



Office of the City Manager

## SUPPLEMENTAL AGENDA MATERIAL

**Meeting Date:** June 28, 2022

**Item Number:** #44

**Item Description:** FY 2023 & FY 2024 Biennial Budget Adoption

**Supplemental/Revision Submitted By:** Dee Williams Ridley, City Manager

**“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 resolution to adopt the Fiscal Year 2023 and Fiscal Year 2024 Budget has been updated to incorporate various technical adjustments as well as the Mayor’s Proposed Budget recommendations. Council’s consideration to accept the revised resolution, with updated exhibits, facilitates Council’s approval of an updated and accurate budget, which includes adjustments to authorized staffing levels (the total authorized full-time equivalent positions) and appropriations for the Citywide budget (All Funds and the General Fund). In addition, the existing fiscal policies have been updated based upon recommendations from the June 23, 2022 Budget and Finance Policy Committee meeting. The updated exhibit codifies these changes as part of the budget adoption process.

Specifically, the resolution (Attachment #1) of the report has been updated to include the following exhibits:

- Exhibit B: Schedule of Changes to the FY 2023 and FY 2024 Proposed Budget
- Exhibit C: Mayor’s Supplemental Budget Recommendations
- Exhibit D: Revised Council Fiscal Policies

***Consideration of supplemental or revised agenda material is subject to approval by a two-thirds roll call 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.

RESOLUTION NO.

ADOPTING THE CITY OF BERKELEY BIENNIAL BUDGET FOR  
FISCAL YEARS 2023 and 2024

WHEREAS, on May 31, 2022, the City Manager presented to the City Council the Fiscal Year 2023 and Fiscal Year 2024 (“FY 2023 and FY 2024”) Proposed Budget; and

WHEREAS, the City Council held a series of meetings to consider the Proposed Biennial Budget, including public hearings held on May 31, 2022 and June 14, 2022; and

WHEREAS, members of the City Council presented recommended revisions to the Proposed Biennial Budget at the Council meeting on June 28, 2022;

WHEREAS, in addition to formal budget adoption, City Council action is required to authorize advances for select community agencies receiving funds in FY 2023. The advances are to be equivalent to 25% of the agency’s allocation; and

WHEREAS, the City Budget and Finance Policy Committee considered the Council fiscal policies on June 23, 2022 and recommended modifications to these policies as part of the Fiscal Year 2023 and Fiscal Year 2024 Proposed Budget.

NOW THEREFORE, BE IT RESOLVED, that the Council of the City of Berkeley adopts the FY 2023 and FY 2024 Budget contained in the City Manager’s FY 2023 and FY 2024 Proposed Budget presented to Council on May 31, 2022 and as amended by subsequent Council action on June 28, 2022.

BE IT FURTHER RESOLVED that the appropriations constituting the FY 2023 Adopted Budget will be reflected in a separate FY 2023 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 2023.

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. A record copy of said contracts and any amendments are on file with the Office of the City Clerk.

BE IT FURTHER RESOLVED, that the City Council adopts the recommended revisions to the Council fiscal policies.

Attachments:

- 1: Resolution: Adopting FY 2023 and FY 2024 Budget
  - Exhibit A: FY 2023 and FY 2024 Proposed Budget (May 31, 2022)
  - Exhibit B: Schedule of Changes to the FY 2023 and FY 2024 Proposed Budget
  - Exhibit C: Mayor's Supplemental Budget Recommendations
  - Exhibit D: Revised Council Fiscal Policies as of July 1, 2022
- 2: Community Agency Contract Advances

Fund	FY 2023 Proposed	FY 2023 Revised Proposed	Variance	FY 2024 Proposed	FY 2024 Revised Proposed	Variance	Explanation for Change
General Fund	247,131,978	280,671,294	33,539,316	249,539,772	273,164,401	23,624,629	Revisions to personnel budgets in the Office of the Director of Police Accountability and Office of Economic Development; Implementation of increased General Fund Salary Savings for each department; Addition of the City Manager's Proposed Budget Recommendations and the Mayor's Budget Recommendations
Measure U1	6,784,542	6,184,542	(600,000)	6,816,963	5,916,963	(900,000)	Add Mayor's Budget Recommendation to shift Anti-Displacement Program Funds to Measure P in FY 2023 & FY 2024 (-\$900,000) and add funds in FY 2023 for Social Housing Study (\$300,000)
Library Tax	24,433,766	24,538,247	104,481	24,695,785	24,802,718	106,933	Revise Library Budget to match amount approved by the Board of Library Trustees
Rental Housing Safety Program				2,033,208	2,044,695	11,487	Change a Housing Inspector II position to a Senior Housing Inspector
Parks Tax	15,966,197	16,247,510	281,313	16,331,645	16,294,912	(36,733)	Corrections to Capital Improvement Program Budget and revision of Public Art & First Source Contribution amounts
UC Settlement	4,433,664	4,563,664	130,000				Add UC Settlement Funds for the Public Restroom project
Cultural Trust	116,860	92,633	(24,227)	110,517	87,954	(22,563)	Revise personnel budget to remove vacant Assistant Management Analyst position converted to a Civic Arts Coordinator position
ARPA	4,137,493	20,023,436	15,885,943	82,960	10,780,703	10,697,743	Budget transfer to General Fund in FY 2023 & FY 2024 per balancing plan and add Mayor's Budget Recommendations for FY 2023
Capital Improvement	11,112,302	24,012,302	12,900,000	10,237,899	22,264,774	12,026,875	Corrections to Capital Improvement Program Budget, revision of Public Art & First Source Contribution amounts, and addition of Tier 1 Capital Funds and FY 2022 Excess Property Transfer Tax revenues
Marina Fund	8,204,057	8,499,369	295,312	8,091,455	8,086,766	(4,689)	Corrections to Capital Improvement Program Budget and revision of Public Art & First Source Contribution amounts
Permit Service Center	21,676,546	21,981,180	304,634	22,075,108	22,360,858	285,750	Revise personnel budget to include 3 year project-based Associate Planner & Planning Technician
IT Cost Allocation	16,610,868	17,498,249	887,380	16,795,282	17,699,114	903,832	Revise personnel budget to include Assistant Management Analyst, Customer Service Specialist III, and Senior Information Systems Specialist

Fund	FY 2023 Proposed	FY 2023 Revised Proposed	Variance	FY 2024 Proposed	FY 2024 Revised Proposed	Variance	Explanation for Change
Berkeley Tourism Business Improvement District	181,125	416,667	235,542	181,125	433,333	252,208	Revise expenditure budget based on updated Transient Occupancy Tax revenue estimates for FY 2023 & FY 2024
Rent Stabilization Board	6,433,192	6,697,755	264,563	6,576,889	6,856,431	279,542	Revise budget to match approved amount by the Rent Stabilization Board
			<b>64,204,257</b>			<b>47,225,013</b>	

Fund	FY 2023 Proposed	FY 2023 Revised Proposed	Variance	FY 2024 Proposed	FY 2024 Revised Proposed	Variance	Explanation for Change
General Fund	263,409,219	253,150,444	(10,258,775)	245,077,313	256,226,315	11,149,002	Move ARPA Funds from FY 2023 to FY 2024 and add revenue transfer in from the IT Cost Allocation Plan
Measure U1	5,120,350	4,900,000	(220,350)	5,120,000	4,900,000	(220,000)	Revise U1 revenues based on revised U1 revenues to be collected and transferred to the fund
GF - Stabilization Reserve	1,375,000	3,025,000	1,650,000	1,375,000	2,200,000	825,000	Revise revenues based on additional funds being transferred in for FY 2023 & FY 2024
GF - Catastrophic Reserve	1,125,000	2,475,000	1,350,000	1,125,000	1,800,000	675,000	Revise revenues based on additional funds being transferred in for FY 2023 & FY 2025
Library - Grants	60,000	68,420	8,420	60,000	68,420	8,420	Revise revenue budget based on budget adopted by the Board of Library Trustees
Workforce Investment Act	42,911	39,243	(3,668)	42,911	32,681	(10,230)	Revise revenues based on update of contributions from capital improvement project funds
Paramedic Tax	4,320,545	6,934,876	2,614,331				Transfer from American Rescue Plan to Paramedic Tax Fund to help balance fund
Public Art	64,367	68,675	64,367	64,367	57,191	(7,176)	Revise revenue amounts based on increase of percent for art increasing from 1.5% to 1.75% and based on updated contributions from capital improvement project funds
Capital Improvement Fund	4,950,905	19,000,905	14,050,000	4,950,905	18,370,905	13,420,000	Revise revenue for additon of Tier 1 Capital Funds and FY 2022 Excess Property Transfer Tax revenues
Workers' Compensation	9,046,720	9,458,401	411,681	9,046,720	9,569,358	522,638	Revise revenues based on budgeted amounts for positions across all funds
Berkeley Tourism Business Improvement District	181,125	416,667	235,542	181,125	433,333	252,208	Revise revenue budget based on updated Transient Occupancy Tax revenue estimates for FY 2023 & FY 2024
Rent Stabilization Board	5,390,000	5,687,000	297,000	5,390,000	5,687,000	297,000	Revise budget to match approved amount by the Rent Stabilization Board
			<b>9,901,548</b>			<b>26,614,862</b>	

<b>Mayor's FY 2023-2024 Supplemental Budget Recommendations</b>			
<b>CM Recommended Budget</b>		<b>FY 23</b>	<b>FY 24</b>
<b>Baseline Expenditures</b>		<b>229,191,596</b>	<b>231,804,015</b>
<i>Tier 1 CM funding recommendations (See Tiers and Funding Request List worksheets)</i>		16,552,013	8,998,718 from CM Recommended Strategies line 11
<b>Total Expenditures</b>		<b>245,743,609</b>	<b>240,802,733</b>
<b>Baseline Revenues</b>			
<i>(includes \$12.5M of Excess Property Transfer Tax, does not include Measure P, U-1 or Capital allocation from Excess Property Tax above \$12.5M)</i>		227,973,297	209,641,391
<b>Projected Surplus/(Deficit)</b>		<b>(17,770,312)</b>	<b>(31,161,342)</b>
<b>CM Recommended Balancing Strategies</b>		<b>FY 23</b>	<b>FY 24</b>
Difference in Baseline Salary Savings Assumptions		5,320,618	4,796,798
IT Salary Savings to General Fund (5%)		454,772	454,772
Implementation Savings Tier 1 (Filled for 6 months, Assumed Attrition)		1,845,360	1,845,360
Increase Property Transfer Tax Baseline to \$18.5M		5,500,000	5,500,000
One-Time Use of Measure P for Nexus Community Programs		2,722,903	2,722,903
One-Time Use of Measure P for Nexus New Tier 1 Requests (See Funding Request List worksheet)		500,000	100,000
FY 22 Excess PTT to Reserves for Operations (See CM FY 22 EPTT Recommendations worksheet)		12,174,403	5,093,767
Reduce FY 23 Projected ARPA Transfer/Use in FY 24		(10,697,743)	10,697,743
<b>Projected Surplus/ (Deficit) Operating Budget</b>		<b>17,820,313</b> (50,001)	<b>31,211,343</b> (50,001) See CM Recommended Strategies line 28
<b>Mayor's Adjustments to City Manager Recommended Budget</b>		<b>FY 23</b>	<b>FY 24</b>
<b>Expenditures</b>			<b>Comments</b>
Reimagining: Department of Community Safety Design Process		250,000	from Tier 2
Reimagining: Consultant to review Municipal Code for transporation fee/fines, reduce criminal violations		150,000	from Tier 2
Reimagining: Violence Prevention and Youth Services		210,000	210,000 from Tier 2
Includes: BYA counseling/summer camp \$35,000		incl	incl
Includes: McGee Ave. Baptist: Voices against Violence \$50,000		incl	incl
Council Office - One Additional Legislative Aide FTE		613,310	1,226,620 from Tier 3
Municipal Electric Vehicle Charging including Corp Yard		1,150,000	from Tier 2
Dedicated Parking Enforcement in Fire Zones 2 & 3 (Disaster and Fire Safety Commission)		128,395	128,395 For 1 new parking enforcement officer, 2 year pilot basis
UC Theatre Concert and Career Pathways Program		50,000	50,000 Ongoing funding for youth employment program
Reparations Plan (Bartlett)		350,000	
Bus Canopies and bulbouts for Durant Complete Streets		336,000	
E-Bikes for City Employees - Robinson		25,000	
Hearing Officer - Alternatives to Sanctions/Fines			150,000
5150 Transports Non-Homeless Related		628,395	363,143 Reduced proposed ramp down of Measure P monies for 5150 to cover Overtime Reserve
Police overtime reserve		500,000	500,000 Reserve funding out of police overtime budget
Remove charge to Berkeley Community Media included in CM baseline - revert to GF		-	- Already budgeted in Public Works budget
<b>Total additions to Expenditures</b>		<b>4,391,100</b>	<b>2,628,158</b>
<b>Balancing Measures</b>			
Projected Surplus/(Deficit) Operating Budget		(50,001)	(50,001)
Social Housing Study (fund through Measure U1)		(300,000)	
Expand Downtown Streets Team to Gilman & Lorin Districts (fund through Measure P)		(50,000)	(50,000) DTS is launching to two new districts, further expand in FY 24 to allow time for study and planning. Fund through Measure P.
Paramedic Tax Fund Short Fall (fund from ARPA until reimbursed from FEMA)		(2,614,331)	
Housing Retention Program (fund through Measure P)		(1,000,000)	
Small Business Rental and Legal Support (through ARPA)		(1,000,000)	
Eliminate double entry in EV Charging item			(600,000)
Eliminate double entry for HS Mental Health		(175,000)	(175,000)

Director of Police Accountability - Professional Services Consultant for Policy	(50,000)	(50,000)	
Police Overtime Reserve	(500,000)	(500,000)	Reserve funding out of police overtime budget
Additional Police Wellness Funding	(50,000)	(50,000)	Already partially funded through UC Settlement dollars. Not recommended by Council on May 5th
	<u>(5,789,332)</u>	<u>(1,475,001)</u>	
<b>Surplus/(Deficit) - Mayor's Adjustments</b>	<b>1,398,232</b>	<b>(1,153,158)</b>	

Notes:

1. CSOs 2-year pilot in Police Department - Consider Appropriate Department After Pilot
2. School Crossing Guards – Will be moved to Transportation/Public Works per Council action on Reimagining May 5th
3. \$500,000 will be tagged in the Police Overtime budget and held in reserve

<b>Special Fund/Ballot Measure Fund - Expenses</b>			
<b>Fund from Measure P</b>			
Reimagining: Respite from Gender/Domestic Violence	220,000	220,000	Expand Team as placement for low-level violations (e.g., vehicular camping/parking and sidewalk ordinance infractions).
Reimagining: Expand Downtown Streets Team		50,000	
Behavioral Health, Crisis Response, and Crisis-related Services Needs and Capacity Assessments	100,000		
Expand Downtown Streets Team to Gilman and Lorin Districts	50,000	50,000	
COVID-19 Emergency Housing Assistance - Housing Retention Program	1,000,000		
Anti-Displacement Programs (Legal Assistance, Housing Retention Program, Flexible Housing Funds)	900,000	900,000	
Ramp-down transfer 5150 transport to General Fund for people without nexus to homelessness	(628,395)	(363,143)	From U-1
<b>Total Measure P</b>	<b>1,641,605</b>	<b>856,857</b>	
<b>Fund from Measure U-1</b>			
Anti-Displacement Programs (Legal Assistance, Housing Retention Program, Flexible Housing Funds)	(900,000)	(900,000)	
Social Housing Study (Taplin)	300,000		
<b>Total Measure U-1</b>	<b>(600,000)</b>	<b>(900,000)</b>	
<b>Fund through ARPA</b>			
Paramedic Tax shortfall	2,614,331		
Small Business Rental Assistance Grants and Legal Support	1,000,000		
<b>Total through ARPA</b>	<b>3,614,331</b>		
<b>Charge to Mayor's Office Budget</b>			
Increase to Festivals Grants to reach \$200,000	41,685		From Mayor's Office Budget FY 22 Savings
<b>Total charge to Mayor's Office Budget</b>	<b>41,685</b>		



**Exhibit D**  
**City Council Revised Fiscal Policies**  
**Effective July 1, 2022**

1. Focusing on the long-term fiscal health of the City by adopting a two-year budget and conducting multi-year planning
2. Building a prudent reserve **based upon the City's adopted General Fund Reserve policy and using the goal of reaching a reserve of 30% of General Fund revenues by 2027 as a guideline.**
3. Developing long-term strategies to reduce unfunded liabilities.
4. Controlling labor costs while minimizing layoffs **and promoting recruitment and retention of City staff.**
5. **Primarily** allocating one-time revenue for one-time expenditures (e.g., capital investments and deferred maintenance).
6. Requiring enterprise and grant funds to balance and new programs to pay for themselves.
7. Any new expenditure requires new revenue or expenditure reductions.
8. ~~Transfer Tax revenue in excess of \$12.5 million dollars will be treated as one-time revenue to be used for the City's capital infrastructure needs.~~
  - A. **Allocate excess property transfer tax over the baseline to short-term operational needs, General Fund reserves and the City's capital infrastructure plan, including funding an approach to returning and maintaining the City's roads at an acceptable Pavement Condition Index.**
  - B. **Increase the property transfer tax baseline for operational needs to \$18.0 million for fiscal years 2023 and 2024, with a permanent adjustment to \$16.0 million beginning in fiscal year 2025.**
  - C. **Revenue generated from Measure P is excluded (exempt) from this policy.**
9. As the General Fund subsidy to the Safety Members Pension fund declines over the next several years, the amount of the annual decrease will be used to help fund the new Police Employee Retiree Health Plan.
10. ~~Starting in FY 2019, staff costs as approved by the City Council that exceed the enforcement fees and penalties shall be appropriated from the short-term rental~~

~~taxes collected pursuant to BMC Section 23C.22.050, Section H, with the primary allocation of the rental tax to the purposes listed below: (a) Two thirds (66.7%) allocated to the Affordable Housing Trust Fund and (b) One third (33.3%) allocated to the Civic Arts Grant Fund.~~

**10. Allocating annual savings derived from the prepayment of the annual CalPERS unfunded liability payments to the City's Section 115 Pension Trust up to \$5.5 million per fiscal year or as advised by the City's actuarial and staff.**

**11. Allocating any additional revenue earned from investments that is over the annual (fiscal year) baseline of \$6 million in the following manner: 1/3 to the Section 115 Pension Trust up to \$5.5 million per fiscal year or as advised by the City's actuarial and staff, 1/3 to General Fund reserves up to 30% of General Fund revenue or as recommended by Council policy, and 1/3 to address the City's capital infrastructure plan.**