

Kate Harrison
Councilmember District 4

SUPPLEMENTAL AGENDA MATERIAL

Meeting Date: June 16, 2020

Item Number: D

Item Description: Recommendation to Prepare a City Ballot Measure to Create a Climate Action Fund, in Response to the Fossil Fuel Free Berkeley Referral

Supplemental/Revision Submitted By: Councilmember Harrison

“Good of the City” Analysis:

The analysis below must demonstrate how accepting this supplement/revision is for the “good of the City” and outweighs the lack of time for citizen review or evaluation by the Council.

The supplemental material is in the public interest as it:

1. reflects action taken by the neighboring Albany City Council on June 15, 2020 (after the deadline for Supp. 2);
2. provides data on average gas and electric bills;
3. provides a proposal for the Council to direct the City Manager to prepare ballot measure language to increase the gas and electric Utility Users Tax to fund a Climate Equity and Action Fund.

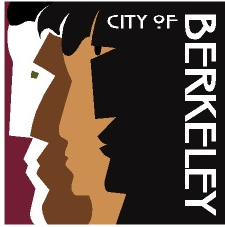
These additions further facilitate Council and public consideration.

Consideration of supplemental or revised agenda material is subject to approval by a two-thirds vote of the City Council. (BMC 2.06.070)

A minimum of **42 copies** must be submitted to the City Clerk for distribution at the Council meeting. This completed cover page must accompany every copy.

Copies of the supplemental/revised agenda material may be delivered to the City Clerk Department by 12:00 p.m. the day of the meeting. Copies that are ready after 12:00 p.m. must be delivered directly to the City Clerk at Council Chambers prior to the start of the meeting.

Supplements or Revisions submitted pursuant to BMC § 2.06.070 may only be revisions of the original report included in the Agenda Packet.



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REVISED AGENDA MATERIAL for Supplemental Packet 3

Meeting Date: June 16, 2020

Item Number: D

Item Description: Recommendation to Prepare a City Ballot Measure to Create a Climate Action Fund, in Response to the Fossil Fuel Free Berkeley Referral

Submitted by: Councilmember Harrison

Recommendation:

Direct the City Manager to: prepare a ballot tax measure to increase the electricity and gas portion of the Utility Users Tax by 2.5%, except for CARE customers, for the purpose of funding a Climate Equity and Action Fund, and providing authority to the Council to potentially raise the gas portion an additional 5% at a rate of 1% per year.

Rationale

The City of Berkeley is working to achieve its Climate Action Plan goals of reducing greenhouse gas (GHG) emissions 33% below 2000 levels by 2020 and 80% by 2050. According to the Berkeley Office of Energy and Sustainable Development, the latest and best available data suggest that Berkeley's 2016 community-wide GHG emissions, including emissions from transportation, building energy use, and solid waste disposal, are approximately 15% below 2000 baseline levels. Therefore the City is approximately 18% behind its 2020 goal. In 2018, the Council declared a citywide climate emergency, calling for increase in funding to accomplish rapid greenhouse gas (GHG) reductions.

The Utility Users Tax (UUT) is Berkeley's fourth largest source of general fund revenue. The tax is applied at a rate of 7.5% to consumption of electricity, gas, telephone, cable, and cellular services. Revenues can fluctuate from year to year due to various consumption, market and regulatory factors. For example, the COVID-19 pandemic will likely reduce demand for electricity and gas in the commercial sector.

Approximately 60% of total UUT revenues are generated from gas and electric services and 40% from telecommunications. Among gas and electric service revenue, gas accounted for 32% and electric 68% during the last two fiscal years.

Before the COVID-19 pandemic, the Finance Department projected a total UUT revenue of \$15,000,000 in Fiscal Years 2020 and 2021. During that same period, gas and electric revenues were expected to be approximately \$9,555,753.

UTILITY USERS TAX	Actual Revenue			Projected Revenue		
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Collections	14,211,318	\$15,109,305	\$14,828,120	\$14,600,000	\$15,000,000	\$15,000,000
\$ Change	(90,739)	897,987	(281,185)	228,120	400,000	0
% Change	(0.63%)	6.32%	(1.90%)	(1.53%)	2.73%	0%
Cable	1,283,102	1,251,842	1,341,570	1,316,080	1,352,008	1,353,008
Gas/Elec	8,675,201	9,445,069	9,441,160	9,300,427	9,555,753	9,555,753
Phone	2,043,557	2,009,0350	1,915,053	1,885,752	1,937,233	1,937,233
Cellular	2,209,458	2,403,544	2,130,336	2,097,741	2,155,009	2,155,009

The Berkeley Energy Commission recommends increasing the electric and gas portion of the tax to equitably fund a number of greenhouse gas reduction programs. This item proposes that funds be aimed primarily at supporting low-income and historically marginalized individuals through programs that reduce greenhouse gas emissions. Programs may include building electrification, weatherization, low-carbon shuttles, and other low-carbon transportation and mobility subsidies. The Council and staff may also consider equity-focused recommendations in Commission’s Fossil Free Berkeley Report and the Office of Energy and Sustainable Development’s Electric Mobility Roadmap. In addition, the tax rate modification would help incentivize reductions in energy consumption.

Survey results suggest that an increase in the UUT would garner sufficient support for a general tax, but not necessarily a special tax. Assuming that the measure proceeds as a general tax, it is in the public interest that the Council, through its budgetary authorities directly allocate funds to equity-focused climate mitigation programs instead of to other general fund expenditures. Council would rank projects and programs based on their equity and greenhouse gas reduction outcomes.

In recognizing the regressive nature of the UUT and the environmental justice principles, a substantial portion of revenues should be allocated to programs that mitigate climate-related environmental injustices. In addition, it is in the public interest that low-income customers enrolled California Alternate Rates for Energy Program (CARE) be exempted from the proposed UUT increase.

Despite current limitations in the Pacific Gas & Electric Company’s (PG&E) billing software, Berkeley should aim to reduce the tax on the electric portion overtime, in acknowledgment of the lower GHG intensity of electric energy (currently a minimum 86% GHG-free) as compared to natural gas, which is inherently GHG intensive. In considering an increase in its UUT tax, the neighboring City of Albany has determined that Pacific Gas & Electric Company (PG&E) software is not currently capable of bifurcating rates applied to the gas and electric portions of the tax. Albany’s city staff

determined that to tax electricity and natural gas at different rates PG&E would charge approximately \$500,000 - \$800,000. In addition to exploring modification of the UUT, the City of Berkeley should explore opportunities to coordinate with neighboring cities to share the cost of modifying PG&E's software.

On June 15, 2020, the Albany City Council asked their staff to consider and provide ballot language granting authority to raise the gas portion of the UUT up to a maximum of 15% from 10% at a rate of 1% per year. This item asks the City Manager to provide similar language.

Using City revenue projections for FY 2021, the following table details the estimated increase in revenue if the City were to increase the gas-electric UUT rate between 1-2.5%:

	Projected Gas/Electric Revenue with 1-2.5% increase in UUT Rate (FY 2021)
Marginal rate	+ 2.5% (10%)
Marginal revenue (gas)	\$1,019,280
Marginal revenue (electric)	\$2,165,970
Marginal revenue (gas + electric)	\$3,185,251

If for example voters agreed to increase the gas-electric UUT to 2.5%, a residential utility customer with an average \$100 monthly bill would see \$2.50 increase in their bill.

The average residential electric bill in the East Bay Community Energy *Bright Choice* Service territory is \$88.58.¹ Commercial customers on *Bright Choice* have an average bill of \$375.79. As of late 2019, the average statewide residential electric bill in the PG&E service territory was \$121.10 and \$56.64 for gas.² Assuming an average total residential bill of \$177.74, the proposed tax increase would result in an average monthly utility tax increase of \$4.44.

¹ East Bay Community Energy, Residential Rates, <https://ebce.org/residents/>.

² "PG&E electricity and gas bills will rise in October," Mercury News, September, 9, 2019, <https://www.mercurynews.com/2019/09/19/pge-electricity-and-gas-bills-will-rise-in-october/>.

