qualifying applicants in a racial equity and reparative justice framework consistent with regulations for local, state, federal, and nonprofit DPA programs including, but not limited to: California Dream For All (CalHFA), AC Boost (Alameda County), Community Seconds (Fannie Mae), and Black Wealth Builders Fund.				
Councilmember Robinson, Councilmember Harrison, Councilmember Taplin, and Councilmember Hahn	Establishing an Electric Bike Rebate Program and Expanding Low-Income E-Bike Ownership through the Climate Equity Action Fund	$ 500,000	FY 23 Council Budget Referrals	On-Going	Refer $500,000 to the FY 2023 AAO #1 process as follows: •$400,000 for the point of sale rebate program •$100,000 in supplementary funding towards the Climate Equity Action Fund (CEAF) to further facilitate e-bike ownership among low-income Berkeley residents.				
Councilmember Robinson, Councilmember Harrison, Councilmember Taplin, and Councilmember Hahn	Office of Racial Equity: Re-Entry Employment and Guaranteed Income Programs	$ 50,000	FY 23 Council Budget Referrals	One-Time	Refer $50,000 to the Budget Process to engage a consultant to recommend a Universal Income Pilot for Berkeley.				
Councilmember Taplin	Vision 2050 Complete Streets Parcel Tax Community Engagement and Program Plan	$ 400,000	FY 23 Council Budget Referrals	One-Time	$400,000 in General Fund impacts with an estimated $100,000 in cost to conduct community outreach, and an additional $300,000 to develop a final 2050 Program Plan.				
Mayor Arreguin	Post COVID-19 Rental Assistance/Anti-Displacement	$ 2,000,000	FY 23 Council Budget Referrals	One-Time	Augment the Housing Retention Program, (administered by the Eviction Defense Center, EDC) as part of the City's anti-displacement programs (launched in 2017), for the purpose of providing rental assistance to tenants due to the COVID-19 eviction moratorium expiration and rent debt due to inflation and rental increases. (Measure P - proposed funding source)				
Civic Arts Commission	Grant Program for Retaining and Improving Creative Spaces	$ 300,000	FY 23 Council Budget Referrals	On-Going	Annual allocation of $300,000 for funding the Civic Arts program to administer an annual Capital Projects Grant Program for Berkeley-based nonprofit arts and cultural organizations in order to retain and sustain the vitality of Berkeley's arts sector though real estate and capital project support.				
Councilmember Hahn, Councilmember Bartlett, and Councilmember Taplin	Funds to Study Berkeley's Affordable and Social Housing Needs and Programmatic and Funding Opportunities	$ 250,000	FY 23 Council Budget Referrals	One-Time	Study and report to include a plan to meet Berkeley's Affordable and Social Housing needs and requirements and recommendations for additional funds, programs, and other measures to meet needs over the next decade.				
Councilmember Harrison	Harold Way Placemaking Project Schematic Design	$ 100,000	FY 23 Council Budget Referrals	One-Time	Fund Harold Way Placemaking Project Schematic Design.				
Councilmember Harrison and Councilmember Bartlett	Design a Comprehensive Berkeley Police Early Intervention and Risk Management System	$ 100,000	FY 23 Council Budget Referrals	One-Time	Contract to design and assist with implementing a comprehensive Berkeley Police Department Early Intervention and Risk Management System to provide necessary data and help in implementing fair and impartial policing policies and public safety reimagining.				
Councilmember Hahn, Councilmember Harrison, and Councilmember Taplin	Study to support Housing Element commitment to increase housing and enhance economic vitality on all commercial corridors, with particular attention to the higher-resourced commercial avenues identified in Program 27 of the Housing Element, Solano Avenue, North Shattuck, and College Avenue.	$ 250,000	FY 23 Council Budget Referrals	One-Time	Refer $250,000 to the FY 2024 budget process to study and develop options for all commercial corridors, with particular attention to the higher-resourced commercial avenues identified in Program 27 of the Housing Element, Solano Avenue, North Shattuck, and College Avenue, including but not limited to changes to zoning, incentives/programs/financing mechanisms, and objective design standards.				
Councilmember Harrison	City Recreational Vehicle Pump-Out Station	$ 94,000	FY 23 Council Budget Referrals	One-Time	Refer $94,000 to the June 2023 Budget Process in Measure P funds for City recreational vehicle pump-out station, including minimal staffing costs, liability, maintenance, and replacement costs to allow individuals to discharge effluent waste directly into the City's sewer system.				
Councilmember Harrison	Purchase Marking Equipment to Engrave Identification	$ 7,000	FY 23 Council Budget Referrals	One-Time	Referral to the June 2023 Budget Process for $7,000 to purchase marking equipment to				
Councilmember Kesarwani, Councilmember Humbert, Councilmember Taplin, and Councilmember Wengraf	Additional Street Maintenance Funding to Improve Pavement Condition, Saving Tax Dollars and Our Streets	$ 4,700,000	FY 23 Council Budget Referrals	One-Time	Refer to the FY 2023-25 biennial budget process to further increase the street paving budget by $4.7 million General Fund in FY 2024-25 for a total street paving budget of approximately $20 million in FY 2024-25.				
Sub-Total Non-Personnel		**$ 19,306,809**							
CAPITAL									
Police	Jail Bus Replacement	$ 220,000	New FY24 GF Dept. Request	One-Time	Shortfall to support the anticipated replacement cost. Researching cost for an electric or hybrid option as well.				
Public Works	Fire Truck Lease Payment	$ 1,300,000	Unfunded Tier 2 & 3 Request	One-Time	FY 21 deferral of payment Equipment Replacement Fund for fire truck				
Public Works	CIP Project Management & Planning Software	$ 200,000	Unfunded Tier 2 & 3 Request	One-Time	One time funding, 5 Year cost of $1.2M; cost share PW/PRW/T1 or bond				
Public Works	Parking Meters Replacement	$ 4,000,000	Unfunded Tier 2 & 3 Request	One-Time	Replacement of outdated meters, assist in generating new revenue				
Public Works	Equipment Replacement Funding	$ 2,000,000	Unfunded Tier 2 & 3 Request	One-Time	$18M needed to fund at appropriate level. Ongoing request for 10 years				
Councilmember Taplin	Pedestrian Crossing Improvements at Ashby and Acton	$ 100,000	Unfunded Tier 2 & 3 Request	One-Time	Rectangular Rapid Flashing Beacons at Ashby Avenue and Acton Street; an estimated $50,000 and an estimated $50,000 for 10 years of maintenance				
Councilmember Taplin	Russell Street Improvements	$ 360,000	Unfunded Tier 2 & 3 Request	One-Time	Bicycle and pedestrian improvements along Russell Street				

FY 2024 Proposed Budget
Consolidated General Fund Funding Request

Department	Expenditure Type/Description	Requesting Amount	Request Category	Type of Request	Reason for Request	Recommend to fund	AAO#1 or AAO#2	Defer to FY 25 & FY 26 Budget Dev.	Withdraw from Consideration
Councilmember Hahn and Councilmember Taplin	Pedestrian Safety Upgrades for Arlington Avenue	$ 35,000	FY 23 Council Budget Referrals	One-Time	Allocation of $35,000 for traffic control measures on Arlington Avenue from The Circle to Mendocino Avenue, to enhance pedestrian safety at hidden crosswalks and where paths cross mid-block, and refresh painted markings that narrow lanes and encourage reduced speeds.				
Councilmember Hahn and Councilmember Taplin	Speed Feedback Signs for Arlington Avenue	$ 40,000	FY 23 Council Budget Referrals	One-Time	Allocation of $40,000 for two Speed Feedback Signs on Arlington Avenue between The Circle and Mendocino Avenue, to encourage slower speeds on a stretch with numerous hidden and mid-block crosswalks.				
Councilmember Humbert and Councilmember Robinson	Fully Fund the City's 50-50 Sidewalk Repair Program	$ 2,200,000	FY 23 Council Budget Referrals	On-Going	Fully funding clearance of the existing backlog in Berkeley's 50-50 Sidewalk Repair Program. Refer an additional $1 million per year (above the existing $1 million baseline funding for sidewalk repair) to future budget processes to ensure all of Berkeley's sidewalks are kept in a state of good repair.				
Councilmember Wengraf	Yield Signs at Two Unmarked Intersections	$ 30,000	FY 23 Council Budget Referrals	One-Time	Install "YIELD" signs at two unmarked intersections at Shasta and Queens and Quail and Queens.				
Councilmember Wengraf, Councilmember Hahn, Councilmember Humbert, and Councilmember Taplin	Handrails, Lights and Signage for City Pedestrian Path Network	$ 150,000	FY 23 Council Budget Referrals	One-Time	Installation of lighting, handrails and signage on paths deemed most critical for safe evacuation throughout Berkeley.				
Councilmember Taplin	Berkeley Marina J&K Parking Lot	$ 1,150,000	Appeared on two or more list	One-Time	Design and implementation of the Marina's J&K Parking Lot reconstruction. Also listed as a PRW Unfunded Tier 2 request.				
Councilmember Taplin	Berkeley Waterfront Bike Park	$ 800,000	Appeared on two or more list	One-Time	Design and implement the construction of a Berkeley Waterfront Bike Park. Also listed as a PRW Unfunded Tier 3 request.				
Councilmember Taplin	Dreamland for Kids Playground Design	$ 300,000	FY 23 Council Budget Referrals	One-Time	Conceptual design of the reconstruction of the Dreamland for Kids Playground at Aquatic Park				
Councilmember Taplin	Shorebird Park Playground Design	$ 200,000	FY 23 Council Budget Referrals	One-Time	Conceptual design of the reconstruction of the Shorebird Park Playground.				
Councilmember Harrison	Traffic Safety Upgrades for the MLK and Haste Intersection	$ 100,000	FY 23 Council Budget Referrals	One-Time	Referral to the June 2023 Budget Process for $100,000 in traffic safety improvements at MLK and Haste.				
Councilmember Taplin	Vision Zero Improvements at 6th & Addison Intersection	$ 600,000	FY 23 Council Budget Referrals	One-Time	Refer $600,000 to the budget process for HAWK (High-intensity Activated crossWalk) beacons and a median refuge island at 6th and Addison Streets.				
Sub-Total Capital		**$ 13,785,000**							
TOTAL GF FUNDING REQUEST		**$ 43,071,176**							

Five Year General Fund Salary Savings Narrative

General Fund Target Savings is budgeted in department budgets and the savings is realized immediately. This means that there is an account code in the financial system for salary savings with a negative amount and this amount is deducted from a department's budget thereby reducing total expenditures. For example, a department's original budget of $ 3,513,623 is reduced by $236,377, the Target Savings, to a new budget of $3,277,246.

The Target Savings is based upon a formula that multiples the total General Fund personnel (salaries and benefits) budget by a percentage. From FY 2018 through FY 2022, most departments were budgeted with a 3 percent target savings and Police was budgeted at 1 percent. For FY 2023, General Fund Target Savings was increased to 8.5 percent for most departments and Police was budgeted at 5 percent. The FY 2024 Target Savings is a strategy to negate the cost of some ongoing and one-time funding requests in various departments. For the FY 2024 Proposed, the General Fund Target Savings are noted below:

FY 2024							
Department	**General Fund Payroll**	**Target Savings (3%)**	**Estimated Savings**	**Target Savings (5%)**	**Estimated Savings**	**Target Savings (8.5%)**	**Estimated Savings**
Mayor and Council	4,399,099	0%	-	0%	-	**0%**	**-**
Auditor	2,831,908	0%	-	0%	-	**0%**	**-**
Police Accountability	926,442	0%	-	0%	-	**0%**	**-**
City Manager	9,888,972	3%	296,669	5%	494,449	**8.5%**	**840,563**
City Attorney	3,932,110	0%	-	0%	-	**0%**	**-**
City Clerk	1,602,672	3%	48,080	5%	80,134	**8.5%**	**136,227**
Information Technology*	-	3%	-	5%	-		**-**
Finance	7,097,048	3%	212,911	5%	354,852	**8.5%**	**603,249**
Human Resources	2,769,611	3%	83,088	5%	138,481	**8.5%**	**235,417**
HHCS	14,621,007	3%	438,630	5%	731,050	**8.5%**	**1,242,786**
Parks, Rec and Waterfront	3,679,570	3%	110,387	5%	183,979	**8.5%**	**312,763**
Planning	2,780,911	3%	83,427	5%	139,046	**8.5%**	**236,377**
Public Works	4,647,061	3%	139,412	5%	232,353	**8.5%**	**395,000**
Fire	33,251,068	0%	-	0%	-	**5.5%**	**1,828,809**
Police	76,095,033	1%	760,950	3%	2,282,851	**5.5%**	**4,185,227**
Total	**168,522,513**		**2,173,556**		**4,637,194**		**10,016,418**
IT Target savings of 5%, or $431,223, paid through transfer from the IT Cost Allocation Plan to General Fund							

Actual Salary Savings, on the other hand, is the dollar amount that is realized at the end of the year after the year-end financials are closed and audited. It compares the budgeted personnel costs of salaries and benefits to the actual expenditures in these personnel costs. The savings are primarily the result of vacancies. However, the use of overtime impacts salary savings. In addition, throughout the course of the fiscal year, departments may use salary savings to offset other operational expenses, such as professional services in lieu of staffing and unplanned increase in other services and supplies, that will impact projections.

The attached chart shows budgeted General Fund Target Savings compared to the Actual General Fund Salary Savings for FY 2018 through FY 2022. As illustrated on the chart, Actual Salary Savings was realized in FY 2018 ($3.1 million) and in FY 2022 ($272,000). In FY 2021, the Target Savings were -$2,104,108; however, the budget also included -$15,814,799 in Personnel Deferrals. Salaries and benefit costs were $10.5 million over budget in FY 2021, assumingly attributed to overtime and other impacts of the pandemic on the budget.

Five Year General Fund Salary Savings Narrative

In FY 2022, Target Savings were -$2,166,665 and the budget included -$8,388,085 in Personnel Deferrals. Actual Savings were approximately $272,000. The FY 2023 salary savings is a projection based on personnel costs incurred to date and will be impacted by changes in staffing and overtime that occur in May and June. The actual salary saving achieved will be known after the FY 2023 financial audit has been completed and will be part of the discussion on the FY 2023 Excess Equity calculation.

General Fund Target and Actual Salary Savings
FY 2018 to FY 2023

Department	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022		FY 2023		
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Projected Actual	%
Mayor and Council	-	26,300	-	(101,698)		57,932		60,934		432,666		875,698	19.93%
Auditor	-	208,721	-	40,952		190,851		143,664		137,662		263,424	10.13%
City Manager	(259,135)	693,140	(171,402)	(217,990)	(181,434)	(80,284)	(478,475)	(77,960)	(278,769)	704,544	(774,258)	(101,656)	-1.20%
PRC	-	1,936	-	(11,519)		(193)							
Police Accountability								(3,251)		235,126		114,749	16.95%
City Attorney	(65,671)	101,990	(58,659)	(39,215)	(65,335)	276,946	(506,555)	(151,033)	(90,383)	72,261		1,082,665	29.76%
City Clerk	(110,093)	188,477	(111,415)	(116,125)	(114,062)	126,567	(114,494)	(126,777)	(114,400)	107,346	(145,932)	131,956	8.36%
Information Technology	(369,005)	109,157	(373,223)	3,622,613	-	(9,680)							
Finance	(149,812)	784,083	(161,153)	623,709	(165,651)	649,198	(1,144,083)	(437,959)	(758,380)	658,600	(615,647)	1,084,469	15.93%
Human Resources	(53,691)	144,486	(54,315)	181,668	(58,495)	299,924	(365,296)	217,769	(103,299)	530,956	(204,136)	(96,146)	-4.72%
HHCS	(367,281)	(125,869)	(364,610)	114,186	(380,699)	(207,171)	(2,652,851)	(279,698)	(873,137)	2,343,378	(1,257,302)	2,577,705	18.86%
Public Works	(213,731)	205,654	(213,969)	(547,690)	(218,086)	(90,605)	(219,032)	(629,251)	(228,320)	194,901	(324,483)	(436,441)	-11.07%
Parks and Waterfront	(79,412)	284,902	(80,098)	110,299	(82,781)	410,979	(198,270)	(116,245)	(209,227)	542,208	(274,747)	354,828	6.31%
Fire	-	257,332	-	(1,956,588)		(807,981)	(3,504,292)	(3,730,256)	(145,345)	(3,882,400)		(2,723,550)	-8.11%
Police	(572,512)	(101,617)	(580,915)	(3,085,519)	(639,574)	(4,773,691)	(8,286,869)	(5,420,927)	(7,394,498)	(2,483,259)	(3,738,019)	118,849	0.16%
Planning	(56,809)	135,244	(56,599)	255,400	(58,495)	162,005	(413,206)	23,380	(322,423)	167,520	(227,198)	74,304	3.08%
Economic Development	(33,404)	144,205	(31,811)	(115,603)	(34,926)	(64,176)	(35,484)		(36,569)				
Non-Departmental		(6,187)		(250,338)		(308,706)		10,182		510,038	(1,992,070)	(162,536)	10.16%
Totals	**(2,330,556)**	**3,051,954**	**(2,258,169)**	**(1,493,458)**	**(1,999,538)**	**(4,168,085)**	**(17,918,907)**	**(10,517,427)**	**(10,554,750)**	**271,549**	**(9,553,792)**	**3,158,318**	**1.97%**

Notes:

Budgeted Salary Savings is built into department budgets and is taken off the top from department General Fund personnel budgets

Actual Salary Savings is what is realized at the end of the year after the year end financials are closed and audited.

Information Technology moved to IT Cost Allcation Fund during FY 2019.

FY 2021 Budgeted Salary Savings was -$2,104,108 and also included -$15,814,799 in Personnel Deferrals

FY 2022 Budget Salary Savings was -$2,166,665 and also included -$8,388,085 in Personnel Deferrals

Percent Realized is the projected actual salary savings compared with revised budget (including Target Savings)

Questions and Responses Generated from May 16, 2023 Budget and Finance Policy Committee and City Council Meeting on the FY 24 Proposed Budget

1. **Question:** The community agency funding chart includes funding for the organization "Through the Looking Glass". What is this organization and why the decrease in funding from $1,805,670 in FY 23 to $27,206 in FY 24?

   Response: Through the Looking Glass Provides primarily home-based mental health and developmental/occupational therapy intervention to parenting families with disability, developmental, medical or trauma issues (in child/youth, parent or parenting grandparent/caregiver), serving children/youth (prioritizing 5 to 26 years) and their families with unmet needs. The entire family is served, as appropriate. Most intervention is provided during weekly home (or community) visits of 1.5-2 hours, working with children, parents/caregivers together. Services include: Identification and guidance/intervention regarding disability or developmental issues, crisis and trauma intervention, preventive mental health services/play therapy to children/youth who do not qualify for EPSDT, parenting skills, nurturing parent/child relationships, therapeutic play preparing for child surgeries, case management/systems navigation/referrals, disability adaptations/strategies supporting parenting, development, homework, school functioning. The funding chart for FY 23 has been corrected and the proposed funding in both FY 23 & FY 24 is $27,206.

2. **Question:** The community agency chart includes Larkin Street - 3404 King Street - TAY Transitional Housing with funding of $415,144 in FY 23. However, there is no funding proposed for FY 24. There is also funding of $407,643 in FY 24 for Larkin Street. What is the status of Larkin Street?

   Response: Larkin Street received one-time funding in FY 23 under the category of "community facility improvement" for rehab work to upgrade the kitchen shared by the participants at Turning Point by making general improvements and replacing the countertops and flooring. It will also address the immediate needs to bring the facility up to ADA compliance; improve the energy efficiency; and ensure that the building meets city Health and Safety codes for the well-being of the participants and staff.
   In addition, in FY23, Council authorized $407,643 in funding for Larkin Street/Turning Point, but they were only operational for the first three quarters of FY23. They are currently not operating due to the pending rehab project (which is funded by CDBG). However, because of the rehab, Larkin Street declined the RRH funding ($218,388) and are only contracted for the $189,000, which we expect will be fully spent on the first 3 quarters combined with some security costs that the contract is being amended to cover. The rehab was delayed, in part because of the ownership transition, but also because of HUD requirements pertaining to the CDBG bid and environmental review (NEPA). We currently expect the rehab to be done by the end of the calendar year, and we anticipate they will still need only $189,000 in FY24 for transitional housing/services. The community agency funding chart has been revised accordingly.

3. **Question:** The community agency funding chart also includes funding of $1,133,244 for the Step-Up Housing Project at 1367 University Avenue. What is the status of this project?

   Response: This project will be discussed at the Budget and Finance Policy Committee and a written update will be provided to Council for the June 13, 2023 meeting.

Questions and Responses Generated from May 16, 2023 Budget and Finance Policy Committee and City Council Meeting on the FY 24 Proposed Budget

4. **Question:** What is the projected salary savings amount for FY 23? What is the historical trend for the last 3 years prior to the pandemic?

   Response: Please see the attachment narrative Five Year General Fund Salary Savings Narrative and spreadsheet entitled "General Fund Target and Actual Salary Savings_ FY 2018-FY 2023."

5. **Question:** What is the status of the implementation of the Small Business Rental and Legal Support grant program, funded through the City's allocation of federal ARPA funds?

   Response: The implementation of this program was paused in light of the State eviction moratorium. However, the program could be started in FY 24. Alternatively, OED has identified some other options to help assist small businesses and is exploring if these options would meet ARPA regulations. OED will schedule time to discuss these ideas with Mayor Arreguin after further research.

6. **Question:** What is the impact if the new FY 24 HR requested positions for Employer of Choice are not funded on 7/1/24?

   Response: The greatest impact would be on the Department's efforts to revamp training. As HR redesigns the Skilled Workers Academy, reconfigures the whole training curriculum, and tries to launch the LEARN module on NeoGov, an HR Tech will be integral to the logistical pieces of these endeavors., including the ability to go live with LEARN before the end of the calendar year.

7. **Question:** Provide the fund balance for the Asset Seizure and City Optional Public Safety.

   Response: The Asset Seizure is comprised of funds seized by the state through the asset forfeiture process that are disbursed to state and local entities and are primarily intended to be spent on efforts to enhance law enforcement and prosecution resources and the funds disbursed through asset forfeiture cannot be used to cover or supplant routine funding made available to the agency. The Asset Forfeiture fund balance is $64,233.76. Revenues continue to be minimal and sporadic ($10,000 over past 3 years). The City Optional Public Safety funds are provided by the State for "front line law enforcement services" and "front line municipal police services." Funding shall not be used by local agencies to supplant other funding for Public Safety Services nor be used for capital or construction projects, or administrative fees above .5%. The Citizens' Options for Public Safety fund balance is $990,561.27. Annual revenues vary slightly around $190,000.

8. **Question**: Do we need to budget for more than $1M for the Southside Complete Streets project?

   Response: Current project funding plan based on construction bid results will NOT require additional General Fund or impact other local funds if the Public Works planned use of $1.6M in new allocations from the UC Settlement Fund across FY 24 and FY25 are approved.

Questions and Responses Generated from May 16, 2023 Budget and Finance Policy Committee and City Council Meeting on the FY 24 Proposed Budget

9. **Question:** Is there funding available within the comprehensive Waterfront planning effort that could be used for the J&K Parking Lot and Bicycle Park (Unfunded Tier 2 and 3 departmental requests and Council budget referrals)?

   Response: Council authorized $1.01 million in 2019 for the Waterfront Specific Plan/BMASP. PRW has spent approximately $735,000 of this amount and anticipates spending the remaining funding by the end of the project. Councilmember Taplin's budget referral for the $800,000 for the bike park is for a portion of the design development and construction. PRW funded the conceptual design with Parks Tax this year. The project is estimated to cost $2.0 million and the $800,000, if funded, would serve as a match for several grant opportunities.

10. **Question**: What is projected revenue and would it cover the cost of the Tier 2 West Berkeley Residential Preferential Parking (RPP) Program?

    Response: The $1.046 million yearly cost reflects a 2019 estimate for 6 new parking enforcement officers (PEOs) and 1 Supervisor plus vehicles with ALPR and new signage. On the revenue side, that estimate projected that hiring six (6) more PEOs is expected to increase citation revenue in both new and existing RPP areas. Staff estimate that each new PEO would issue up to $75,000/year in RPP citations, for a total of $450,000/year. Compiling current and potential future RPP program costs and revenues was a significant effort, so Transportation Parking Services has not been able to update the estimate since then in light of other high priorities and limited staff capacity. $75,00 a year in revenue however, will not cover the cost of a fully loaded PEO, plus a share of a supervisor, plus non-personnel costs, including vehicle maintenance and replacement contributions, ALPR software and hardware maintenance, and signage. Given its current and projected financial forecast, the On-Street Parking funding cannot afford to add these positions to its expenditure budget. Further, Public Works ability to implement any new RPP district is hampered by staffing with upcoming vacancies in Parking Services.

11. **Question**: Regarding traffic calming/safety budget referrals under $40,000 - why can't these just be part of the Transportation baseline instead of referrals? Also, what is being funded in the Traffic Calming program with the $50,000 increase in baseline? What's been done in the queue, what's pending, and how much more money is needed?

    Response: Traffic Engineering estimates our annual Traffic Calming budget needs to be about $125,000. We will come close to that level in FY 24 as a result of a Tier 1 allocation for an additional $70,000 approved for year 2 of the biennial budget. At the $125,000 funding level, Public Works should be able to handle a few referral-type projects per year with the existing budget. From the FY 23 baseline of $50,000, about $5,600 is left for traffic calming device implementation. Public Works estimates needing an additional $80,000 beyond the current planned $120,000 budget in FY24 to complete the list. Traffic Calming Queue List (based on ranking/order) follows:

    A. Sixth Street – Installation of 2 speed feedback signs (case from 2018).
    Approximate Cost: $31,000.
    Status: DC Electric will be installing these devices within the next 4 weeks. Traffic calming budget (FY23) has been placed aside for this implementation.
    Location: Sixth St between Allston Way & Channing Way.

    B. Hopkins St – Installation of 1 speed table (case from 2018).

Questions and Responses Generated from May 16, 2023 Budget and Finance Policy Committee and City Council Meeting on the FY 24 Proposed Budget

Approximate Cost: $15,000.
Status: This project is currently on hold. The speed table has been included in the engineering plans. FY24 to be used when available.
Location: Hopkins St between Kains Ave & Curtis St.

C. Delaware Street – Installation of a raised crosswalk (case from 2017).
Approximate Cost: $20,000.
Status: This project will be added to a CIP during the fall 2024 once the FY24 budget is available.
Location: Delaware St between West Street and Acton Street

D. Sacramento St – Installation of 2 speed feedback signs (case from 2019).
Approximate Cost: $32,000
Status: This project will be implemented once the FY24 budget is available.
Location: Sacramento St between Rose St and Cedar St.

E. Bonar St – Installation of 2 speed tables (case from 2019).
Approximate Cost: $20,000.
Status: This project has been added to Parker-Addison Mobility and Safety Improvements Project. No need to use traffic calming budget for this implementation. The Parker-Addison Mobility and Safety Improvements Project budget will cover the cost of these speed tables.
Location: Bonar St between Addison St and Allston Way.

F. Sixth St – Installation of 2 speed feedback signs (case from 2020).
Approximate Cost: $32,000.
Status: This project will be implemented once the FY24 budget is available.
Location: Sixth St between Camelia St and Cedar St.

G. Arlington Ave – Installation of 2 speed feedback signs and implementation of signage/striping improvements along this corridor (case from 2021).
Approximate Cost: $75,000.
Status: This project required a council referral due to the amount of work that is needed along this stretch.
Location: Arlington Ave between Mendocino and The Circle.

21	Pedestrian Safety Upgrades for Arlington Avenue	3/21/2023	$	35,000	Allocation of $35,000 for traffic control measures on Arlington Avenue from The Circle to Mendocino Avenue, to enhance pedestrian safety at hidden crosswalks and where paths cross mid-block, and refresh painted markings that narrow lanes and encourage reduced speeds.	Hahn and Taplin
22	Speed Feedback Signs for Arlington Avenue	3/21/2023	$	40,000	Allocation of $40,000 for two Speed Feedback Signs on Arlington Avenue between The Circle and Mendocino Avenue, to encourage slower speeds on a stretch with numerous hidden and mid-block crosswalks.	Hahn and Taplin

H. Colusa Ave – Potential Installation of 1 speed feedback sign (case from 2021).
Approximate Cost: $20,000.
Status: This project will be implemented once the FY24 budget is available.
Location: Colusa Ave between Thousand Oaks and Vincente

12. **Question**: What is program and planning costs for Vision 2050?

Questions and Responses Generated from May 16, 2023 Budget and Finance Policy Committee and City Council Meeting on the FY 24 Proposed Budget

Response: Vision 2050 improvements to asset management planning are on hold pending filling vacancies and the CIP Manager position is no longer needed given Measure L did not pass.

Office of the City Manager

Date: June 8, 2023

To: Budget and Finance Policy Committee

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Finance Director

Subject: FY 2023 Third Quarter Revenue Report

The biggest change in our third quarter projections is the steep decline in Property Transfer Taxes. These taxes, which had provided an important backstop to pandemic-related reductions in other revenue sources, fell sharply in the third quarter of FY 2023. While total property sales volumes had averaged almost $200 million per month for the first six months of FY 2023, the third quarter saw only $70 million per month, down 64% from the first half of the year, and down 84% from the third quarter of FY 2022. Staff was aware that the high receipts in FY 2022 were an anomaly, which is why we originally projected a 25% decline in the adopted budget for FY 2023, but sales have decreased even more than we had projected. This was the result of continuing interest rate increases by the Federal Reserve which depressed sales values and reduced overall sales transactions.

Borrowing costs also risen because of the Federal Reserve raising rates in an attempt to counter overall inflation. But lenders are also demanding increased collateral for preferable interest terms on new loans, as their own capital costs have increased.

These drops are reminiscent of the last recession in 2008-2009, when transfer tax revenues fell over 50% and did not return to prior levels until FY 2014. There are important differences in the current environment, however. The credit market in 2008-2009 collapsed dramatically, making loans unavailable to many potential buyers. The current year-over-year decline appears to have been driven by the current interest rate environment, as well as a glut of anticipatory sales in FY 2022 and early FY 2023 that were based on expectations of rate increases, and which would otherwise have occurred in the current period. There is some current evidence of potential further tightening of credit markets, and the entire economy could still fall into another full-blown recession, but continued strength in labor markets and consumer spending indicate that this outcome is still avoidable.

LOCAL ECONOMY

The financial outlook for the Bay Area economy in 2023 is mixed. On the one hand, the region continues to be a hub for innovation and technology, which are driving economic growth. The Bay Area is also home to a large and affluent population, which provides a strong consumer base. On the other hand, the Bay Area faces a number of challenges, including high housing costs, a lack of affordable housing, and a shortage of skilled workers. These challenges could dampen economic growth in the region.

Overall, the financial outlook for the Bay Area economy in 2023 is positive, but there are a number of factors that could weigh on growth. Here are some of the key factors that could impact the Bay Area economy in 2023:

- Tech industry: The Bay Area is home to a large and growing tech industry, which is a major driver of economic growth. The tech industry is expected to continue to grow in 2023, but at a slower pace than in recent years.
- Housing market: The Bay Area housing market is one of the most expensive in the country. High housing costs make it difficult for many people to afford to live in the region, which could dampen economic growth.
- Labor market: The Bay Area labor market is tight, with many businesses struggling to find qualified workers. This could lead to wage inflation, which could make it more difficult for businesses to compete.
- Public finances: The Bay Area faces a number of fiscal challenges, including a large budget deficit and a growing unfunded pension liability. These challenges could lead to higher taxes and/or cuts to government services, which could dampen economic growth.

While changes in the real estate market have caused staff to pare back its transfer tax revenue projections, continued strength in sales tax, business license tax and utility users tax receipts mean that we still project that final FY 2023 General Fund revenues will exceed the adopted budget by 2.8%.

For FY 2024, we project that total General Fund revenue will be $266.4M which is $4.67M or 1.78% higher than the FY 2023 adopted budget.

General Fund Revenue and Transfer In
FY 2023 Third Quarter vs FY 2022 Third Quarter Comparison

Revenue Categories	FY 2023				FY 2022				Comparision FY23 vs FY22	
	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	$75,664,920	$50,561,010	($25,103,910)	66.82%	$71,382,000	$46,074,107	($25,307,893)	64.55%	4,486,903	9.74%
Redemptions -Regular	831,441	638,419	(193,022)	76.78%	831,441	613,418	-218,023	73.78%	25,001	4.08%
Supplemental Taxes	2,000,000	1,229,929	(770,071)	61.50%	2,000,000	608,905	-1,391,095	30.45%	621,024	101.99%
Unsecured Property Taxes	3,516,000	3,806,995	290,995	108.28%	2,625,000	3,637,247	1,012,247	138.56%	169,748	4.67%
Property Transfer Tax	34,462,172	18,953,345	(15,508,827)	55.00%	21,000,000	32,558,537	11,558,537	155.04%	(13,605,192)	-41.79%
Property Transfer Tax-Measure P (New December 21, 2018)	14,073,750	9,086,940	(4,986,810)	64.57%	8,500,000	14,670,038	6,170,038	172.59%	(5,583,098)	-38.06%
Sales Taxes	19,016,546	14,558,589	(4,457,957)	76.56%	18,287,215	13,885,146	-4,402,069	75.93%	673,443	4.85%
Soda Taxes	990,210	875,532	(114,678)	88.42%	990,210	720,178	-270,032	72.73%	155,354	21.57%
Utility Users Taxes	13,800,000	12,701,095	(1,098,905)	92.04%	13,000,000	10,835,311	-2,164,689	83.35%	1,865,784	17.22%
Transient Occupancy Taxes	5,000,000	4,845,561	(154,439)	96.91%	2,173,000	3,502,092	1,329,092	161.16%	1,343,469	38.36%
Short-term Rentals	1,000,000	1,088,160	88,160	108.82%	630,000	886,762	256,762	630,000	201,398	22.71%
Business License Tax	19,000,000	18,222,692	(777,308)	95.91%	18,498,146	11,267,370	-7,230,776	60.91%	6,955,322	61.73%
Recreational Cannabis	1,400,000	837,715	(562,285)	59.84%	1,643,739	982,618	-661,121	59.78%	(144,903)	-14.75%
U1 Revenues	4,900,000	4,853,469	(46,531)	99.05%	5,120,350	2,719,252	-2,401,098	53.11%	2,134,217	78.49%
Other Taxes	1,800,000	2,762,939	962,939	153.50%	1,761,714	1,631,952	-129,762	92.63%	1,130,987	69.30%
Vehicle In-Lieu Taxes	15,926,168	8,329,833	(7,596,335)	52.30%	14,959,837	7,503,002	-7,456,835	50.15%	826,831	11.02%
Parking Fines-Regular Collections	4,326,450	4,470,746	144,296	103.34%	3,726,450	3,855,090	128,640	103.45%	615,656	15.97%
Parking Fines-Booting Collections			-				-		-	
Moving Violations	132,600	106,329	(26,271)	80.19%	132,600	117,019	-15,581	88.25%	(10,690)	-9.14%
Ambulance Fees	3,880,779	3,672,839	(207,940)	94.64%	3,154,002	2,736,858	-417,144	86.77%	935,981	34.20%
Interest Income	6,000,000	5,942,994	(57,006)	99.05%	4,462,320	4,800,122	337,802	107.57%	1,142,872	23.81%
Franchise Fees	1,613,283	373,789	(1,239,494)	23.17%	1,613,283	511,590	-1,101,693	31.71%	(137,801)	-26.94%
Other Revenue	6,729,977	5,378,615	(1,351,362)	79.92%	6,729,977	5,585,280	-1,144,697	82.99%	(206,665)	-3.70%
IDC Reimbursement	5,490,000	4,732,212	(757,788)	86.20%	5,490,000	3,612,496	-1,877,504	65.80%	1,119,716	31.00%
Transfers	17,096,148	10,731,462	(6,364,686)	62.77%	27,354,923	20,516,193	-6,838,730	75.00%	(9,784,731)	-47.69%
			-				-		-	
Total Revenue:	**$258,650,444**	**$188,761,209**	**-$69,889,235**	**72.98%**	**$236,066,207**	**$193,830,583**	**-$42,235,624**	**82.11%**	**($5,069,374)**	**-2.62%**

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

General Fund revenue and transfers decreased 2.62% or $5,069,371, from $193,830,583 in the nine months of FY 2022, to $188,761,209 for the same period in FY 2023, due primarily to a decline of $13,605,192 in Property Transfer Taxes, a decline of $5,583, 098 in Measure P Property Transfer Taxes, and a decline of $9,784,731 in Transfers.

The declines in Property Transfer Taxes and Measure P Property Transfer Taxes were especially troubling because they appear to be a collapse in the real estate market in Berkeley in the third quarter of FY 2023, resulting in year-over-year declines of $10,806,858 and $5,121,360 for Property Transfer Taxes and Measure P Property Transfer Taxes, respectively. It also resulted in significant decreases in the FY 2023 revenue projections for these two revenue sources: From $34,462,172 to $22,873,786 for Property Transfer Taxes and from $14,073,750 to $10,189,500 for Measure P Property Transfer Taxes. Staff will continue to closely monitor the impact the Federal Reserve Board’s dramatic increases in interest rates has on mortgage rates, the tightening of credit standards and the resulting lower affordability of potential home buyers, and on the anticipated slowing economy in the near future.

The declines in Property Transfer Taxes, Measure P Property Transfer Taxes and Transfers were partially cushioned by increases in the following revenue sources that warranted an increase in FY 2023 revenue projections: Secured Property Taxes, Supplemental Taxes, Sales Taxes, Utility Users Tax, Transient Occupancy Taxes (TOT), Business License Taxes, Other Taxes, Vehicle in Lieu Taxes, Parking Fines, Ambulance Fees, Interest Income, IDC Reimbursements, and Other Revenue.

Supplemental Taxes (+$621,024 more than FY 2022 Actual)
During the nine months of FY 2023, Supplemental Taxes totaled $3,806,995, which was $621,024 or 102.0% more than the $608,905 received for the same period in FY 2022.

As a result, staff raised the FY 2023 projection from $2,000,000 to $3,400,000.

Secured Property Tax (+$4,486,903 more than FY 2022 Actual)
During the nine months of FY 2023, Secured Property Tax revenues totaled $50,561,010, which was $4,486,903 or 9.74% more than the $46,074,107 received for the same period in FY 2022. This result was consistent with the County’s Certification of Assessed Valuation (received from the County in August 2022), which reflects growth of 10.8%. However, the FY 2023 Adopted Budget assumes a 6.00% increase for FY 2023 (based on the last preliminary estimate of FY 2023 growth received from the County prior to July 1, 2022). As a result, staff increased the FY 2023 Secured Property Tax projection from $75,664,920 to $79,091,256.

Unsecured Property Tax (+$169,748 more than FY 2022 Actual)

During the nine months of FY 2023, Unsecured Property Tax revenues totaled $3,806,995, which was $169,748 or 4.67% more than the amount of $3,637,247 received in the same period in FY 2022. This amount is lower than the County's Certification of Assessed Valuation growth reflected of 16.9% for FY 2023.

Property Transfer Tax (-$13,605,192 less than FY 2022 Actual)

During the third quarter of FY 2023 (December 1, 2022 to February 28, 2023 payments from the County), the market for sales of real estate property in Berkeley collapsed as follows:

- Total Property Transfer Taxes received during this three-month period in FY 2023 (excluding County fees and seismic retrofit rebates) was $3,180,411, down 81.5% from the $13,987,269 received for the same period in FY 2022;
- Total Property transactions during the period was 108, down 57% from the total of 251 for the same period in FY 2022; and,
- There was only one property sale of $10,000,000 during this period in FY 2023, compared to 11 with total property sales of $342,200,000 for the same period in FY 2022

As a result, during the nine months of FY 2023, Property Transfer Tax totaled $18,953,345 which was $13,605,192 or 48.1% less than the $32,558,537 received for the same period in FY 2022. However, $2,117,407 of that decrease resulted from the late payment (in FY 2022) by the County of the May 2021 Property Transfer Taxes, which should have been received in FY 2021.

The primary reasons for the remaining $11,487,785 decrease in Property Transfer Tax were the following:

(1) the dollar value of property sales decreased by 43.1%, from $2.457 billion in the nine months of FY 2022 to $1.397 billion during the nine months of FY 2023, as illustrated in Table 1 below.

(2) There were ten property sales of $10 million or more, with total sales of $410,979,500 in the nine months in the nine months of FY 2023 compared to 23 property sales of $10 million or more, with total sales of $581,538,500 in the nine months of FY 2022; and,

(3) The number of property sales transactions decreased by 225 or 26.0% from 865 in the nine months of FY 2022 to 640 during the nine months of FY 2023, as illustrated in the Table 2 below.

Staff will continue to closely monitor this volatile revenue, especially in light of the high mortgage rates and slowing economy resulting from the Federal Reserve Board's aggressive attempt to slow down the US economy in order to reduce inflation, by sharply raising interest rates and selling Agency and Mortgage-backed securities from its Balance Sheet.

Table 1- Property Sales **in Million $**

	July	Aug	Sept	Oct	Nov	Dec	Subtotal
FY 2022	$172.1	$197.5	$309.1	$192.9	$243.5	$197.1	$1,312.2
FY 2023	188.9	320.0	134.6	143.9	254.9	142.4	1,184.7
Change	16.8	122.5	-174.5	-49.0	11.4	54.7	-127.5
% Change	9.7%	62.0%	56.5%	-25.4%	4.7%	-27.8%	**-9.7%**

	Jan	Feb	Mar				Total
FY 2022	$465.7	$453.7	$225.1				$2,456.7
FY 2023	86.5	72.2	53.4				1,396.8
Change	-379.2	-381.5	-171.7				-1,059.9
% Change	-81.4%	-84.1%	-76.3%				**-43.1%**

Table 2-Number of Property Sales Transactions

	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2022	114	91	72	103	119	115	614
FY 2023	113	101	108	79	74	57	532
Change	-1	10	36	-24	-45	-58	-82
% Change	-.88%	11.0%	50.0%	-23.3%	-37.8%	-50.4%	**-13.4%**

	Jan	Feb	Mar				Total
FY 2022	128	62	61				865
FY 2023	40	37	31				640
Change	-88	-25	-30				-225
% Change	-.68.8%	-40.3%	-49.2%				**-26.0%**

Measure P-Property Transfer Tax (-$5,583,098 less than FY 2022 Actual)

As indicated above for Property Transfer Taxes, during the third quarter of FY 2023 (December 1-February 28, 2023 payments from the County), the market for sales of real estate property in Berkeley collapsed as follows:

- Total Measure P Property Transfer Taxes (a tax which took effect on December 21, 2018) received during this three-month period in FY 2023 (excluding County fees) was $824,700, down 86.1% from the $5,946,060 received for the same period in FY 2022;
- Total Property transactions during the period was 31, down 70.8% from the total of 106 for the same period in FY 2022; and,
- There was only one property sale of $10,000,000 during this period in FY 2023, compared to 11 transactions with total property sales of $342,200,000 for the same period in FY 2022.

As a result, Measure P taxes totaling $9,086,940 was collected during the nine months of FY 2023, which was $5,583,098 or 38.1% less than the $14,670,038 collected during the same period of FY 2022. This decrease resulted primarily from the following: (1) A decrease of 36.9% in the dollar value of property sales amount in the nine months of FY 2023 versus those for the same period in FY 2022 as reflected in Table 3; (2) The number of property sales transactions decreased by 137 or 35.8% during the nine months of FY 2023, as illustrated in the Table 4 below.

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

	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2022	$117.7	$126.8	$147.9	$145.5	$190.1	$134.1	$862.1
FY 2023	114.4	271.1	84.1	63.3	203.7	99.8	836.4
Change	-3.3	144.3	-63.8	82.2	-13.6	-34.3	-25.7
% Change	-2.8%	113.8%	-43.1%	-56.5%	-7.2%	-25.6%	-3.0%

	Jan	Feb	Mar				Total
FY 2022	$234.7	$249.5	$110.4				$1,456.7
FY 2023	34.3	28.0	20.2				918.9
Change	-200.4	-221.5	-90.2				-537.8
% Change	-85.4%	-88.8%	-81.7%				-36.9%

Table 4- Property Transactions $1.5 Million and Above

	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2022	50	45	26	47	58	51	277
FY 2023	52	41	48	31	24	19	215
Change	2	-4	22	-16	-34	-32	-62
% Change	.4.0%	-8.9%	84.6%	-34.0%	-58.6%	-62.7%	-22.4%

	Jan	Feb	Mar				Total
FY 2022	53	25	28				383
FY 2023	12	10	9				246
Change	-41	-15	-19				-137
% Change	-77.4%	-60.0%	-67.9%				-35.8%

Sales Tax (+$673,443 more than FY 2022 Actual)
For the nine months of FY 2023, Sales Tax revenue totaled $14,558,589, which was $673,443 or 4.85% more than the $13,885,146 received for the nine months of FY 2022. The increase was significantly more than the .50% increase reflected in the Adopted Budget and was more consistent with the City's sales tax consultant's 3.7% projection: The sales tax consultant projects increases in the following categories over the FY 2022 actuals: General Retail (+$237,193); Transportation (+$236,709); Business-to-business (+$149,551); and County Pool (+$227,039). As a result, staff increased the FY 2023 projection from $19,016,546 to $19,449,474.

Utility Users Taxes (+$1,865,784 more than FY 2022 Actual)
Utility Users Tax revenue for the nine months of FY 2023 totaled $12,701,095, which was $1,865,784 or 17.2% more than the $10,835,311 received for the same period in FY 2022.

This increase of $1,865,784 resulted from the following:

FY 2023 Actual Nine Months Revenues and FY 2022 Actual Nine Months Revenues				
	FY2023	**FY 2022**	**$ Change**	**% Change**
Telephone	$ 800,870	$ 864,937	$ -64,067	-7.41%
Cable	751,333	782,504	- 31,171	-4.00%
Cellular	1,354,465	1,281,710	72,755	5.68%
Electric	6,623,243	5,531,038	1,092,205	19.75
Gas	3,171,184	2,375,122	796,062	33.52%
Total	$12,701,095	$10,835,311	$1,865,784	17.2%

The increases in gas and electric primarily resulted from the following: (1) The increased cost of natural gas to PG&E and the colder-than-normal temperatures, which increased energy bills; (2) The higher energy demands and tighter supplies on the West Coast, as customers used more natural gas for heating during cooler temperatures; and, (3) PG&E received an 8% increase in electricity rates in January 2022 and another increase of 8.9% in March 2023.

As a result, staff raised the FY 2023 projection from $13,800,000 to $17,454,320.

Transient Occupancy Tax (+$1,343,469 more than FY 2022 Actual)
Transient Occupancy Tax (TOT) revenue for the nine months of FY 2023 totaled $4,845,561, which was $1,343,469 or 38.4% more than the $3,502,092 received for the nine months of FY 2022, after including TOT rebates owed. The increase in FY 2023 was primarily attributable to a gross increase of 47.9% at the six largest hotels in Berkeley during the nine months of FY 2023.

As a result, staff increased the FY 2023 gross TOT revenue projection from $5,000,000 to $7,022,353 after subtraction of estimated TOT rebates owed.

Short-Term Rentals ***(+$201,398 more than FY 2022 Actual)***
Short-Term Rentals revenue for the nine months of FY 2023 totaled $1,088,160, which was $201,398 or 22.7% more than the $886,762 received for the period of FY 2022. As a result, staff increased the Short-term rentals projection from $1,000,000 to $1,497,432.

Business License Taxes (+$6,955,322 more than FY 2022 Actual)
Business license Taxes (BLT) revenue for the nine months of FY 2023 totaled $18,222,692, which was $6,955,322 or 61.7% more than the $11,267,370 received for the nine months of FY 2022.

The big increase through the nine-month period of FY 2023 was primarily due to staff working overtime much earlier than in past years, and staff's ability to process licenses timelier. Trend analysis indicates that BLT receipts are exceeding expectations, primarily due to increases in the following categories: Rental of Real Property (+$1,130,142); Constructor or Contractor (+$338,528); and, Professional/Semi-professional (+$245,371) As a result, staff increased the FY 2023 Business License Taxes (BLT) revenue projection from $19,000,000 to $21,138,023.

U1 Revenues (+2,134,*217 more than FY 2022 Actual)*

U1 revenues for the nine months of FY 2023 totaled $4,853,469, which was $2,134,217 or 78.5% more than the $2,719,252 received in the same period in FY 2022. The big increase through the nine-month period of FY 2023 was primarily due to staff working overtime much earlier than in past years, and staff's ability to process licenses timelier.

As a result, staff increased the FY 2023 U1 revenue projection from $4,900,000 to $5,800,000.

Vehicle in Lieu Taxes (+$826,831 more than FY 2022 Actual)

Vehicle in Lieu Taxes (VLF) for the nine months of FY 2023 totaled $8,329,833, which was $826,831 or 11.02% more than the $7,503,002 received for the nine months of FY 2022. This result was consistent with the County's Certification of Assessed Valuation (received from the County in August 2022), which reflects growth of 10.8%. Changes in VLF revenues are based on the growth in assessed values. However, the Adopted Budget reflects growth of 6.0%. As a result, staff increased the FY 2023 Vehicle in Lieu Tax projection from $15,926,168 to $16,626,651.

Other Taxes (+$1,130,987 more than FY 2022 Actual)

Other Taxes for the nine months of FY 2023 totaled $2,762,939, which was $1,130,987 or 69.3% more than the $1,631,952 received for the nine months of FY 2022. The primary reason for the increase was (1) an increase of $667,626 or 155.4% in Parking Lot Taxes from $429,487 in the nine months of FY 2022 to $1,097,113 for the same period in FY 2023; and, (2) an increase of $197,062 in Transportation Network Company User Tax (i.e., a tax on ride sharing companies enacted during the height of the COVID-19 pandemic) from $431,007 in the nine months of FY 2022 to $628,069 in the nine months of FY 2023.

As a result, staff increased the FY 2023 Other Taxes projection from $2,631,441 to $4,453,059.

Parking Fines (+$615,656 more than FY 2022 Actual)

Parking Fines revenue for the nine months of FY 2023 totaled $4,470,746, which was $615,656 or 16.0% more than the $3,855,090 received for the nine months of FY 2022. The primary reason for the increase was a significant increase in ticket writing, resulting from the lifting of COVID-19 restrictions.

During the nine months, ticket writing increased by 15,151 or 16.2% from 93,347 in the nine months of FY 2022 to 108,498 for the same period in FY 2023, as follows:

	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2022	9,240	9,373	11,409	11,033	10,439	10,170	61,664
FY 2023	10,881	11,414	12,984	12,419	12,369	10,525	70,592
Difference	1,641	2,041	1,575	1,386	1,930	355	8,928
% Difference	17.8%	21.8%	13.8%	12.6%	18.5%	3.5%	14.5%

	Jan	Feb	Mar				Total
FY 2022	8,729	10,846	12,108				93,347
FY 2023	12,169	12,386	13,351				108,498
Difference	3,440	1,540	1,243				15,151
% Difference	39.4%	14.2%	10.3%				16.2%

As a result, staff increased the FY 2023 Parking Fines revenue projection from $4,326,450 to $5,800,000.

Ambulance Fees *(+$935,981 more than FY 2022 Actual)*

Ambulance Fees revenue for the nine months of FY 2023 totaled $3,672,839, which was $935,981 or 34.2% more than the $2,736,858 received for the same period during FY 2022. This increase was primarily due to an increase in the number of transports, which increased by 375 in the nine months of FY 2023.

In addition, the Fire Department was notified of the reinstatement of the Ground Emergency Medical Transportation (GEMT) cost report program, which will enable the department to receive reimbursement payments for FY 2019 through FY 2022 totaling approximately $2.9 million. As a result, staff increased the Ambulance Fee revenue projection from $3,880,779 to $5,330,779 in FY 2023 and FY 2024.

Interest Income (+$1,142,872 more than FY 2022 Actual)
For the nine month of FY 2023, interest income totaled $5,942,994, which was $1,142,872 or 23.8% more than the total of $4,800,122 received for the same period in FY 2022.This increase was primarily attributable to an increase in the portfolio size, and a significant increase in average interest rates earned after the Federal Reserve reversed course and started raising interest rates on March 17, 2022. Primarily as a result of the Fed's actions beginning March 17, 2022, the net interest rate earned by the City increased from a range of .912%-1.078% during the nine months of FY 2022, to a range of 1.837%-2.8251% during the nine months of FY 2023, as follows:

Monthly Net Interest Rate Earned:

FY	July	Aug	Sept	Oct	Nov	Dec
2022	.912%	1.028%	1.057%	1.078%	1.018%	.961%
2023	1.837%	2.025%	1.972%	2.258%	2.390%	2.616%

FY	Jan	Feb	Mar	Apr	May	June
2022	.9402%	.9452%	1.005%			
2023	2.738%	2.7145%	2.8251%			

As a result, staff increased the FY 2023 Interest Income projection from $6,000,000 to $7,618,485.

Franchise Fees (-$137,801 less than FY 2022 Actual)
Franchise Fees for the nine months of FY 2023 totaled $373,789, which was $137,801 or 26.9% less than the $511,590 received for the same period in FY 2022.

Indirect Cost Reimbursements (+$1,119,716 more than FY 2022 Actual)
Indirect Cost Reimbursements (IDC) for the nine months of FY 2023 totaled $4,732,212, which was $1,119,716 or 31.0% more than the $3,612,496 received in the nine months of FY 2022. This increase was primarily accounted for by (1) an increase in the indirect cost rates calculated for FY 2023 (a range of 21-25%) compared to the rates calculated in FY 2022 (a range of 17%-18%), and (2) An increase of 4.66% in the indirect cost allocation base (total direct salaries and wages) from $20,289,745 in the nine months of FY 2022 to $21,234,357 for the same period in FY 2023.

As a result, staff increased the FY 2023 IDC revenue projection from $5,490,000 to $6,640,308.

Transfers (-$9,784,731 less than FY 2022 Actual)
Transfers from other funds for the nine months of FY 2023 totaled $10,731,462 which was $9,784,731 or 47.7% less than the $20,516,193 received for the same period in FY 2022. This was primarily attributable to the Transfer of $17,227,017 from the American Rescue Plan Fund to recover from the impact of the COVID-19 pandemic, and Transfer of $1,982,460 from the Health State Aide Realignment Fund in the nine months of FY 2022, compared to the Transfer of $9,203,709 from the American Rescue Plan Fund in the same period of FY 2023 and a delay in the Health State Aide Realignment Fund transfer in FY 2023.

Other Revenues (-$206,665 more than FY 2022 Actual)
Other Revenues primarily 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 nine months of FY 2023 totaled $5,378,615 which was $206,665 or 3.7% less than the $5,585,280 received for the nine months of FY 2022. Staff decreased the FY 2023 Other Revenue projection from $6,729,977 to $6,029,977 consistent with the trends seen in this revenue category.

5 YEARS PROJECTED GENERAL FUND REVENUES

	Projected General Fund Revenue FY 2021 through FY 2025						
	FY 2023 Adopted	FY 2022 Actual	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Undesignated Revenues							
Secured Property Taxes	75,664,920	71,607,561	79,091,256	84,725,717	89,385,632	92,514,129	95,752,123
Supplemental Taxes	2,000,000	2,317,723	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000
Unsecured Property Taxes	3,516,000	3,472,334	3,806,995	3,806,995	3,806,995	3,806,995	3,806,995
Property Transfer Taxes	18,000,000	18,000,000	18,000,000	18,000,000	16,000,000	16,000,000	16,000,000
Property Transfer Tax - Measure P	14,073,750	20,591,313	10,189,500	10,189,500	10,698,975	11,233,923	11,795,619
Sales Taxes	19,016,546	18,928,278	19,449,474	19,654,225	20,351,959	21,215,626	22,061,376
Soda Tax	990,210	1,025,800	1,147,387	1,147,387	1,147,387	1,147,387	1,147,387
Utility Users Taxes	13,800,000	14,750,065	17,454,320	17,454,320	17,054,320	17,054,320	17,054,320
Transient Occupancy Taxes(TOT)	5,000,000	5,727,046	7,022,353	8,374,588	8,655,826	9,621,409	10,683,549
Short-term Rentals	1,000,000	1,295,798	1,497,432	1,400,000	1,400,000	1,400,000	1,400,000
Business License Taxes	19,000,000	20,403,974	21,138,023	21,560,783	21,991,999	22,431,839	22,880,476
Recreational Cannabis	1,400,000	1,250,792	1,000,000	1,000,000	1,020,000	1,040,400	1,061,208
Measure U1	4,900,000	4,913,872	5,865,147	5,900,000	5,900,000	5,900,000	5,900,000
Vacancy Tax					2,500,000	5,000,000	5,150,000
Other Taxes	2,631,441	3,189,999	4,453,059	4,453,059	4,453,059	4,453,059	4,453,059
Vehicle In Lieu Taxes	15,926,168	15,006,003	16,626,651	17,811,134	18,790,746	19,448,422	20,129,117
Parking Fines - Regular Collections	4,326,450	4,765,819	5,800,000	5,800,000	5,300,000	5,300,000	5,300,000
Parking Fines - Booting Collections	-	-	-	-	-	-	-
Moving Violations	132,600	156,253	132,600	132,600	135,252	137,957	137,957
Ambulance Fees	3,880,779	3,833,730	5,330,779	5,350,779	3,880,779	3,880,779	3,880,779
Interest Income	6,000,000	6,694,122	7,618,485	8,826,211	8,826,211	8,826,211	8,826,211
Franchise Fees	1,613,283	1,720,056	1,720,056	1,720,056	1,720,056	1,720,056	1,720,056
Other Revenues	6,729,977	7,546,099	6,640,308	6,640,308	6,640,308	6,640,308	6,640,308
Indirect cost reimbursements	5,490,000	5,074,695	6,604,970	6,604,970	6,604,970	6,604,970	6,604,970
Transfers	17,096,148	27,354,923	17,096,148	7,591,924	4,472,621	4,562,074	4,562,074
Total Undesignated Revenues	242,188,272	259,626,255	261,084,943	261,544,556	264,137,095	273,339,864	280,347,585
Designated Revenues							
Prop. Transfer Taxes for capital improvements	16,462,172	24,901,750	4,873,786	4,873,786	8,017,475	9,218,349	10,479,266
Total Designated Revenues	16,462,172	24,901,750	4,873,786	4,873,786	8,017,475	9,218,349	10,479,266
TOTAL REVENUES AND TRANSFERS	258,650,444	284,528,005	265,958,729	266,418,342	272,154,570	282,558,213	290,826,851

Secured Property Taxes
In the Mid-Year FY 2023 report staff reported that, 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), staff projected that FY 2023 growth would be 10.8% and annual growth would be approximately 5.5% for the next several years. The FY 2023 projected growth still remains at 10.8%. However, as a result of the collapse in the real estate market during the third quarter of FY 2023 discussed above in the Property Transfer Tax section, the expectation for FY 2024 is 7.124%, and for FY 2025 it is 5.5%, but the growth for FY 2026 and FY 2027 have been lowered to 3.5%.

Sales Taxes
This revenue source is back to pre-pandemic levels, and growth is projected to increase 1.1% in FY 2024 and then level off to approximately 4% in FY 2025 through FY 2027. There is still some potential risk that the overall slowdown in the economy will be greater than currently expected due to the Federal Reserve Board's dramatic increase in interest rates from zero to over 5%, and due to tightening of credit standards due to the fallout from the recent three failures of three regional banks.

Business License Taxes
We are projecting a 3.6% growth in FY 2023 Business License Tax revenue and 2% from FY 2024 through FY 2027, led by growth in rentals of real property. Long-term projections will be adjusted as the impact of the recent dramatic increase in interest rates on the post-pandemic economic environment becomes clearer.

Transient Occupancy Tax
With the addition of a new hotel, we are currently projecting 22.6% growth in FY 2023 revenues, after subtracting the TOT rebates owed. We are currently projecting annual growth (TOT revenue increase after deducting TOT rebates owed) of 10% from the FY 2023 projected gross revenue levels. Based on those projections, we see the gross TOT revenue reaching the pre-pandemic level by the end of FY 2023. In addition, after subtracting projected TOT rebates owed, we expect that the net TOT level will be reached in FY 2024. 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 fall marginally from the FY 2023 and FY 2024 totals from FY 2025 through FY 2027, after increasing significantly in FY 2023 due to rate increases approved by the Public Utilities Commission and higher usage due to colder-than-normal temperatures.

Transfer Tax
Given the dramatic slowdown in the real estate market in the third quarter of FY 2023, the continuation of the trend in the first two months of the fourth quarter, and the continuing increases in interest rates by the Federal Reserve Board (along with rising mortgage rates), and a slowing US economy, we expect a decline in property values and in property sales activity in FY 2024. We project no growth in Transfer Tax revenue in FY 2024 from the revised FY 2023 total, followed by growth of 5% per year from FY 2025 – FY 2027.

Over the 5 years prior to the pandemic, transfer tax revenues grew 6% per year on average, but the high level of mortgage rates will continue to negatively impact sales prices and volumes somewhat in the next few years. After the sharp decline in FY 2023, we expect growth in revenues from Measure P supplemental tax on high value property transfers to be flat in FY 2024 and then increase at a rate of 5% from FY 2025 through FY 2027.

Conclusion

Projecting revenues many years into the future is inherently difficult to do with accuracy, as shifts in macroeconomic climate 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 is finally receding, and while many of the restrictions that had constrained economic activity have been or soon will be 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, businesses and institutions, as well as the desirability of certain locations for home purchases. These trends will have to be studied and analyzed and adjustments made as more data comes in.

Second, after being kept at manageable levels for many years, there are signs that inflationary pressure is driving prices higher. It is not yet clear if this is the temporary effect of disrupted supply chains caused by COVID-19 or a more long-lasting phenomenon. The Federal Reserve Board has indicated that the markets are adjusting to the fact that interest rates are being raised as the Fed’s start to tighten monetary policy to combat inflation. This will have immediate effects on economic activities in all sectors of the economy.

Third, with the lowering of the growth rate for Secured Property Taxes and the decline projected for Property Transfer Taxes, the City General Fund has, at least for the near term, lost its two primary drivers of annual growth, and the overall growth in General Fund revenue will struggle to remain positive.

Fourth, the continuation of the war in Europe between Ukraine and Russia continues to have negative effects on global markets. The effects can worsen at any minute if Russian oil and natural gas supplies 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 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.

Super 8 Master Lease

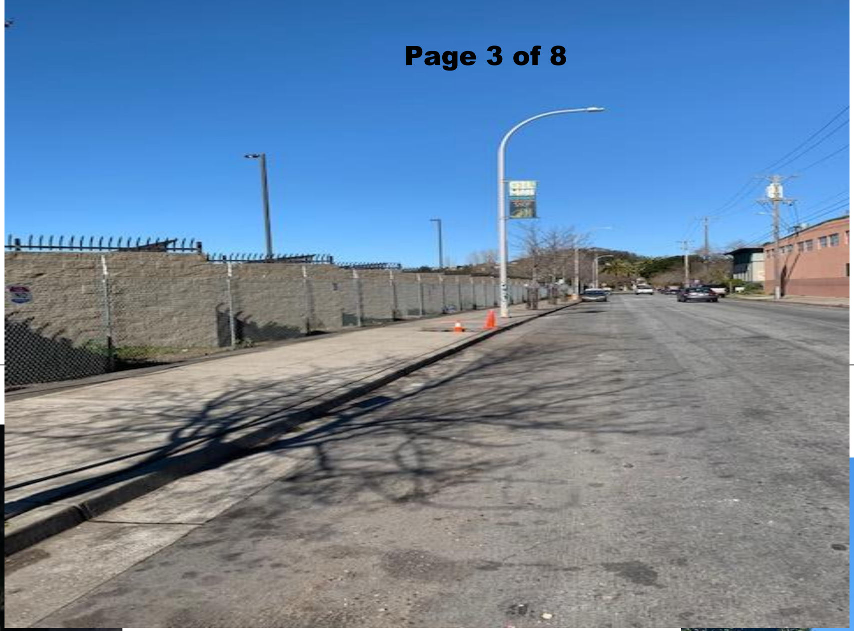
BUDGET AND FINANCE POLICY COMMITTEE

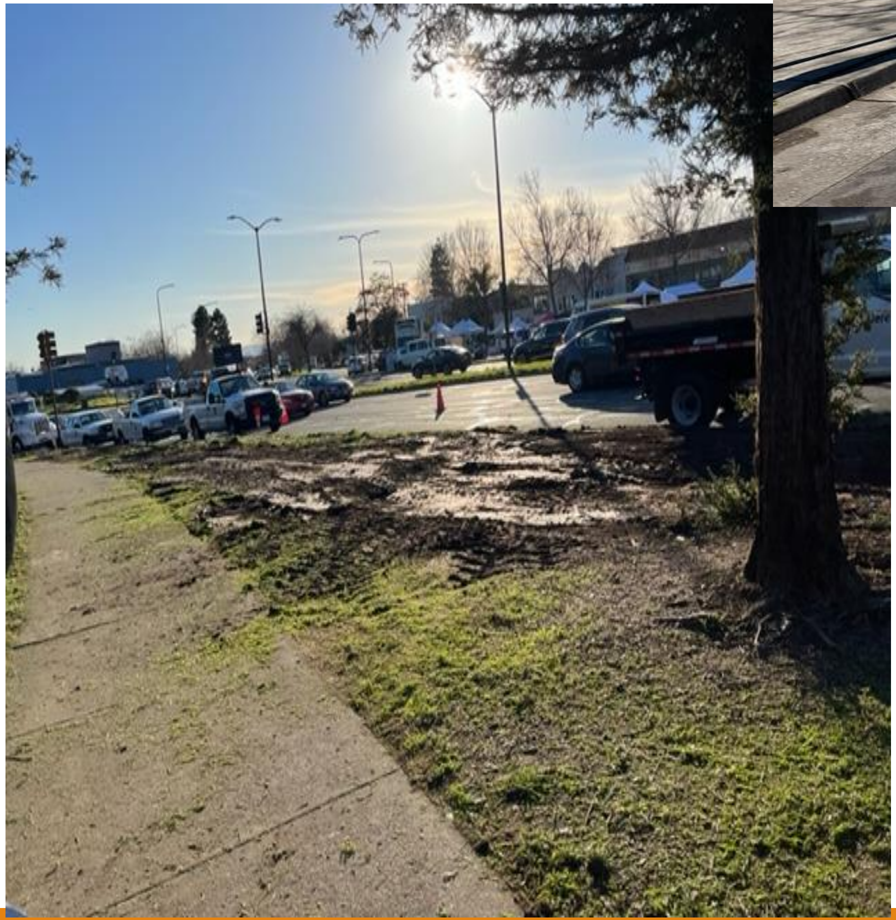
JUNE 22, 2023

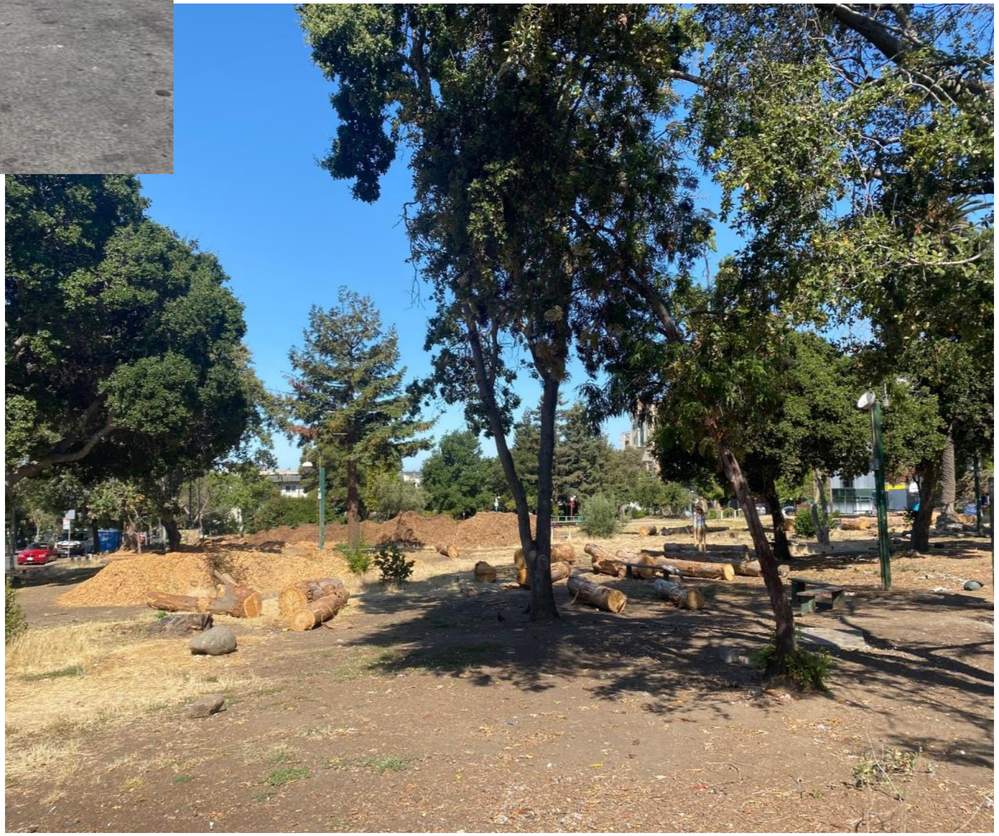
Noncongregate Shelter and Encampments

- Since the launch of the Homeless Response Team in Sept 2021, staff have made well over 500 offers of shelter to people living in encampments:
  - When congregate shelter is offered, acceptance rate = 43%
  - When noncongregate shelter is offered, acceptance = 84%

- 3 examples of successful resolutions using noncongregate shelter (dedicated motels):
  - Harrison St corridor (Feb 2022) → Berkeley Inn; 83% uptake
  - People’s Park (July/Aug 2022) → Rodeway Inn; 63% uptake
  - Here/There (January 2023) → Super 8; 86% uptake







Current Situation

- Staff are seeking to master lease the Super 8 Motel (1619 University Avenue) for 5 years to resolve the encampments in Northwest Berkeley.
- On 2/9/23, the Budget and Finance Policy Committee:
  1. Authorized staff to apply for ~$4.9M in funding to the State ERF-2 grant for this purpose; and
  2. Voted to support committing a ~$5M Measure P local match, which was written into the State grant.
- On June 14th, staff were alerted that all $4.9M in ERF-2 funding we applied for would be awarded.
  - This covers the first two years of the program in full

Lease terms

- Timeline:
  - 5 years, with either party reserving right to terminate, for any reason, with 180 days' notice after the first 12 months
  - City assumes lease 08/01/2023
  - 23 rooms plus access to all other facilities (staff office, kitchen, utilities room)
- Rent/Costs:
  - Flat rate of $3,355/room/month (vacant or occupied), with 3% annual escalator
  - Covers utilities, trash, internet, but City pays for usage that is 10% above baseline
- Damages:
  - $2,200/room/yr repair costs paid by City at the start of each year (with 3% annual escalator)
  - City pays for expenses that are caused by gross negligence/malicious intent above and beyond the $2.2k per year.

Program Details

- Program Operator: Insight Housing
- 4 P's:
  - Pets allowed
  - Privacy of own room
  - Possessions storage (details TBD)
  - Partners allowed
- 24/7 program with site security
- 3 meals/day
- On-site housing navigation and clinical case management; $2000/room/year in flex funds to remove housing barriers

Program costs

	Year 1	Year 2	Year 3	Year 4	Year 5
Super 8 Lease costs	$925,980	$953,759	$982,372	$1,011,844	$1,042,198
Room repair/maintenance	$50,600	$52,118	$53,682	$55,292	$56,951
Insight Housing contract	$1,469,127	$1,456,627	$1,456,627	$1,456,627	$1,456,627
TOTAL COSTS	**$2,445,707**	**$2,462,504**	**$2,492,681**	**$2,523,763**	**$2,555,776**

Recommendation

- **Recommendation:**
  - Support the City Manager's acceptance of the Encampment Resolution Fund grant award
  - Support appropriating the 2 years of Measure P match to this program ($5,016,444 total) in FY 24, as part of FY24 AAO #1, so funding for the full four years are committed
- **Rationale for Recommendation:**
  - Affirms the 2/9/23 Budget and Finance Committee vote to support a $5M Measure P match for this grant
  - Signals our commitment to our partners (Super 8 owners and Insight Housing)
  - Creates a realistic opportunity to resolve both encampment areas in Northwest Berkeley
  - Prioritizes Measure P spending on programs that leverage external funding

No Material Available for this Item

There is no material for this item.

City Clerk Department
2180 Milvia Street
Berkeley, CA 94704
(510) 981-6900

The City of Berkeley Budget and Finance Policy Committee Webpage:

https://berkeleyca.gov/your-government/city-council/council-committees/policy-committee-budget-finance

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

Office of the City Manager

ACTION CALENDAR
April 26, 2022

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.

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)

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

Table of Contents

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.

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[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 percentages 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.

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[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 is 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' 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 Min	Score for Each Rating Max	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
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 Min	Max	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
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

		Years into the Future									
	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 Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak Aa	Weak 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 it 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 enhances 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]

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[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.

Energy Commission

ACTION CALENDAR
May 23, 2023

To: Honorable Mayor and Members of the City Council

From: Energy Commission

Submitted by: Bentham Paulos, Chairperson, Energy Commission

Subject: Recommendation on Climate, Building Electrification, and Sustainable Transportation Budget Priorities for Fiscal Year 2023 and 2024

RECOMMENDATION

The Energy Commission recommends that the Berkeley City Council prioritize and include in the City's budget for the Fiscal Years Ending (FYE) 2023 and 2024 several staff positions, pilot projects, investments in electric vehicles and charging infrastructure, and other measures to ensure that the City's budget is aligned with and provides adequate and needed funding to implement the City's adopted Climate Action Plan, Electric Mobility Roadmap, Building Emissions Saving Ordinance, 2019 ban on gas in new construction, and the Existing Buildings Electrification Strategy.

POLICY COMMITTEE RECOMMENDATION

No action was taken by the Budget & Finance Committee. Item is automatically returning to the Council agenda pursuant to the 120-day time limit for items referred to policy committees.

SUMMARY

In this memo, the Energy Commission (which disbanded March 31, 2022, and was merged with the Community Environmental Advisory Commission in April 2022) provides details on specific budget and funding priorities for: staffing an Electric Mobility Coordinator and the Green Buildings Program Manager; fully funding the Building Electrification and Just Transition pilot project (especially to avoid risking loss of state funding); accelerate funding for the City's delayed fleet replacement with electric vehicles, residential electric vehicle charging infrastructure, and electric bike parking infrastructure; expanding public engagement and outreach; leveraging street maintenance budgets to incorporate and promote low-carbon mobility; and adopting policies and creating incentive programs to advance transportation and building electrification such as using the Transportation Network Company (TNC) User Tax General Fund revenue to fund bike and pedestrian projects and using a portion of the Transfer Tax to create an incentive program for residential building electrification.

FISCAL IMPACTS OF RECOMMENDATION

The specific fiscal impacts are detailed in the budget recommendations below. At least one of our priority budget recommendations – to fully fund the Building Electrification and Just Transition pilot – is urgent and time-sensitive and cannot wait until the June budget process. Any delay risks Berkeley losing access to substantial state funding that could support this pilot.

CURRENT SITUATION AND ITS EFFECTS

Berkeley has been a world leader on climate change and building electrification, as well as on zero waste. The City has already adopted an ambitious climate action plan and greenhouse gas (GHG) emission reduction goals.[1] Between our Building Emissions Savings Ordinance[2], 2019 ban on gas in new construction, the 100% renewable option with East Bay Community Energy, and the Existing Buildings Electrification Strategy[3] (BEBES), approved by the Council last year[4], we continue to lead the world with our thoughtfulness and action.

However, the task in front of us is daunting. With 60% of the City's emissions coming from the transportation sector and 36% from the building sector,[5] we must redouble our efforts to reduce climate emissions from transportation and buildings through electrification of buildings and transportation, sustainable low- and zero-carbon transportation modes, and other efforts. With the upcoming budget processes, we have ample opportunity to take necessary next steps to reach our zero emissions goals.

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[1] In 2006, voters overwhelmingly passed ballot Measure G and established Berkeley's goal to *Reduce our entire community's greenhouse gas emissions by 80% below 2000 levels by 2050*. Since then, the City has adopted a Climate Action Plan (2009).

On June 12, 2018, the Council passed item 30 which adopted a resolution establishing the goal of becoming a Fossil Fuel-Free City. Of the recommendations in the resolution, one was that "All future City government procurements of vehicles should minimize emissions and set a goal of transitioning the city's vehicle fleet to all electric vehicles."

Also, on June 12, 2018, the Council passed item 49 "Declaration of a Climate Emergency" which refers "to the Energy Commission to study and report back to Council on a path for Berkeley to become a "Carbon Sink" as quickly as possible, and to propose a deadline for Berkeley to achieve this goal" ideally by 2030.

[2] https://www.cityofberkeley.info/BESO/

[3] https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Energy_and_Sustainable_Development/Berkeley%20Existing%20Bldg%20Elect%20Strategy_Final_102021.pdf

[4] https://www.cityofberkeley.info/Clerk/City_Council/2021/12_Dec/Documents/2021-12-14_Item_06_Minutes_for_Approval.aspx

[5] https://www.cityofberkeley.info/Clerk/City_Council/2022/02_Feb/Documents/2022-02-08_Presentations_Item_17_Pres_Planning_pdf.aspx

The Energy Commission has identified the following priority items related to climate, buildings, and transportation in the City's Fiscal Year (FY) 2023 budget to ensure that the budget aligns with the City's adopted climate action plan and greenhouse gas (GHG) emission reduction goals.

At least one of our priority budget recommendations – to fully fund the Building Electrification and Just Transition pilot – is urgent and time-sensitive and cannot wait until the June budget process. Any delay risks Berkeley losing access to substantial state funding that could support this pilot.

At its meeting of February 23, 2022, the Energy Commission voted to send this recommendation to the City Council by a vote of 6-0-0-1 [Moved Tahara, Second Paulos. Ayes: Paulos, Wolf, Tahara, Moore, Guliasi, Zuckerman. Noes: None. Abstain: None. Absent: de Tournay Birkhahn].

Budget Priorities Recommended by the Energy Commission

I. Budget Priorities to Increase Staff Capacity to Implement the City's Established Climate, Transportation, and Clean Energy Policies and Priorities

1. **Fund and Hire Staff to Implement the Electric Mobility Roadmap**. The City had previously approved the hiring of an Electric Mobility Coordinator within the Public Works Department[6] to assist with implementation of the Berkeley Electric Mobility Roadmap adopted in July 2020[7]; but, at the time of writing, no position has been posted, now a year and a half after approval of the Roadmap.

   The Council has been a leader in adopting resolutions acknowledging the need for a prompt transition away from fossil fuels and strategies for how to do so.[8] But, without additional staff capacity, and exacerbated by recent staff departures and necessary pandemic re-assignments, the City has not been able to make adequate progress on implementing initiatives to reduce global warming pollution from the transportation sector, which is the largest emitter of global warming pollution in Berkeley.[9] Existing staff's capacity is simply inadequate to lead implementation of the groundbreaking,

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[6] Budget Referral from Councilwoman Harrison, March 30, 2021. The Energy Commission's understanding is that this position was included in the FY21-22 Budget to commence half-way through the fiscal year or as an "unfunded council referral," which was supposed to be funded via savings from other cuts or delayed expenses. https://www.cityofberkeley.info/Clerk/City_Council/2021/03_Mar/Documents/2021-03-30_Item_25_Budget_Referral_Allocate_Funding.aspx

[7] On July 21, 2020, the Council passed item 1, adopting the Berkeley Electric Mobility Roadmap.

[8] *Ibid.*

[9] 59% of GHG emissions in Berkeley come from transportation, followed by 39% from buildings.. https://www.cityofberkeley.info/Clerk/City_Council/2020/07_Jul/Documents/2020-07-21_Special_Item_05_Climate_Action_Plan_pdf.aspx (July 21, 2020).

transformative Roadmap in addition to their current responsibilities, and relying only on existing staff to implement will continue to cause unacceptable delays. **To implement the Electric Mobility Roadmap, it is critical that the City fund and hire additional staff beginning in the FY 2023 budget.**[10]

2. **Increase Staff Necessary to Implement the Berkeley Existing Buildings Electrification Strategy, and Ensure Durable Funding for Critical Staff Positions.** In addition to the Electric Mobility Coordinator position, the Energy Commission believes it should also be a priority for the City to enhance staff capacity for implementing other climate and clean energy initiatives, such as, but not limited, to the Berkeley Existing Building Electrification Strategy[11] and Climate Equity Action Fund.[12]

   City staff has and continues to do impressive work with limited staff. However, the scope of the task ahead of us is massive. As laid out by the BEBES, there are no fewer than 57 policy actions (Table 3-5, BEBES) that the City should take in order to decarbonize the building sector by 2045, let alone by 2030, which the science demands of comparatively wealthy municipalities such as ours. Many of these actions involve substantial education and regulatory initiatives, which can only be achieved with the addition of dedicated, skilled staff.

   Although we defer to staff with respect to the specifics of what additional positions might be most useful, some critical actions include:

   - Ensuring durable, long-term funding for the Green Buildings Program Manager. Although hiring has only recently begun, this role was approved as part of the

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[10] This single staff person will have an outsized impact, as they will be responsible for establishing and coordinating the Electric Mobility Roadmap Implementation Working Group as called for in the Roadmap. This Working Group was supposed to be convened within six months of the Roadmap's approval, but in the absence of staff capacity, it still has not been done. The Working Group's mandate includes tracking and evaluating Roadmap implementation progress. Without the Working Group, there is no accountability for the City to deliver against its stated electric mobility plans.

[11] On November 30, 2021, the Council passed item 13, adopting the Berkeley Existing Building Electrification Strategy. Phase 1 (2021-2025) actions for the Berkeley Existing Building Electrification Strategy will lay the groundwork to support wide-spread transition to electrified buildings in Berkeley. Policies included in Phase 1 will involve continued community engagement, pilot projects, education campaigns to demonstrate the benefits and feasibility of electrification, collaboration with labor and workforce organizations to advance inclusive high road jobs, alignment of existing programs and incentives, and the development of additional incentive programs as well as larger scale funding and financing programs such as tariffed on-bill financing. The City of Berkeley will work with partners such as East Bay Community Energy and Pacific Gas & Electric to develop larger scale Phase 2 projects. There will also be a need to collaborate with regional and State partners to align State policies to support Phase 2 actions. (Berkeley Existing Building Electrification Strategy, p. 95.)

[12] The City recently issued an RFP for the Climate Equity Action Fund. but existing staff do not have the capacity to maximize program impact and collect lessons learned from this innovative fund.

2019 gas ban,[13] and its extension will be critical in helping to develop future code amendments and help to reduce permitting overhead, improve compliance, and address the myriad other regulatory questions identified in the BEBES.

- Supporting and expanding staffing across the City for programs related to tenant protections and anti-displacement, such as those listed in Appendix C of the BEBES. As we electrify our existing building stock, we will need to evolve and augment our existing policies to protect marginalized communities at risk of displacement (CC-9, BEBES). We cannot afford for these policies to lag behind the pace and scale of electrification measures in the city.
- Supporting and expanding OESD staff to facilitate updates to the 2009 Climate Action Plan as appropriate and programs to facilitate Berkeley's ambitious new greenhouse gas limit goals. For example, last year the Council passed a Resolution establishing a 2030 emission reduction target that reflects Berkeley's fair share of the 50% global reduction in CO2e – 60.5% from 2018 levels by 2030.[14] Council is also actively considering more stringent and binding targets across its sector-based and consumption inventories. These new initiatives will have significant implications for the City's approach to building decarbonization. While we fully support these ambitious targets, efforts to implement them have been largely unfunded and understaffed. Achieving these targets will require a significant expansion of the City's climate staff capacity.

II. Budget Priorities to Advance Clean Transportation in Berkeley

1. **Fund City Fleet Electrification and Charging**. On June 29, 2021, the City adopted item 25 approving the recommendations in the City Auditor's report "Fleet Replacement Fund Short Millions"[15], which directed staff to adjust the fleet replacement funding model and budget, ensuring that the City's transition to electric vehicles (EVs) aligns with its adopted GHG emissions goals. On September 14, 2021, the Council adopted the recommendation from item 27 "Recommendations for Fleet Electrification Policy and Financing",[16] made by the Energy Commission, which referred to the City Manager to update the Municipal Fleet Electrification Assessment and EV charging funding priorities to respond to the City Auditor's Report and align with the objectives stated in the Electric Mobility Roadmap and

[13] https://www.cityofberkeley.info/Clerk/City_Council/2019/12_Dec/Documents/2019-12-03_Supp_2_Reports_Item_24_Supp_Arreguin_pdf.aspx

[14]https://www.cityofberkeley.info/Clerk/City_Council/2021/11_Nov/Documents/2021-11-30_Item_14_Cities_Race_to_Zero_Campaign__2030_emission_reduction_target.aspx

[15] Fleet Replacement Fund Short Millions, Berkeley City Auditor, June 29, 2021. https://www.cityofberkeley.info/Clerk/City_Council/2021/06_June/Documents/2021-06-29_Supp_2_Reports_Item_25_Supp_Auditor_pdf.aspx.

[16] Recommendations for Fleet Electrification Policy and Financing, From Energy Commission, Sept 14, 2021. https://www.cityofberkeley.info/Clerk/City_Council/2021/09_Sep/City_Council__09-14-2021_-_Regular_Meeting_Agenda.aspx - Item 27

prioritize municipal fleet modal shift to electric bicycles and other forms of zero-emissions mobility where feasible.

The Fleet EV Plan identified 32 vehicles to replace with EVs in FY 2021, requiring an estimated $1.16 million; but, as of June 2021, Public Works had only $747,000 to replace 29 vehicles scheduled to be replaced with EVs in FY 2021. The Energy Commission's recommendation noted that delaying replacement of these vehicles in 2021 would result in greater GHG emissions:

> "For example, per the Fleet EV Plan, if the City does not replace light-duty internal combustion cars with EVs as scheduled in 2021, it will produce an estimated additional 10.6 MT of GHG emissions in 2021; if not replaced as planned in 2022 an additional 19.5 MT of GHGs would be emitted in 2022; and so on." (page 4).

It is the Energy Commission's understanding that East Bay Community Energy (EBCE) has offered to provide substantial investments in the City of Berkeley for EV charging infrastructure, which would support progress on the City's fleet electrification and free up City funds that would otherwise have been spent on EV charging infrastructure. The Energy Commission urges the Council to resolve the budget gaps identified in the Auditor's report and explore additional funding sources so that the City can accelerate its purchases of EVs and the associated EV charging infrastructure in FY 2023.

A global microchip shortage resulting in prolonged supply chain delays and long wait times for the delivery of EVs is compounding the necessity for the City to take immediate action on fleet replacement. These delays are being exacerbated by the recent surge in demand for EVs. As more municipalities similarly pass electrification plans, Berkeley will see increasing competition for the same vehicles. The City must thus plan and order ahead if it wants to have a smooth fleet transition. The City should also commence its purchase of e-bikes for the years ahead, as replacements to existing City vehicles where appropriate. E-bikes are both highly cost effective and may not face the same supply chain delays as electric cars and trucks. The Energy Commission recommends that the Council prioritize these municipal fleet EV replacements, along with the associated EV charging infrastructure, in the FY 2023 budget.

2. **Expand Infrastructure for Residential EV Charging and E-Bike Parking.** The City should prioritize funds to address solutions for residential curbside EV charging. The City's Residential Curbside EV Charging Pilot Program[17] sunset in 2020. The development model the pilot used – private ownership of a charger on the side of a

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[17] https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Energy_and_Sustainable_Development/Manual%20with%20attachments%2012-1-14.pdf

public street – was not successful. While 62 residents applied for the program, only four on-site and seven curbside chargers were installed - high permitting fees, restrictive engineering requirements, lack of control of the parking space adjacent to the charger, and poor access to electrical supply resulted in high costs.[18] Given the number of Berkeley residents who do not have access to a driveway or garage, the Electric Mobility Roadmap identified as a high priority the need to deploy curbside charging for electric cars, particularly in neighborhoods with high rates of multifamily and rental housing. The next phase of curbside charging will incorporate lessons learned from the Pilot, investigate alternative strategies, identify state and federal funding sources, and explore partnerships with EBCE and EV charging companies.

The City should also investigate the potential to provide public secure parking for other types of fossil fuel-free vehicles, namely e-bikes and cargo bikes, for apartment dwellers. E-bikes and cargo bikes tend to be larger and heavier than regular bicycles, making them difficult to carry up steps. A paid, public parking system, such as the BikeLink lockers at BART stations, may be adapted to street parking near apartment buildings.

The Council should allocate funds in the budget for an electric mobility staff person who would oversee new projects — research other cities' approaches, evaluate Berkeley's codes, standards, and permitting processes, and conduct feasibility studies — along with funds for the pilot projects themselves.

3. **Incorporate Low-Carbon Mobility into Street Maintenance Budget.** While Council is considering a bond measure that would make capital investments in our transportation system, the City should also revisit how the maintenance budget can be used to promote low-carbon mobility.

   The Council has approved multiple plans to promote safe, equitable, and low-carbon mobility for all. These "complete streets" concepts are captured in the Bicycle Plan, Pedestrian Plan, Vision Zero Action Plan, and analysis of Safe Routes to School.[19] But many of the measures in these plans have been implemented slowly, if at all. The Council should direct the Public Works Department to follow these plans to the letter, and integrate all low-cost and rapidly deployable concepts from the plans into their ongoing maintenance. The timing of deploying higher cost measures may necessarily depend on funding.[20]

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[18] https://www.cityofberkeley.info/Clerk/City_Council/2018/02_Feb/Documents/2018-02-27_Item_16_Residential_Curbside_Electric.aspx

[19] See Bicycle Plan, Pedestrian Plan, Vision Zero Action Plan, Safe Routes to School.

[20] A related concept is that the Council should consider giving a more formal policy status to Bicycle Boulevards. While the Boulevards serve as a useful wayfinding tool for cyclists, their designation does not give the streets a meaningful status, and no prioritization when it comes to City planning or operations. For example, places where Bicycle Boulevards cross busy streets, such as at California/Dwight or Channing/San Pablo, face years of delay before safe crossing solutions can be implemented. Numerous

On January 18, 2022, the Council adopted item 19, referring a budget item to use Transportation Network Company (TNC) User Tax General Fund revenue to build and maintain protected bicycle lanes and crossings, pedestrian street crossings, and quick-build public transit projects under the Street Repair Program. The Energy Commission recommends that the Council follow through on its plan to use this revenue to benefit transportation projects in Berkeley.

III. Budget Priorities and Financial Incentives to Advance Building Decarbonization in Berkeley

1. **Fully Fund the Building Electrification and Just Transition Pilot Project.** In the December 2021 Annual Adjustment Ordinance (AAO) budget process, the Mayor declared, and the Council approved, that the Building Electrification and Just Transition pilot ("the pilot")[21] be a first priority to be funded in the May 2022 AAO.[22] Consistent with the City's "targeted universalism" approach to building electrification,[23] the pilot intends to kick-start electrification among affordable housing and low income (LMI) communities through incentives, and develop high-road jobs through labor standards and contractor prequalification.

   Funding for this item in the May AAO is critical, and cannot wait until the June budget process. Any delay risks losing access to substantial state funding that could multiply the reach and impact of the pilot. The California TECH initiative, an $120 million initiative established by SB 1477, recently began offering incentives for heat pump space and water heating that can defray nearly $10,000 of cost per home,[24] including the cost of an electric panel upgrade. These incentives are accessible to contractors via the BayREN Home+ programs, which will simplify administration of the pilot due to its use of pre-qualified contractors.

   There is additional urgency as well. The Bay Area Air Quality Management District (BAAQMD) is looking at phasing out the sale of NOx-emitting appliances by the end

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Bicycle Boulevards suffer from extremely poor pavement condition. Stop signs often favor cars instead of the Boulevards, and lighting can often be sub-standard. All of these factors undermine achievement of City plans, threaten public safety, and lock in carbon pollution. Direction from the Council to staff could take the form of a formal designation of the Boulevards as a category of street, just as Public Works delineates "arterials" and "collectors" when it comes to planning and operations.

[21] https://www.cityofberkeley.info/Clerk/City_Council/2021/11_Nov/City_Council__11-30-2021_-_Regular_Meeting_Agenda.aspx

[22] https://www.cityofberkeley.info/Clerk/City_Council/2021/12_Dec/Documents/2021-12-14_Supp_2_Reports_Item_44_Supp_Mayor_pdf.aspx

[23] According to the BEBES: "Targeted Universalism is the practice of setting a universal policy goal...while identifying targeted strategies and actions specifically for marginalized communities to ensure that those communities can benefit from the policy goal."

[24] For single-family homes (up to 4 units), including "enhanced" incentives for HPWH. See: https://energy-solution.com/wp-content/uploads/2021/12/TECH-Single-and-Multifamily-Incentives.pdf

of the decade,[25] which will significantly affect the availability of non-electric space and water heating. However, BAAQMD recognizes that such a rule can only be effective if there is sufficient financial support for disadvantaged communities and a robust installer network (things the BEBES also calls out) so that everyone can reap the benefits of zero-pollution appliances without facing substantial costs. **These costs cannot be borne by cities alone, but Berkeley can lay the groundwork to leverage state and federal money with its pilot and thus significantly contribute to the regional effort to improve air quality and GHG emissions.**

2. **Use Transfer Tax Revenues to Provide Incentives for Electrification.** With soaring home prices, the transfer tax represents a durable source of funds that the City should leverage to accelerate our building electrification goals. There are two potential models to consider.

   First, would be to model a rebate program after the Seismic Retrofit Refund Program[26] that would rebate a percentage of the transfer tax with a value up to the cost of a typical electrification package for electrification measures completed within one year of transfer. This would incentivize electrification at a time when there is large access to capital, and could lay the groundwork for an ultimate requirement to retrofit at time of sale. OESD staff have already provided Council with a draft ordinance and indicate that each year on average 800 units would qualify through this mechanism.[27]

   The Energy Commission recommends that Council move forward with this ordinance but with a cap on the amount of eligible homeowner rebates per year. These rebates are critical to the City's long-term strategy of phasing in potential electrification mandates as feasible.

   At the same time, as a diverse and majority renter city, it is critical that electrification subsidies are also available for units occupied by rent controlled or below market rate tenants. As a second model option, a percentage of the transfer tax refund program (for example, the difference between the reserved and actual rebate amounts) might be simultaneously allocated to expand electrification work among those LMI and minority communities most affected by inequality, pollution, climate change, or at risk of displacement. This could come in the form of expanding the Building Electrification and Just Transition pilot and Climate Equity Fund to reach more households, or other incentive programs targeted at those same communities.

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[25] https://www.baaqmd.gov/rules-and-compliance/rule-development/building-appliances

[26] https://www.cityofberkeley.info/Finance/Home/Real_Property__Transfer_Tax_Seismic_Refunds.aspx

[27] https://www.cityofberkeley.info/Clerk/City_Council/2020/07_Jul/Documents/2020-07-21_Special_Item_03_Referral_Response_Ordinance_pdf.aspx

3. **Adopt Policies to Promote Implementation of Low-cost, Partial Electrification measures**. In addition to enacting full retrofit programs, we recommend that the Council consider low-cost, partial electrification measures to maximize the immediate climate and health impacts of electrification measures. For example, a requirement that any AC installation instead be a heat pump (TR-7, BEBES) could be coupled with a subsidy for LMI communities to pay for the cost difference between an AC and an equivalent heat pump model, which is estimated to be between just $200 and $500 wholesale.[28] An installer subsidy of $676 alone could be enough to nearly double heat pump market share even absent a mandate[29]. Other low-cost measures might include the purchasing and distribution of portable heat pumps to provide cooling to households on our increasing number of hot days (newer inverter models offer substantial energy savings over traditional portable ACs[30]), portable induction units as both a gateway into electric cooking and a mechanism to reduce indoor NOx pollution that has been demonstrated to cause asthma in small children,[31] as well as weatherization work to make homes safer, more comfortable, and to reduce energy use. Council might also consider rebates for electrification at time of replacement, or provide access to equipment purchased under bulk purchasing agreements as part of the Building Electrification and Just Transition pilot program.

IV. Budget Priorities to Educate and Engage Berkeley Residents in Implementing Transportation and Building Electrification

1. **Expand Sustainability Outreach Events.** In conjunction with implementation of the Electric Mobility Roadmap and Existing Building Electrification Strategy, it is appropriate for the City to continue and expand public engagement on alternative transportation and green building solutions.

   Increasing electric mobility awareness and education is a key strategy in the Electric Mobility Roadmap for achieving the City's zero net carbon goals. Berkeley has already organized four highly successful annual Ride Electric events, which brought the public together to learn about and, in certain cases, test drive EVs and e-bikes. The City has also partnered successfully with other local groups to organize in-person and virtual green building tours that feature clean energy, energy and water conservation, gray water, electric appliances, and garden features.

   As technologies and incentives evolve, more members of the public consider adopting electric mobility and building electrification technologies, and as the City

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[28] https://www.clasp.ngo/research/all/3h-hybrid-heat-homes-an-incentive-program-to-electrify-space-heating-and-reduce-energy-bills-in-american-homes/

[29] ibid

[30] https://www.midea.com/us/air-conditioners/portable-air-conditioners/midea-duo-smart-inverter-portable-air-conditioner-map12s1tbl

[31] https://cfpub.epa.gov/ncea/isa/recordisplay.cfm?deid=310879

increases its e-mobility expertise through additional staffing, these events can and should continue to play an important role in getting Berkeley residents to transition away from fossil fuels. The Roadmap states that the City will expand electric mobility education and outreach activities, with a goal of increasing awareness of electric mobility options and incentives.[32] To deliver on this commitment, the City must allocate funds for these events in its next budget.

With its recent adoption of the Existing Building Electrification Strategy, the Council must expand funding for sustainability outreach events to also address needs identified in the Strategy. For example, the Strategy identified a need for education to address the steep learning curve and cultural sensitivity around cooking with electric stoves, as cooking is a cultural asset and many feel strongly about cooking with gas stoves.[33] While the City has hosted building electrification events, including loan programs for residents to try out electric induction cooktops, it will need to do more to engage residents in adopting electric heat pumps, induction stoves, and other technologies.

BACKGROUND

The City has existing mandated climate goals and emissions reductions commitments, and already-adopted strategies, such as the Electric Mobility Roadmap and the Existing Buildings Electrification Strategy. Furthermore, the City has already approved certain staff positions and investments, such as an Electric Mobility Coordinator position and commitments to replace the City's vehicle fleet with electric vehicles on a schedule. The City is falling behind in hiring and filling needed positions and in executing on needed investments. The budget recommendations proposed by the Energy Commission in this memo seek to ensure the City stays on track to meet its goals.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

If the Council further delays investments or doesn't include our recommended priorities in the upcoming budget, it puts at risk the health and safety of Berkeley's residents, the City's achievement of its adopted and mandated climate, clean energy, and transportation goals, and its national and global leadership on addressing climate change in innovative ways.

RATIONALE FOR RECOMMENDATION

The Energy Commission commends the Council for its many years of leadership to reduce Berkeley's global warming pollution and to advance clean energy solutions for the transportation and building sectors. Our budget is a declaration of our values. We have a tremendous opportunity to accelerate building decarbonization while improving equity through targeted universalism, and we must seize the moment to secure a safer, healthier, more resilient future.

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[32] Berkeley Electric Mobility Roadmap, p. 43.

[33] Berkeley Existing Building Electrification Strategy, p. 42.

However, if the Council further delays investments in staffing, fleet electrification and electric vehicle charging infrastructure, building maintenance and retrofits, and public education in the FYE 2023 and 2024 budget, it puts at risk the health and safety of Berkeley's residents, the City's achievement of its adopted and mandated climate, clean energy, and transportation goals, and its national and global leadership on addressing climate change in innovative ways. The Energy Commission thus urges the City Council to incorporate the above stated priorities into its FYE 2023 and 2024 budget.

ALTERNATIVE ACTIONS CONSIDERED
We did not consider excluding these items from the budget.

CITY MANAGER
The City Manager recommends that the content and recommendations of the Commission's Report be referred to the budget process.

CONTACT PERSON
Billi Romain, Energy Commission Secretary, 510-981-7432

Peace and Justice Commission

ACTION CALENDAR
APRIL 11, 2023

To: Honorable Mayor and Members of the City Council

From: Peace and Justice Commission

Submitted by: George Lippman, Chairperson, Peace and Justice Commission

Subject: Referral of two health educator positions to the COB FY 2024 budget process

RECOMMENDATION:
Refer to the budget process a request for estimated $150,000 annually, beginning in FY 2024 or as early as the AAO #2 process in spring 2023, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities, as proposed by the Peace and Justice Commission.

FISCAL IMPACTS OF RECOMMENDATION
Estimated annual cost: $150,000. This estimate was given by Dr. Lisa Warhuus, HHCS Director, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities.

CURRENT SITUATION AND ITS EFFECTS:
According to HHCS Director Dr. Lisa Warhuus, “the overriding health challenge in Berkeley are health disparities....For many years, we have seen significant disparities between the health status of our white community members (generally well above national averages), and our BIPOC community members. Geographically, this shows up with generally excellent health outcomes for people living in the hills, with less ideal outcomes in zip codes in South and West Berkeley (although this is shifting somewhat with gentrification). In recent years, other high-risk populations would include people experiencing homelessness and, to some extent, the LGBTQ+ community (though we need more research on the latter as it can very dependent upon circumstances).

“One of the biggest challenges we have in addressing health disparities is in the communications and outreach (prevention) component of the work. We need to do more culturally responsive outreach to those most negatively impacted by disparities, **engage and listen to what people feel is most needed**, and work with them to fill that gap. In doing so over the years, our Public Health division has often found that what is most missing is trust in the system, information and education done in a culturally responsive way, and clear access points for medical insurance, coverage, and a medical home.

“For instance, in a health assessment conducted by the Public Health Division in 2018, the highest priority identified by Berkeley participants to achieve a healthy community was communities that had access to basic needs and services (i.e. healthcare, housing, healthy food, transportation, etc.), felt connected and was treated with openness, tolerance, and inclusion, and had resources and up to date information on services. “The greatest threats to optimal health that community members identified were high costs of living, food security, and stress/mental wellness with recurring barriers being lack of or limited information and resources available to community members.”

At its regular meeting January 9, 2023, the Peace and Justice Commission adopted the following recommendation proposing the hiring of two health educator positions for the next fiscal year.

M/S/C: Bohn, Jaqulin.

Ayes: Lippman, Jacqulin, Bohn, Lee, Morizawa, Gussmann.

Noes: None.

Abstain: Maran.

Absent: Leon-Maldonado.

ENVIRONMENTAL SUSTAINABILITY
N/A

BACKGROUND
Peace and Justice commissioners, along with members of the Commission on the Status of Women and the Community Health Commission, recently met with HHCS Director Dr. Lisa Warhuus and Public Health Manager Janice Chin, at Council’s request, to discuss resources for and obstacles to reproductive health services and education. Dr. Warhuus clarified that “from the lens of HHCS, the work in Berkeley needs to be centered on health disparities in the larger context first,” and to “ensure that our Public Health Division continuously includes Reproductive and Sexual Health (RSH) work as a part of their broader health education, prevention, and outreach strategy.”

HHCS is bringing on a consultant who will organize and engage community members and other stakeholders to create a Community Health Assessment and a Community Health Improvement Plan, including a pilot program to create a health innovation zone to work toward remedying severe health inequities. Performance measures will be tracked through a new web-based population data health platform that will be rolled out as part of this process.

RATIONALE FOR RECOMMENDATION
HHCS would benefit from hiring staff and paying for materials and supplies out of general fund to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities.

The department is facing the lack of sufficient resources to do culturally responsive outreach, engagement, and prevention on an unconstrained basis. Engagement of these educators would assist with Reproductive and Sexual Health (RSH) outreach as part of the larger health outreach program.

ALTERNATIVE ACTIONS CONSIDERED
None

CITY MANAGER
See companion report.

CONTACT PERSON
George Lippman, Chairperson, Peace and Justice Commission
Okeya Vance-Dozier, Commission Secretary, (510) 684-0503

Office of the City Manager

ACTION CALENDAR
April 11, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Peter Radu, Assistant to the City Manager

Subject: Companion Report: Referral of two health educator positions to the COB FY 2024 budget process

RECOMMENDATION:
Refer to the Peace and Justice Commission's request for $150,000 annually for staffing, materials, and supplies for health education and outreach to the Budget and Finance Policy Committee for further deliberation.

FISCAL IMPACTS OF RECOMMENDATION
There are no fiscal impacts associated with this recommendation.

CURRENT SITUATION AND ITS EFFECTS:
The Peace and Justice Commission has requested $150,000 annually to fund two health educator positions. The City Manager does not disagree with the potential merit of this request, but rather recommends that Council clearly identify concrete impacts and outcomes for the positions, as well as a budget source, before referring them for funding. Moreover, further deliberation allows Council to work with staff to identify any existing baseline services that could be supplemented, which may provide a more cost-efficient means of meeting outstanding needs than hiring new staff.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS
There are no environmental benefits nor challenges associated with this recommendation.

BACKGROUND
At its regular meeting January 9, 2023, the Peace and Justice Commission adopted the following recommendation proposing the hiring of two health educator positions for the next fiscal year.

M/S/C: Bohn, Jaqulin.

Ayes: Lippman, Jacqulin, Bohn, Lee, Morizawa, Gussmann.

Noes: None.

Abstain: Maran.

Absent: Leon-Maldonado.

RATIONALE FOR RECOMMENDATION

A clearer picture of desired impacts and outcomes associated with this request compared to baseline services, as well as financial implications, should be identified at the Committee level before recommending them to the full Council for funding.

ALTERNATIVE ACTIONS CONSIDERED

Council could refer this request directly to the budget process.

CONTACT PERSON

Peter Radu, Assistant to the City Manager, (510) 981-7045.

CITY OF BERKELEY

Office of the City Manager

Date: June 23, 2022

To: Budget and Finance Policy Committee

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Finance Director

Subject: Investment Policies of Other Jurisdictions

The City's investment policy is a formal document which provides the guidelines for investments and operational structure in the management of public funds and is confirmed annually by the City Council.

One of the components of the City's investment policy is the section for responsible investing. This provides a list of identified restrictions that were ratified by the City Council. It is extremely important that the investment officer regards these as requirements when making decisions for investment purchase.

Each year the City's investment policy is updated to add all the responsible investing policies passed by city council throughout the year. Throughout the many years, the City has accumulated seven policy restrictions for responsible investing.

Most cities' have the three main statutory objectives in managing the investment programs which are safety, liquidity and return. However, due to the restrictions in City of Berkeley's investment, the investment program considers responsible investing as an additional objective. Compliance to these restrictions is highly regarded as a requirement for its investments. These results in limiting the type of investment offering the investment officer can purchase. Restrictions has a direct impact on diversification of funds and the rate of returns on investments.

On January 27, 2022 while discussing the Fourth Quarter Investment report, the Budget and Finance Committee asked that Finance conduct a comparison study in investment restriction for other cities in California. The Finance Department researched and reviewed the investment policies of the various cities to identify the investment restrictions for their investment program. Finance took the cities that it currently uses to benchmark the rate of returns on the City's quarterly investment report and identified the restrictions on their cities' investment policies.

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Below is a summary of the findings from the research:

VARIOUS CALIFORNIA CITIES INVESTMENT RESTRICTIONS											
		DIVESTMENT FROM COMPANIES/MANUFACTURERS								INTEGRATE	
City	Rates Earned	Tobacco Products	Firearms	Fossil Fuels	Nuclear Power	Private Prison and Immigration Detention	Weapons	Oppressive States	Companies for Mexico Border Wall	Environment, social and governance principle	Investing Community Well Being
Palo Alto	1.58%	X	X	X							
Los Angeles	1.09%										
San Jose	1.08%										X
Sacramento	0.99%										
Torrance	0.98%										
San Diego	0.83%										
Berkeley	0.80%	X	X	X	X	X	X	X	X	X	
Santa Monica	0.54%	X	X	X	X						
San Francisco	0.48%	X	X		X						
Oakland	0.19%	X	X	X							

Encouraged Not Required

Discouraged Not Required

Research Analysis:

The study shows that there is a direct correlation between the number of restrictions to the rate of returns for various jurisdictions. The cities that have no restrictions or encouraged restrictions without it being mandated are the cities that have higher rate of return on their investment. Cities with restrictions are the ones who have lower rate of return. The City of Berkeley rate of returns still remains fairly high amidst the restrictions in the investment policy.

As a result of the differences in the investment policies of different cities, including responsible investing policies, maturity restrictions, investment restrictions, etc., it is difficult for any City to come up with a reasonable performance measure for pooled cash investments. In order to provide some measure of the relative performance of the City's investment returns, past City Councilmembers requested that information about the rates earned by other California cities be included in the quarterly investment reports for comparison purposes, despite the differences in the investment policies of the various cities.

No Material Available for this Item

There is no material for this item.

City Clerk Department
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The City of Berkeley Budget and Finance Policy Committee Webpage:

https://berkeleyca.gov/your-government/city-council/council-committees/policy-committee-budget-finance

Office of the City Manager

INFORMATION CALENDAR
May 23, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Jennifer Louis, Interim Chief of Police

Subject: Audit Recommendation Status - Berkeley Police: Improvements Needed to Manage Overtime and Security Work for Outside Entities

CURRENT SITUATION AND ITS EFFECTS

The City Auditor's report included 12 recommendations. Five of the recommendations have been implemented, one has been partly implemented and six of the recommendations have been started. The next status update report will be in six months.

Included in the update is progress on two significant recommendations. We have recently implemented an electronic staffing software solution that will improve ability to monitor overtime and resources. The Department worked with the City Attorney's Office to develop Policy 1043 which describes the procedures and contractual agreement requirements for working with outside entities. That policy is attached to this item. Information about the process as well as the application itself are also available on the Police Department website at;

https://berkeleyca.gov/safety-health/police/community-liaisons

BACKGROUND

On March 3, 2022, the City Auditor's Office issued its audit, *Berkeley Police: Improvements Needed to Manage Overtime and Security Work for Outside Entities*[1] This audit report included 12 recommendations. The purpose of this report is to update the City Council on the Police Department's progress on implementing the City Auditor's recommendations. This is the second status report for this audit, the first being in November 2022.

[1] City Auditor's Office Overtime Audit (3/3/2022) https://berkeleyca.gov/sites/default/files/2022-04/Berkeley%20Police%20-%20Improvements%20Needed%20to%20Manage%20Overtime%20and%20Security%20Work%20for%20Outside%20Entities.pdf

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects or opportunities associated with the subject of this report.

FISCAL IMPLICATIONS

Staff time in addition to the contract costs. The contract for CareWare, approved in 2022 is $191,740 (5-year contract). This software is now being utilized throughout the whole Police Department.

CONTACT PERSON

Captain Kevin Schofield, Police Department, (510) 981-5815

ATTACHMENTS

1. Police Overtime Recommendation Table
2. Policy 1043 - Extra Duty Employment

Audit Title: Berkeley Police: Improvements Needed to Manage Overtime and Security Work for Outside Entities						
Finding	**Recommendation**		**Department**	**Expected or Actual Implementation Date**	**Status of Audit Recommendations, Corrective Plan, and Progress Summary**	**Last Period: Status**
Overtime is used to maintain minimum patrol staffing set by BPD.	1.1	Collect and monitor data on how often compensatory time leads to additional backfill overtime and develop a plan to monitor it.	Police	9/1/2023	<u>Started:</u> The CareWare electronic staffing software solution has recently been implemented to monitor staffing, overtime and time off, plus shift trades/swaps. Now that the software is being utilized, BPD will be better able to work towards understanding the expense and impacts of compensatory time.	Not Started
Overtime is used to maintain minimum patrol staffing set by BPD.	1.2	Fill vacancies deemed necessary and/or reallocate staff pending the reimagining process and a determination of appropriate staffing levels.	Police	Ongoing	<u>Started:</u> The City of Berkeley released an RFP for a "Berkeley Police Department Workload Organizational Study". A vendor for the organizational workload study has been selected and BPD is entering into the contracting process.	Not Started
Minimum staffing levels in BPD's Patrol Unit could cause unnecessary overtime if not regularly updated.	2.1	Establish a procedure to regularly assess minimum staffing and overall staffing needs of the department. This process should document and incorporate criteria to assess staffing levels, such as calls for service, other workload, community input, and other relevant factors. As BPD prepares for the rollout of a new software system, BPD should consider how to best align the program's capabilities with this assessment process.	Police	9/1/2023 - 3/1/2024	<u>Started:</u> Annually, BPD will monitor and reassess workloads as they consider how to best allocate resources. These internal tools were used with the March 2023 timesheet to help identify a new beat structure to ensure adequate coverage plus rebalancing minimum staffing levels.	Not Started

Minimum staffing levels in BPD's Patrol Unit could cause unnecessary overtime if not regularly updated.	2.2	Document and define the Patrol Unit's minimum staffing levels in a publicly assessible format.	Police	9/2/2022	<u>Implemented:</u> This information has been placed on the BPD webpage. The button "current officer shift assignments" links to a timesheet with officer assignments. Information can be viewed at https://berkeleyca.gov/safety-health/police/community-liaisons. The public-facing CoB website additionally includes the following language: "Note: The timesheet and minimum staffing levels are a starting point for each shift assessed every six months and commanders have a number of options to consider regularly. There are often daily assessments, as well. Overtime to backfill officers is typically triggered when a patrol team's staffing drops below 9 or 10, depending on which Patrol team, or as other needs may dictate (crimes, emergencies, protests, etc.). These numbers are always subject to change."	Implemented
Minimum staffing levels in BPD's Patrol Unit could cause unnecessary overtime if not regularly updated.	2.3	Document the results of staffing assessments along with the assessment criteria. Incorporate results into staffing projections for budgetary decision making, including establishing a sufficient and appropriate overtime budget.	Police	9/1/2023 - 3/1/2024	<u>Started:</u> A vendor for the organizational workload study has been selected and BPD is entering into the contracting process.	Not Started

Officers work excessive overtime, increasing health and safety risks.	3.1	Update the department overtime policy to address the fact that there currently is no limit to the number of consecutive days worked and determine the appropriate limit for overtime that is enforceable with the goal of avoiding officer fatigue. The department may examine other jurisdictions' overtime limits as possible criteria.	Police	3/1/2024	Started: BPD has started looking into what other agencies do regarding limiting the number of consecutive days worked. The current policy addresses the maximum number of work hours per week but does not address consecutive days worked. The recent implementation of the electronic staffing software solution and tracking abilities may also help guide any needed changes.	Not Started
Officers work excessive overtime, increasing health and safety risks.	3.2	Work to implement a staffing software solution that integrates overtime management and scheduling software. Develop management reports that provide timely, accurate, and complete information on overtime usage. Develop a process for filling overtime shifts on a voluntary and mandatory basis, including supervisor approval. Build in warnings for when an individual is approaching overtime limits and an approval process for allowing individuals to exceed limits when deemed necessary according to the policy.	Police	3/8/2023	Implemented: The CareWare electronic staffing software solution has recently been implemented to monitor staffing, overtime and time off, as well as shift trades/swaps. This includes a warning notice within the system that someone could be working more than the allowed number of hours. This warning requires acknowledgement by the user allowing the hours.	Started

BPD has no contracts for overtime security with outside entities.	4.1	Update A.R. 2.10 and other department policies to explicitly include guidance around department agreements for work for outside entities, which is paid for by reimbursements to the City from the outside entities. Internal procedures should include appropriate criteria to identify and document the benefit to the City gained by work for outside entity agreements, and to allocate resources in a way that does not negatively impact City operations. Additionally, BPD should document their criteria for when officers are not available or eligible for work for outside entities.	Police	Ongoing	Implemented: BPD finalized Policy 1043 and will begin using the newly created contracts with outside entities.	Started
BPD has no contracts for overtime security with outside entities.	4.2	In consultation with the City Attorney, create contracts with outside entities in compliance with City policies and applicable laws.	Police	Ongoing	Partly Implemented: Service agreements for work with outside entities are drafted and available on the Police Department's website. BPD's sergeant in special events will be doing outreach to all of the regular consumers/requesters as a next step.	Started

BPD has no contracts for overtime security with outside entities.	4.3	Develop an application for BPD’s services that is publicly available and accessible online to any interested party. Set pay uniformly according to rank and hourly rate and include a reasonable fee that covers the expenses of administering work for outside entities including workers compensation, fuel, use of equipment, and any other actual or potentialcosts to the City.	Police	3/30/2023	<u>Implemented:</u> The application and service agreement have been added to the BPD website on the Community Liaisons page under 'Related Documents'. BPD will be working with their web management team to add it to the main City of Berkeley website in the 'Special Events' section. A 10% fee was added on top of employee fees to offset costs associated with coordinating special events, including planning and staff time. 10% is a standard administrative fee at the state level and is standard administrative fee for grant funding they receive. BPD wants to be consistent with department administrative fees throughout BPD. The police department will adjust the administrative fee in the future as needs dictate.	Started
BPD has no contracts for overtime security with outside entities.	4.4	BPD should reconcile invoices with the amounts received for work with outside entities at regular intervals. BPD should also implement procedures to check invoices for errors prior to billing outside entities.	Police	3/7/2023	<u>Implemented:</u> BPD's Admin & Fiscal Services Unit developed a written procedure for the 'Outside Entity Billing Process'. This will ensure consistency and accountability in billing and tracking.	Started
BPD has no contracts for overtime security with outside entities.	4.5	Explore ways to clearly account for different funds to track revenues and expenses.	Police	Ongoing	<u>Started:</u> BPD is in the beginning stages of developing potential solutions to account for different funds. It may require collaboration with Finance, Budget, Payroll Audit, the ERMA Team, and other stakeholders.	Started

Extra Duty Employment

1043.1 PURPOSE AND SCOPE

This policy covers extra duty employment, which consists of officers working special details wherein the City of Berkeley has a contractual agreement to provide services for a fee to private third parties.

1043.1.1 DEFINITIONS

Extra Duty Employment- Extra Duty Employment occurs when a member of this Department performs police services at the request of a private third party and receives overtime compensation or wages paid directly into their routine pay, the cost of which the City will recover pursuant to a Service Agreement between the private third party and the City. Approval shall be obtained from the Chief of Police prior to any overtime being posted for Extra Duty Employment.

1043.2 OBTAINING APPROVAL FOR EXTRA DUTY EMPLOYMENT

All requests for Extra Duty Employment will be offered only after a third party has signed a Service Agreement and completed an Application for Extra Duty Services prior to the officers being assigned.

The City is under no obligation to provide or approve Extra Duty Employment and all requests must consider the following criteria:

- The overall staffing needs of the Department, including Investigations and specialized patrols such as the Bike Force Team
- The impact of the request on officer wellness and fatigue mitigation
- The degree to which the extra duty employment supports overall public safety and builds connections with the community.
- The potential the extra duty employment has to cast discredit upon or create embarrassment for the Department or City Government.

In instances where the Department chooses not to staff an Extra Duty Employment opportunity, the private third party will not incur any charges.

The completion of a Service Agreement and Application for Extra Duty Services is required for all events in which the Berkeley Police Department will seek reimbursement. All police grant work is excluded from this policy. Mutual Aid response from the Berkeley Police Department may include incidents wherein reimbursement is expected, however it is explicitly excluded from the provisions of the Extra Duty Employment, and is covered under General Order M-02, and Policy 327 (upon its publication).

Any private third party seeking Extra Duty Employment shall complete the following:

- The private third party must complete the **Service Agreement** in order to request Extra Duty Employment. This form is available on the Police Department's website, and is attached to this policy.
- The **Service Agreement** may be entered into for a one-time event, for repeating events, or to cover continuous service. **Service Agreements** for Extra Duty Employment will span no longer than the duration of one calendar year, automatically resetting every January 1st for events that seek continuous services. In circumstances like the Berkeley Unified School District which may have different events spanning the year, the **Service Agreement** for Extra Duty Employment should identify what activities or events (i.e. sporting events, dances, graduation) are anticipated. Extra Duty Employment outside of these events will require an additional application. This allows for adjusted staffing consistent with the needs of each respective event.

DRAFT

- City Manager approval must be obtained for all **Service Agreements**.
- The private third party must complete an **Application for Extra Duty Employment.** This form is available on the Police Department's website, and is attached to this policy.
- The private third party must submit the **Application for Extra Duty Employment** and any additional supporting documents to the Special Events Sergeant.
- Chief of Police approval must be obtained for all **Applications for Extra Duty Employment**
- The Special Events Sergeant will be the contact person between the Department and the private third party on the status of their respective application.
- The Special Events Sergeant will be responsible for posting the overtime.
- The Special Event Sergeant shall maintain records of all submitted Extra Duty Employment requests and shall be responsible for annual renewal of Service Agreements.

1043.3 EXTRA DUTY EMPLOYMENT- SWORN PERSONNEL

Sworn personnel are subject to the following provisions regarding Extra Duty Employment while working in a law enforcement function representing the Berkeley Police Department:

- Officers will treat Extra Duty Employment overtime like regular patrol duty, and shall be dressed in full Police Uniform, and adhere to all policies and procedures of the Berkeley Police Department. Officers are permitted to use marked police vehicles as appropriate while working in this capacity.
- All officer conduct will be highly professional, and all law enforcement actions taken will be those authorized by the employee's status as a California police officer.
- In all Extra Duty Employment instances, the police personnel shall at all times be subject to the exclusive direction, supervision, and control of the Police Department.
- Equipment, including vehicles, may be assigned by the Police Department based on the nature and duration of the work to be performed.

See attachment: BPD Service Agreement-final.pdf

See attachment: Application for Extra Duty Services.pdf

Attachments

BPD Service Agreement-final.pdf

CITY OF BERKELEY POLICE DEPARTMENT SERVICE AGREEMENT

This agreement for services ("Agreement") is by and between the City of Berkeley, a chartered California municipal corporation ("City") and __________________ ("Organization"). The City and the Organization may be referred to herein individually as a "Party", or collectively as the "Parties".

The Parties agree to the following terms and conditions:

1. DATES: Unless this paragraph is subsequently modified by a written amendment to this Agreement, the term of this Agreement shall begin on __________ and terminate on ______________.

2. SERVICES; CONDITIONS; CITY EMPLOYEES: In exchange for the compensation from the Organization, as described in this Agreement, the City's Police Department Peace Officer Personnel ("Personnel") shall provide security services, crowd control, and/or traffic control (collectively, "Services") as may be separately requested by the Organization and agreed upon by the City. In performing such Services, the Personnel shall be utilized only in their capacity as Peace Officers, as defined by California Government Code Section 50920 and Penal Code Sections 830 and 830.1.

   The Personnel shall, at all times, be subject to the exclusive direction, supervision, and control of the City. The Personnel shall remain employees of the City when performing Services under this Agreement, and shall not be deemed employees of the Organization.

   Services shall be provided only upon written request by the Organization via the completion of an Application for Extra Duty Services, attached hereto as Exhibit A. Any request shall include the date and time-period for which Services are required, the number of Personnel anticipated, and a description of the Services. The City may reject any request for any reason in its sole discretion.

   The City's ability to perform such Services is subject to the availability of its Personnel, as such availability may be determined by the City in its sole discretion. It is understood and agreed that the City assumes no liability for its rejection of any request for Services or its inability to provide Personnel for Services on any particular date and/or time.

3. BILLING: The Organization will be billed by the City for Services rendered by the Personnel at the overtime rate of the individual Personnel who provide the Services plus indirect costs of 10% of the hourly rate. The specific hourly rate for the individual Personnel shall be determined by the City and shall include a three-hour minimum charge per individual Personnel. Billing for Services shall begin from the time the officer leaves the police station to travel to the off-site work area and will continue until the officer has returned from the off-site work area to the police station.

4. INDEMNITY/HOLD HARMLESS: To the maximum extent permitted by law, and excluding the gross negligence or willful misconduct by the Personnel while providing the Services, the Organization shall defend, indemnify, and hold harmless, the City (including any City employee, officer, or agent), from any claim, injury, loss, or damage,

including all costs and reasonable attorney's fees, in any way arising from the Services provided under this Agreement.

5. LIABILITY INSURANCE/ADDITIONAL INSUREDS: The Organization shall provide and maintain certificates of insurance for a Commercial General Liability and Automotive Liability insurance policy (in a form acceptable to the City Attorney's Office), which carries general policy coverage limits of at least one million dollars ($1,000,000).

   The Organization shall also provide an endorsement to such insurance policy providing coverage at least as broad as Insurance Services Office Endorsement CG 2010, 1985 Edition, which names the City of Berkeley and its employees, officers, and agents as additional insureds under said policy. Such insurance shall be primary and non-contributing, and shall include a waiver of any right of subrogation against the City. The Additional Insureds endorsement must include the following, or very similar, language: The City of Berkeley and its employees, officers, and agents are hereby added as additional insureds with respect to liability arising out of the paid services the City provides to the Organization under the terms of the Berkeley Police Department Service Agreement.

6. WORKER'S COMPENSATION CLAIMS

   An employee's worker's compensation claim for an injury sustained while performing Services under this Agreement shall be primarily covered by the City's Workers' Compensation Insurance Plan.

7. BINDING and NON-DELEGATION: The City and Organization bind themselves to the terms and conditions of this Agreement, and except as otherwise set forth in this Agreement, no interest in this Agreement or any of the Services provided for in a request under this Agreement shall be assigned, delegated, or transferred, either voluntarily or by operation of law, without the prior written approval of the Parties.

8. NOTICES: All notices prescribed by this Agreement shall be in writing and shall be deemed effective once delivered and properly receipted by:

   To City: Chief of Police
   Berkeley Police Department
   2100 Martin Luther King, Jr., Way
   Berkeley, CA 94704

   To Organization: _________________
   ____
   ____

9. GOVERNING LAW: This Agreement shall be governed and construed in accordance with City of Berkeley Municipal Code and the laws and regulations of the State of California.

10. AMENDMENTS: The City or Organization may, from time to time, request changes in the terms and conditions of this Agreement. Such changes, which are mutually agreed upon in writing by the City and Organization shall be incorporated in amendments to this Agreement.

11. COUNTERPARTS: This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which shall constitute one and the same instrument; and, the Parties agree that signatures on this Agreement, including those transmitted by facsimile or scanned email attachment, shall be sufficient to bind the Parties.

12. OTHER AGREEMENTS: This Agreement shall not supersede, amend, or otherwise alter any other contract, memorandum of understanding, or any other written agreement between the Parties.

13. UNDERSTANDING/AUTHORITY TO SIGN: The Parties hereby certify that they have read the above terms and conditions, and agree to conform to them and all laws and regulations pertaining to the use of City Personnel for the purposes as set forth in this Agreement. The signatories below warrant and represent they have the authority to bind the Party to the terms of this Agreement.

CITY OF BERKELEY

Dated: _________________________

____

Office of the City Manager
City of Berkeley
2180 Milvia Street, 5th Floor
Berkeley, CA 94704

ORGANIZATION NAME: ______________________________

Dated:	_________________________
By:	____
	(Signature of Person authorized to bind the Organization)
Name:	____
Title:	____
Address:	____
	____
Email Address:	____
Telephone:	( ) ____
Fax:	( ) ____

Application for Extra Duty Services.pdf

BERKELEY POLICE DEPARTMENT
2100 Martin Luther King Junior Way, Berkeley, CA 94704
TEL: (510) 981-5900, TDD (510) 981-5799, FAX: (510) 981-5744
EMAIL: police@cityofberkeley.info

APPLICATION FOR EXTRA DUTY SERVICES

Applicant Information	
Name:	Address:
Phone:	Alternate Phone:
Email:	
Reason for Request and Officer Responsibilities	
One Time Event ☐	Annual Employer ☐
Reason for the Request:	
List Responsibilities that Officer(s) will provide:	
Number of Officer(s) Requested:	
Event Information	
Date(s) of Event:	
Event Address:	
Company or Event Name:	
Company Address:	
Company Phone:	Email:

Insurance:
A completed general liability endorsement for $1,000,000 naming the prospective employee(s) as the insured for the period of Extra Duty Employment is required.
Insurance Agency Name: ____________ ***Phone Number:*** ____________
Policy Number: ____________ ***Expiration Date:*** ____________
A copy of the Insurance Policy Attached, If not explain: ____________

Billing:
The Organization will be billed by the City for Services rendered by the Personnel at the overtime rate of the individual Personnel who provide the Services plus indirect costs of 10% of the hourly rate. The specific hourly rate for the individual Personnel shall be determined by the City and shall include a three-hour minimum charge per individual Personnel. Billing for Services shall begin from the time the officer leaves the police station to travel to the off-site work area and will continue until the officer has returned from the off-site work area to the police station.
The applicant's submission is an acknowledgement that any Police Services offered are subject to the City of Berkley Police Department Service Agreement, and that Police Officers will adhere to all Berkeley Police Department policies, procedures, and all local, state, and federal laws. The applicant further acknowledges and agrees that in all instances, the police personnel shall at all times be subject to the exclusive direction, supervision, and control of the Police Department.

Applicant Signature Applicant has declared that the information provided in this application is true and correct.	
Signature:	Date:
BPD USE| Received By:	Date Received:

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 Report[1], 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 Report[2], 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.

<u>CONTACT PERSON</u>
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	Partly Implemented: 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	Partly Implemented: 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.

The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.	2.1	Update the Street Rehabilitation and Repair Policy annually and define who is responsible for ensuring the Policy is updated, as stated in the Policy.	Public Works	January 2022	Implemented: 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.
The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.	2.2	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.	Public Works	January 2022	Implemented: 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.

The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.	2.3	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.	Public Works	January 2022	<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.

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	Partly Implemented: 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	Started: 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.

The Replacement Fund is underfunded by millions of dollars.	1.3	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.	Public Works	Ongoing	Started: 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.
The Replacement Fund is underfunded by millions of dollars.	1.4	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.	Public Works	Ongoing	Started: Draft policy has been updated and is going through final departmental review.
The Replacement Fund is underfunded by millions of dollars.	1.5	Revise the vehicle and equipment replacement policy to prevent replacing unfunded vehicles by ensuring that contributed funds are available for the purchase.	Public Works	Ongoing	Started: Draft policy has been updated and is going through final departmental review.

The Replacement Fund is underfunded by millions of dollars.	1.6	Develop an Administrative Regulation that clarifies Public Works' responsibilities to manage the fleet and maintain sufficient fleet replacement funding.	Public Works	Ongoing	Started: The department has drafted a policy docu use instead of an AR.
The Replacement Fund is underfunded by millions of dollars.	1.7	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.	Public Works	Ongoing	Started: 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.
Public Works lacks information on vehicle and equipment replacement for decision making.	2.1	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.	Public Works	Ongoing	Started: Backlog vehicles to be purchased have been included in the FY 23-24 budget, though a formal needs assessment has not been completed.

Public Works lacks information on vehicle and equipment replacement for decision making.	2.2	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.	Public Works	Ongoing	<u>Started:</u> Policy update is in draft form and awaits final approval.

Public Works lacks information on vehicle and equipment replacement for decision making.	2.3	Work with the vendor of the new fleet management system to configure it to address the data issues identified in this report, including: • 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; and • Displaying any information needed to prioritize replacements based on specified criteria.	Public Works	December 2022	<u>Started:</u> Data issues have been presented to the vendor/project management team, though the new data system has not yet been implemented.
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	<u>Started:</u> Data cleanup is underway however the Assetworks implementation is behind schedule and the go-live date is planned for the future.

Public Works lacks information on vehicle and equipment replacement for decision making.	2.5	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.	Public Works	Ongoing	<u>Started:</u> Policy update is in draft form and awaits final approval.