

Rashi Kesarwani  
Councilmember District 1

## **REVISED AGENDA MATERIAL for Supplemental Packet 2**

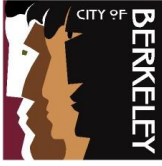
**Meeting Date:** June 13, 2023

**Item Number:** 25

**Item Description:** Provide Direction on Closing the Funding Gap to Complete Remaining Measure T1 Projects

**Submitted by:** Rashi Kesarwani

This revised recommendation slightly modifies the proposal unanimously approved by the Budget and Finance Committee on May 4, 2023 to close the Measure T1 shortfall, given new fiscal information. Specifically, the revised Measure P projections presented to the Budget and Finance Committee on June 8, 2023—including revised revenue projections and planned expenditures for FY 2023-24—are now projected to lead to a FY 2023-24 year-end negative balance of nearly \$3 million. At the same time, the City has not yet received notification of a state encampment resolution grant award of \$4.9 million and may not hear a final decision until later this summer. If the state does not award these funds to the City of Berkeley, then the City would need to identify a total of \$4.9 million in local funds to fund the closure of the homeless encampment on Harrison Street and enable individuals to move into 24-7 transitional housing. Given these fiscal conditions, it is recommended that the City Council exercise caution in earmarking funding from the Workers' Compensation Fund, as provided in the supplemental report.



Rashi Kesarwani  
Councilmember, District 1

ACTION CALENDAR  
JUNE 13, 2023

TO: Honorable Mayor and Members of the City Council

FROM: Councilmember Rashi Kesarwani (Author) and Councilmember Terry Taplin (Co-Sponsor)

SUBJECT: Supplemental Material for “Provide Direction on Closing the Funding Gap to Complete Remaining Measure T1 Projects”

RECOMMENDATION

The City has applied for a \$4.9 million state encampment resolution grant to fund the closure of the homeless encampment on Harrison Street and enable individuals to move into 24-7 transitional housing. However, the City has not yet received notification of this funding award from the state and may not hear a final decision until later this summer. If the state does not award these funds to the City of Berkeley, then the City would need to identify a total of \$4.9 million in local funds to cover master-lease and operating costs for FYs 2023-24 and 2024-25. The closure of the Harrison Street encampment and funding of rehousing services is critical for ensuring the health and safety of current encampment residents and the surrounding neighborhood.

Based on revised Measure P projections presented to the Budget and Finance Committee on June 8, 2023—including revised revenue projections and planned expenditures for FY 2023-24—the fund is projected to end FY 2023-24 with a negative balance of nearly \$3 million. Given these fiscal conditions, the following proposal is made for Council’s consideration related to Measure T1, which modifies the proposal unanimously approved by the Budget and Finance Committee on May 4, 2023 (when these fiscal conditions were unknown):

- Use \$3,450,000 of \$6,750,000 allocated for the Hopkins Bike/Pedestrian T1 Project (increase of \$650,000 from Budget Committee proposal).
- Use \$500,000 from the North Berkeley Senior Center (NBSC) Solar Battery Storage T1 Project (same amount as Budget Committee proposal).
- Use \$643,899 in underspending of \$1,293,889 from the Street/Intersection Security Camera Project (General Fund, same amount as Budget Committee proposal). Note: Per Public Works Director Liam Garland, the security cameras are projected to cost less than anticipated and this decrease in security camera funding does not represent a reduction in cameras.
- Use \$986,835 of \$1,300,000 from Fire Station 6 T1 Project (increase of \$320,734 from Budget Committee proposal).

This revised recommendation provides a total of \$5,580,734 to close the Measure T1 shortfall, which exceeds the minimum amount requested by staff of \$5,362,000. Further, the Council states its plan to fund a 6,000-square-foot African American Holistic Resource Center. The recommendation of the Budget Committee to use up to \$4 million from the Workers' Compensation Fund in FY 2023-24 is placed on hold until the City receives notification from the state regarding the encampment resolution funds (expected by the end of July). If the state encampment resolution funds are received in full, the City Manager is granted authority to allocate up to \$4 million for the African American Holistic Resource Center from the Workers Compensation Fund in FY 2023-24. We reiterate that this recommendation specifies the Council's commitment to fund a 6,000-square-foot African American Holistic Resource Center; budgetarily, staff noted at the Budget and Finance Committee on May 4, 2023 that the full funding allocation for the center is not needed in FY 2023-24.

### CURRENT SITUATION AND ITS EFFECTS

The staff response on whether it is feasible to borrow from the Workers' Compensation Fund, which appears on p. 21 of the May 4 Budget Committee packet is provided below (See: <https://berkeleyca.gov/sites/default/files/legislative-body-meeting-agendas/2023-05-04%20Agenda%20Packet%20-%20Budget.pdf>).

The Workers' Compensation Fund is currently projected to have an annual operating surplus of \$3 million. However, increases in expenses, especially for judgments and settlements, which are difficult to predict, could quickly erode the projected surplus. In addition to supporting the annual operating costs associated with the fund, it is important to maintain a fund balance that would be able to cover the cost of the City's estimated liabilities.

The City began its self-insured workers' compensation program on March 1, 1975. The City's self-insured retention (SIR) has varied between \$100,000 and \$1,000,000 prior to 2004/05 and is currently unlimited. Every two years, the City has an actuarial review conducted to determine the outstanding liabilities and determine the rates to use for budgeting and payroll purposes to fund the program annually. The recent actuarial study by Bickmore Actuarial showed the City's estimated outstanding liabilities, as of June 30, 2023, at an 80% confidence level to be at \$46.3 million for the workers' compensation program. The City's Workers' Compensation Fund ended FY 2022 with a fund balance of \$51.7 million, meaning that the City is currently able to fund its estimated liabilities in its Workers' Compensation Program. However, just in 2021, the City's estimated liabilities were \$42.4 million and the fund balance was \$41.5 million, falling short of covering liabilities. This also illustrates that liabilities increased by \$3.9 million within 2 years. Further, it should be noted that the City does still have an outstanding loan balance of \$813,779 due to the WC fund from the Premier Cru purchase.

While currently the City's Workers' Compensation liabilities do not exceed fund assets, this is a relatively recent accomplishment for this fund, and a trend that would be advisable to strive to maintain moving forward. As described above, the fund's assets vs. liabilities saw a notable shift of several million within just a few years, and so maintaining a healthy balance is key to ensuring that the City does not need to rely on the General Fund to cover the cost of one more significant claims. Currently the City has 374 workers compensation claims, which remain to be settled or will continue to require funds for those with future medical expenses. Further, similar to general liability claims, it is very difficult to predict future settlement amounts. For all of these reasons, it is not advisable to borrow from the WC fund.

#### CONTACT PERSON

Council Member Rashi Kesarwani

(510) 981-7110

Attachment:

Measure P Program Long-Term Forecast

**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
<b>Revenues</b>										
<i>Beginning Fund Balance</i>		\$ 22,783,216	\$ 22,783,216	\$ 12,236,186	\$ 12,236,186	\$ (2,859,742)	\$ (6,076,274)	\$ (11,337,721)	\$ (16,154,153)	\$ (16,561,800)
<i>Measure P Revenues*</i>		\$ 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
<b>Total Revenues and Balance of Funds</b>		<b>\$ 36,856,966</b>	<b>\$ 36,856,966</b>	<b>\$ 26,309,936</b>	<b>\$ 22,425,686</b>	<b>\$ 7,839,233</b>	<b>\$ 5,157,649</b>	<b>\$ 457,899</b>	<b>\$ (4,358,534)</b>	<b>\$ (10,663,990)</b>
<b>LESS: Total Expenses</b>		<b>\$ 16,371,646</b>	<b>\$ 24,620,780</b>	<b>\$ 17,085,243</b>	<b>\$ 25,285,428</b>	<b>\$ 13,915,506</b>	<b>\$ 16,495,371</b>	<b>\$ 16,612,050</b>	<b>\$ 12,203,266</b>	<b>\$ 12,263,747</b>
<b>Personnel Costs</b>		\$ 695,730	\$ 592,010	\$ 722,413	\$ 722,413	\$ 726,508	\$ 726,624	\$ 728,762	\$ 730,920	\$ 733,100
CMO: Homeless Services Coordinator	Staffing/Infrastructure	\$ 196,348	\$ 196,348	\$ 202,899	\$ 202,899	\$ 202,899	\$ 202,899	\$ 202,899	\$ 202,899	\$ 202,899
Finance: Accountant II	Staffing/Infrastructure	\$ 178,858	\$ 178,858	\$ 193,441	\$ 193,441	\$ 193,441	\$ 193,441	\$ 193,441	\$ 193,441	\$ 193,441
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	\$ 116,560	\$ 116,560	\$ 116,560	\$ 116,560	\$ 116,560
HHCS: 2 Year Limited Term Community Services Specialist II	Staffing/Infrastructure	\$ 207,439	\$ 103,719	\$ 209,513	\$ 209,513	\$ 211,608	\$ 213,724	\$ 215,862	\$ 218,020	\$ 220,200
<b>Non-Personnel Costs/ Program Expenses</b>		<b>\$ 15,675,916</b>	<b>\$ 24,028,770</b>	<b>\$ 16,362,830</b>	<b>\$ 24,563,015</b>	<b>\$ 13,190,998</b>	<b>\$ 15,768,747</b>	<b>\$ 15,883,289</b>	<b>\$ 11,472,346</b>	<b>\$ 11,530,646</b>
Fire: 5150 Response & Transport	Immediate Street Conditions and Hygiene	\$ 1,321,605	\$ 1,321,605	\$ 1,556,857	\$ 1,556,857	\$ 1,439,231	\$ 1,439,231	\$ 1,439,231	\$ 1,439,231	\$ 1,439,231
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) - transferred 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Homekey Reservation (round 3)	Permanent Housing	\$ -	\$ 8,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ 800,000	\$ -	\$ -	\$ -	\$ -	\$ -
Encampment Resolution Fund 2 grant match	Emergency Shelter	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,496,456	\$ 2,527,538	\$ -	\$ -
<b>Fiscal Year Surplus (Shortfall)</b>		<b>\$ (2,297,896)</b>	<b>\$ (10,547,030)</b>	<b>\$ (3,011,493)</b>	<b>\$ (15,095,928)</b>	<b>\$ (3,216,531)</b>	<b>\$ (5,261,448)</b>	<b>\$ (4,816,431)</b>	<b>\$ (407,647)</b>	<b>\$ (6,365,937)</b>
<b>Ending Fund Balance</b>		<b>\$ 20,485,320</b>	<b>\$ 12,236,186</b>	<b>\$ 9,224,693</b>	<b>\$ (2,859,742)</b>	<b>\$ (6,076,274)</b>	<b>\$ (11,337,721)</b>	<b>\$ (16,154,153)</b>	<b>\$ (16,561,800)</b>	<b>\$ (22,927,737)</b>