



Office of the City Manager

ACTION CALENDAR
June 30, 2020

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Teresa Berkeley-Simmons, Budget Manager
Subject: FY 2021 Budget Adoption

RECOMMENDATION

Adopt a resolution:

1. Adopting the FY 2021 Budget as contained in the City Manager's FY 2021 Proposed Budget Update presented to Council on May 12, 2020, June 9, 2020, and as amended by subsequent Council action.
2. Authorizing the City Manager to provide applicable advances to selected community agencies receiving City funds in FY 2021, as reflected in Attachment 2, and as amended by subsequent Council action.

FISCAL IMPACTS OF RECOMMENDATION

The proposed City expenditure budget for all funds in FY 2021 is \$521,674,251 (gross appropriations) and \$439,737,989 (net appropriations). The General Fund (010) total is \$201,359,664 and the balance of \$320,314,587 represents the other non-discretionary funds. This fiscal information will be reflected in a separate Annual Appropriation Ordinance on the City Council's agenda this evening.

CURRENT SITUATION AND ITS EFFECTS

The City Council adopted the FY 2020 and FY 2021 Biennial Budget (Biennial Budget) and the FY 2020 and FY 2021 Capital Improvement Program Budget (CIP Budget) on June 25, 2019. The Biennial Budget was a 2-year balanced budget. The Proclamation of Local Emergency for the purposes of responding to COVID-19 was issued on March 3, 2020.

The economic and financial impacts of the COVID-19 pandemic on Berkeley's finances was significant and resulted in a projected General Fund deficit estimated at \$28.7 million in FY 2021. To resolve this General Fund shortfall departments worked to identify General Fund savings that represent 10%, 12%, and 15% of their FY 2021

General Fund budget. In addition, staff was guided by the following Budget Strategies Principles:

1. *Continue serving the community.* Public health and safety functions, as well as essential municipal services will be preserved to the maximum extent possible. In so doing, the City will make every effort to avoid service and workforce reductions.
2. *Live within our means.* Strive for long-term sustainability that aligns available resources with needs and the City's values that embrace a commitment to advancing racial, social, and just equity, serving those who are most in need, and environmental sustainability.
3. *Identify expenditures that can be deferred.* Take a deferment first approach by thoroughly assessing expenditures with a special emphasis on large capital projects, equipment purchases, and new projects.
4. *Pursue other revenue and assistance.* Vigorously pursue cost recovery efforts, secure alternative sources of revenue, and be positioned to capitalize on federal and state assistance.
5. *Manage use of, and replenish, reserves.* In drawing on reserves, the City will adopt a long-term orientation to ensure that funds are available for the duration of the economic downturn. The City will look to its existing policies to ensure that any reserves that are utilized are restored when the economy improves.
6. *Be data-driven and transparent.* Budget decisions will be informed by data and be transparent. Staff will work collaboratively with the Budget and Finance Committee with on-going communication and updates provided to the entire City Council.

It is important departments develop thoughtful ideas for deferrals that are realistic and result in minimum negative impact to services and operations. City staff scrutinized all projects (capital and non-capital) and personnel expenditures that have been allocated funding through the budget process to determine what can be deferred to free up resources to address the deficit. A preliminary list of projects was discussed with the Budget & Finance Policy Committee on May 19, 2020, and the full City Council on May 26, 2020. Staff met frequently with the Budget & Finance Policy Committee. Below are the dates and topics that were discussed.

FY 2021 Budget Update Development Timeline		
April 27, 2020	Budget & Finance Policy Committee	<ul style="list-style-type: none"> FY 2021 Budget Update Status
May 4, 2020	Budget & Finance Policy Committee	<ul style="list-style-type: none"> General Fund Revenues Measure P Revenues and Allocations
May 11, 2020	Budget & Finance Policy Committee	<ul style="list-style-type: none"> Budget Development Timeline Center Street Parking Garage Response to Questions (May 4, 2020)
May 19, 2020	Budget & Finance Policy Committee	<ul style="list-style-type: none"> Amending the General Fund Reserves Policy General Fund Capital Projects and Other Non-Personnel Deferrals
May 26, 2020	Budget & Finance Policy Committee	<ul style="list-style-type: none"> General Fund Personnel Deferrals
June 4, 2020	Budget & Finance Policy Committee	<ul style="list-style-type: none"> Council Budget Referrals City Auditor's Recommendations for the General Fund Reserves Marina Update Homeless Services
June 9, 2020	Budget & Finance Policy Committee	<ul style="list-style-type: none"> City Manager FY 2021 Deferral Recommendations Reserves Policy Response to Budget Questions Strategic Plan Impacts Homeless Services Reports
June 18, 2020	Budget & Finance Policy Committee	<ul style="list-style-type: none"> FY 2021 Budget Update Response to Budget Questions
June 25, 2020	Budget & Finance Policy Committee	<ul style="list-style-type: none"> Discussion on budget recommendations continues

On June 9, 2020, the following balancing measures were presented to the Budget and Finance Policy Committee.

Balancing Measures (dollars in millions)	
Original General Fund Deficit Based on the Adopted Budget	\$ 25.60
Downtown PBID	\$ 0.01
Increased Insurance Costs	\$ 1.17
Center Street Garage Debt Service	\$ 1.91
Revised General Fund Deficit as of 5/19/20	\$ 28.69
<i>Additional General Fund Allocations</i>	
Measure P	\$ 5.12
Measure U1	\$ 3.50
COVID-19 Ongoing Response	\$ 1.00
Families at La Quinta	\$ 0.03
Vegetation Management	\$ 0.25
Waterfront Immediate Capital Needs	\$ 0.55
Sub-total	\$ 10.45
Total FY 21 General Fund Shortfall	\$ 39.14
<i>Proposed Solutions to Resolve the Shortfall</i>	
FY 21 Proposed Deferrals @ 15%	\$ 26.51
Filled Positions in Police Department	\$ (2.66)
Use of General Fund Reserves (1/3)	\$ 11.38
Total General Fund Solutions	\$ 35.23
Unresolved Shortfall	\$ (3.91)

In addition, staff presented the FY 2021 Budget Update material to the full City Council. On May 12, 2020, was the first of two public hearings. On June 2, 2020, was the second public hearing. On June 16, 2020, Department Directors presented their department's budget deferrals and impacts to the full City Council. The updated General Fund Reserves Policy was also adopted by the City Council that night.

Conclusion

The shortfall resulting from the impacts of the pandemic is unprecedented. The City has numerous revenue streams that depend on economic activities and the “Shelter in Place” order practically stopped most economic activity. The revenue streams that trail consumer and retail activity feel the brunt of this cessation and the economic outcome is largely dependent on the development of the virus itself.

In developing the FY 2021 Mid-Biennial Budget update, City staff acknowledges that there is a significant amount of uncertainty including limited data to accurately determine the fiscal impacts of the pandemic on City revenues. There is a lot that City staff doesn't know at this point in time. More data and time are necessary to determine the long-term effects of the COVID-19 pandemic on the City's budget, which will be critical to inform the FY 2022; FY 2023 Biennial Budget process that will commence November 2020. For this reason, City staff is committed to providing timely updates to City Council and reevaluating the City's budget and projections on a reoccurring basis. In addition, staff is recommending a second round of budget deliberation in November. The discussion would align with the adoption of the First Amendment to the FY 2021 Appropriation Ordinance.

FISCAL IMPACT

See information described above.

ENVIRONMENTAL SUSTAINABILITY

Actions included in the budget will be developed and implemented in a manner that is consistent with the City's environmental sustainability goals and requirements.

CONTACT PERSON

Teresa Berkeley-Simmons, Budget Manager, City Manager's Office, 981-7000

Attachments:

1. Resolution: Adopting FY 2021 Budget
Exhibit A: Community Agency Contracts Advance

RESOLUTION NO.

ADOPTING THE CITY OF BERKELEY BUDGET UPDATE FOR
FISCAL YEAR 2021

WHEREAS, on May 12, 2020, the City Manager presented to the City Council the FY 2021 Proposed Budget Update; and

WHEREAS, the City Council held a series of meetings to consider the FY 2021 Proposed Budget Update, including public hearings held on May 12, 2020 and June 2, 2020; and

WHEREAS, members of the City Council presented recommended revisions to the Proposed Biennial Budget at the Council meetings on June 23, 2020 and June 30, 2020; and

WHEREAS, in addition to formal budget adoption, City Council action is required to authorize advances for select community agencies receiving funds in FY 2021. The advances are to be equivalent to 25% of the agency's allocation.

NOW THEREFORE, BE IT RESOLVED, that the Council of the City of Berkeley adopted the FY 2021 Budget contained in the City Manager's FY 2021 Proposed Budget Update presented to Council on May 12, 2020 and as amended by subsequent Council action on June 16, 2020, June 23, 2020 and June 30, 2020.

BE IT FURTHER RESOLVED that the appropriations constituting the FY 2021 Adopted Budget will be reflected in a separate FY 2021 Annual Appropriation Ordinance, as required by Charter.

BE IT FURTHER RESOLVED, that the City Manager is authorized to execute contracts and /or amendments, as necessary, to provide advances to selected community agencies receiving City funds in FY 2021.

BE IT FURTHER RESOLVED, that the City Manager is authorized to use the following invoicing/reporting system in contract administration, but maintains the discretion to amend these requirements depending on risk factors associated with past performance, the amount and type of funding an agency receives, and/or whether or not an agency is a new grantee:

Agencies receiving under \$50,000 in General Fund to provide the following services:

1. Drop-In services only with no intensive case management, meal programs, outreach programs, or recreation programs:
 - Statements of Expense are required quarterly and a General Ledger is required at fiscal year-end; and
 - An end-of-year narrative summary of accomplishments.
2. All other agencies receiving General Fund only:
 - Statements of Expense are required quarterly and a General Ledger is required at fiscal year-end; and
 - Program Reports are required semi-annually.
3. Agencies with State and/or Federal Funding:
 - Statements of Expense are required quarterly and a General Ledger is required at fiscal year-end; and
 - Program Reports are required quarterly.

BE IT FURTHER RESOLVED, that the City Manager is authorized to refuse to execute or amend a contract with any agency that has not provided required contract exhibits and documentation within 60 days of award of funding.

BE IT FURTHER RESOLVED, that the City Manager is authorized to execute other resultant agreement and amendments with other agencies relating to receipt and expenditure under CDBG or CSBG Program in accordance with the proposals for community agency funding approved through the budget process and as outlined in Exhibit E. A record copy of said contracts and any amendments are on file with the Office of the City Clerk.

Exhibits

A: Community Agency Advances

FY 2021 COMMUNITY AGENCY ADVANCES

AGENCY NAME	LEAD DEPT	FY 2021 ALLOCATION	FY 2021 ADVANCE
Alameda County Homeless Action Center	HHCS	197,759	49,440
Alameda County Network of Mental Health Clients	HHCS	67,737	16,934
Bananas	HHCS	388,637	97,159
Bay Area Community Land Trust	HHCS	5,200	1,300
Bay Area Community Resources	HHCS	94,964	23,741
Bay Area Community Services	HHCS	2,050,773	512,693
Bay Area Hispano Institute for Advancement	HHCS	103,590	25,898
Bay Area Outreach and Recreation Program	HHCS	43,592	10,898
Berkeley Community Gardening Collaborative	HHCS	11,895	2,974
Berkeley Community Media	IT	230,710	57,678
Berkeley Convention & Visitors Bureau	OED	422,500	105,625
Berkeley Food & Housing Project	HHCS	547,700	136,925
Berkeley Free Clinic	HHCS	15,858	3,965
Berkeley High School Bridge Program	HHCS	79,000	19,750
Berkeley Project	PRW	32,000	8,000
Berkeley Youth Alternatives	HHCS	60,000	15,000
Biotech Partners	HHCS	91,750	22,938
Bonita House	HHCS	39,804	9,951
Bread Project	HHCS	57,850	14,463
Building Opportunities for Self Sufficiency	HHCS	295,316	73,829
Center for Independent Living	HHCS	159,660	39,915
Covenant House California (YEAH!)	HHCS	318,388	79,597
Dorothy Day	HHCS	756,501	189,125
East Bay Community Law Center	HHCS	283,644	70,911
Easy Does It	HHCS	1,341,961	335,490
Eden Council for Hope and Opportunity	HHCS	35,000	8,750
Ephesians Children's Center	HHCS	103,920	25,980
Family Violence Law Center	HHCS	61,842	15,461
Fred Finch Youth Center	HHCS	89,255	22,314
Habitat for Humanity East Bay/Silicon Valley	HHCS	250,000	62,500
Healthy Black Families, Inc.	HHCS	43,808	10,952
Inter-City Services	HHCS	101,351	25,338
J-Sei	HHCS	9,110	2,278
Lifelong Medical Care	HHCS	568,010	142,003
McGee Avenue Baptist Church	HHCS	17,844	4,461
Multicultural Institute	HHCS	101,739	25,435
Nia House Learning Center	HHCS	39,999	10,000
Pacific Center for Human Growth	HHCS	23,245	5,811
Rebuilding Together	HHCS	122,850	30,713
RISE Program	HHCS	216,039	54,010
Rising Sun	HHCS	67,828	16,957
SEEDS Community Resolution Center	HHCS	22,553	5,638
Stiles Hall	HHCS	90,000	22,500
Sugar - Sweetened Beverage Berkeley Unified School District	HHCS	950,000	237,500
Sugar - Sweetened Beverage Product Panel of	HHCS	950,000	237,500
Supplybank.org	HHCS	25,000	6,250
The Suitcase Clinic	HHCS	9,828	2,457
Through the Looking Glass	HHCS	52,206	13,052
Toolworks Inc. Supportive Housing	HHCS	47,665	11,916
UC Berkeley	HHCS	130,000	32,500
Women's Daytime Drop-In Center	HHCS	267,071	66,768
YMCA of the East Bay - Y Scholar Program	HHCS	90,875	22,719
Total		12,183,827	3,045,957

HHCS = Health, Housing & Community Services

IT = Information Technology

FY 2021 COMMUNITY AGENCY ADVANCES

AGENCY NAME	LEAD DEPT	FY 2021 ALLOCATION	FY 2021 ADVANCE
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OED = Office of Economic Development

PRW = Parks Recreation & Waterfront

