Berkeley Homeless Services Panel of Experts

MEETING AGENDA

March 22, 2021 – 6:00 PM

Join Zoom Meeting: https://zoom.us/j/99722440245
To join by phone: Dial 1-669-900-6833 and enter Meeting ID: 997 2244 0245
Commission Secretary: Josh Jacobs (jjacobs@cityofberkeley.info; 510-225-8035)

1. Roll Call.
2. Public Comment on non-agenda items.
3. Approval of Minutes from February 3, 2021. [Attachment 1].

<u>Updates/Action Items:</u>

4. Agenda Approval.
5. Chair and Vice Chair Elections.
6. Schedule Additional Meetings for April, 2021 and May, 2021 to Discuss, and Make Recommendations for Measure P Allocations.
7. Request to Council for Two Additional Meetings to Discuss, and Make Recommendations for, Measure P Allocations.
8. Discussion on monies needed to sustain current programs and discussion on whether monies allocated in the last budget have been committed, identifying those programs for which monies were not used either because the program was not implemented or another source of funding, such as FEMA, was identified.
9. Discussion on allocation of Measure P funds for Emergency Medical Transport for Persons experiencing a Mental Health Crisis ('5150 Response & Transport')
10. Discussion on establishing a flex fund reserve, within the budget, to address critical needs that develop between budget cycles.
11. Discussion on whether last year's funding allocations can now be met by another source of projected funding for 2021-2022, the nature of those sources and the amount of monies projected from other sources.
12. Discussion on unmet needs from last year's Measure P funding.
13. Discussion on where monies could be otherwise secured to fund 1367 University Avenue Step-Up Housing.
14. Discussion on possible consolidation of Homeless Services Panel of Experts and Homeless Commission.
15. Develop work plan to be conducted following budgetary allocations including possible program site visits.
16. Adjourn.

<u>Attachments:</u>

1. Minutes from regular meeting of February 3, 2021.
2. Presentation by Staff on periodic reporting [Attachment 2]

3. Recommendations from Work Plan Subcommittee [Attachment 3]
4. Unfunded Liability Obligations and Unfunded Infrastructure Needs [Attachment 4]
5. Recommendations for Allocation of FY19/20 Measure P Funds [Attachment 5]

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, this meeting of the City Council will be conducted exclusively through teleconference and Zoom videoconference. Please be advised that pursuant to the Executive Order and the Shelter-in-Place Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, there will not be a physical meeting location available.

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 by rolling over the946 9829 9750. If you wish to comment during the public comment portion of the agenda, Press *9 and wait to be recognized by the Chair.

***Correspondence and Notice of Decision Requests**:*

Deadlines for Receipt:
A) Supplemental Materials must be received by 5 PM the day before the meeting.
B) Supplemental Communications must be received no later than noon the day of the meeting.

Procedures for Distribution:
A) Staff will compile all Supplemental Materials and Supplemental Communications received by the deadlines above into a Supplemental Packet, and will print 15 copies of this packet for the Commission meeting.
B) For any Supplemental Material or Communication from a Commissioner received after these deadlines, it is the Commissioner's responsibility to ensure that 15 printed copies are available at the meeting. Commissioners will not be reimbursed for any printing or materials expenses.
C) Staff will neither print nor distribute Supplemental Communications or Materials for subcommittee meetings.

Procedures for Consideration:
A) The Commission must make a successful motion to accept and receive all Supplemental Materials and Communications into the record. This includes the Supplemental Packet compiled by staff.

B) Each additional Supplemental Material or Communication received by or before the meeting that is not included in the Supplemental packet (i.e., those items received after the respective deadlines above) must be individually voted upon to be considered by the full Commission.

C) Supplemental Materials subject to a Commission vote that are not accepted by motion of the Commission, or for which there are not at least 15 paper copies (9 for each Commission seat, one for staff records, and 5 for the public) available by the scheduled start of the meeting, may not be considered by the Commission.

****Supplemental Materials** are defined as any items authored by one or more Commissioners, pertaining to an agenda item but available after the agenda and packet for the meeting has* *been distributed, on which the Commission is asked to take vote at the meeting. This includes any letter to Council, proposed Council report, or other correspondence on behalf of the Commission for which a full vote of the Commission is required.*

*****Supplemental Communications** are defined as written emails or letters from members of the public or from one or more Commissioners, the intended audience of which is the full Commission. Supplemental Communications cannot be acted upon by the Commission, and they may or may not pertain to agenda items.*

Any writings or documents provided to a majority of the Commission regarding any item on this agenda will be made available for public inspection at Health, Housing & Community Services Department located at 2180 Milvia Street, 2nd Floor.

***Public Comment Policy**:*
Members of the public may speak on any items on the Agenda and items not on the Agenda during the initial Public Comment period. Members of the public may not speak more than once on any given item. The Chair may limit public comments to 3 minutes or less.

Any writings or documents provided to a majority of the Commission regarding any item on this agenda will be made available for public inspection at Health, Housing & Community Services Department located at 2180 Milvia Street, 2nd Floor.

COMMUNITY 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 981-6342 (V) or 981-6345 (TDD) at least 3 business days before the meeting date. Please refrain from wearing scented products to this meeting.

Communications to Berkeley boards, commissions or committees are public record and will become part of the City's electronic records, which are accessible through the City's website. Please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to a City board, commission or committee, will become part of the public record. If you do not want your e-mail address or any other contact information to be made public, you may deliver communications via U.S. Postal Service or in person to the secretary of the relevant board, commission or committee. If you do not want your contact information included in the public record, please do not include that information in your communication. Please contact the secretary to the relevant board, commission or committee for further information. The Health, Housing & Community Services Department does not take a position as to the content. Communications to Berkeley boards, commissions or committees are public record and will become part of the City's electronic records, which are accessible through the City's website. Please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to a City board, commission or committee, will become part of the public record. If you do not want your e-mail address or any other contact information to be made public, you may deliver communications via U.S. Postal Service or in person to the secretary of the relevant board, commission or committee. If you do not want your contact information included in the public record, please do not include that information in your communication. Please contact the secretary to the relevant board, commission or committee for further information. The Health, Housing & Community Services Department does not take a position as to the content.

ADA Disclaimer "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 981-6418 (V) or 981-6347 (TDD) at least three business days before the meeting date. Please refrain from wearing scented products to this meeting."

Berkeley Homeless Services Panel of Experts

MEETING MINUTES

February 3, 2021

1. Roll Call: 7:01 PM

   Present: Gale, Bookstein, Jordan (absent until 7:12), Garlin, Mulligan, Metz, Sherman, Trotz.
   Absent: None.
   Staff: Carnegie, Lee, Buddenhagen, White, Jacobs.
   Council: McCormick.
   Public: 2

2. Comments from the Public: None.

Update/Action Items

3. Approval of Minutes from October 7, 2020.

   Action: M/S/C Metz/Sherman to approve the minutes of October 7, 2020 as written.

   Vote: *Ayes:* Gale, Garlin, Mulligan, Metz, Sherman, Trotz.
   Noes: None. Abstain: Bookstein. Absent: Jordan.

4. Agenda Approval.

   Action: M/S/C Gale/Garlin to approve the agenda as written.

   Vote: *Ayes:* Gale, Bookstein, Garlin, Mulligan, Metz, Sherman, Trotz.
   Noes: None. Abstain: None. Absent: Jordan.

5. Update from Chair and Staff on City business related to homelessness.

   Discussion; no action taken.

6. Staff presentation and discussion of periodic reports and Measure P budget.

   Discussion; no action taken.

7. Chair and Vice Chair Elections.

   Action: M/S/C Mulligan/Bookstein to extend meeting by ten minutes.

2180 Milvia Street, 2nd Floor, Berkeley, CA 94704 Tel: 510. 981.5435 TDD: 510.981.6903 Fax: 510. 981.5450
E-mail: hspe@cityofberkeley.info |
https://www.cityofberkeley.info/Clerk/Commissions/Commissions__Homeless_Services_Panel_of_Experts.aspx

Vote: *Ayes:* Gale, Bookstein, Jordan, Garlin, Mulligan, Metz, Sherman, Trotz.
Noes: None. Abstain: None. Absent:

Meeting adjourned at 9:09 PM.

Minutes Approved on: ________________________

Josh Jacobs, Commission Secretary: ________________________

Homeless Services Panel of Experts: Periodic Report

Health, Housing & Community Services

AGENDA

1. Overview
2. Data
3. Power BI
4. Discussion
5. Budget Cycle
6. Conclude

Berkeley Homeless Programs and Funding

-[Intro to Homelessness]-

City of Berkeley

Non-profit Partners

23 agencies providing 57 programs. Receive $19 million in City funding for homeless programs each year.

Homeless Commission

Advisory Role

Advises City Council on homeless policy and programs, including funding for homeless services.

- ✓ Outreach, Housing Navigation & Prevention
- ✓ Emergency Shelter / Transitional Housing
- ✓ Permanent Housing
- ✓ Supportive Services

Basic Services
- Meals
- Drop-In Centers
- Showers

Emergency Shelter
- Single Men/Women
- Families
- Winter Storm Shelter

Transitional Housing
- Single Men/Women
- Families
- TAY

Homeless Outreach
BACS, Lifelong Medical Care
City Manager's Office
DBA

Permanent Supportive Housing
- Shelter Plus Care + Square One
- Case Management Support

Rapid Re-Housing
- Short-term rental subsidies

Alcohol and Drug Treatment
- Residential Treatment
- Daytime services

Other Services
- Domestic Violence Services
- Representative Payee
- Benefits Advocacy

Many Departments Work on Homelessness

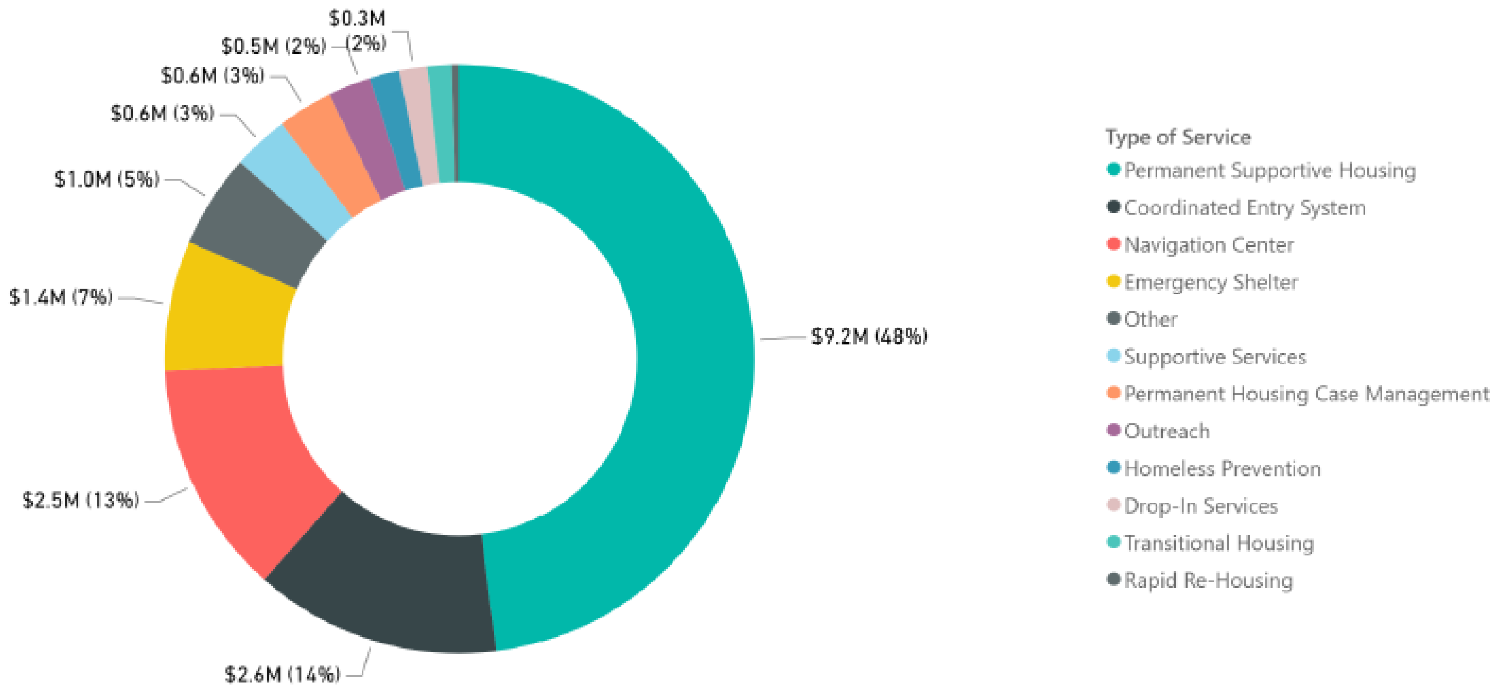
- HHCS
  - HCS
    - Community Agency Contracts
    - Shelter Plus Care
    - Homeless Policy / Coordination with County
  - Mental Health
    - Full Service Partnership
  - Aging Services
    - Case management
    - Senior Centers
  - Environmental Health
    - Encampments
- PW
  - Encampments
  - Abandoned Belongings
- Parks, Recreation & Waterfront
  - Encampments
  - Shower Program
- BPD
- City Manager's Office

Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

$19.14M

FY20/21

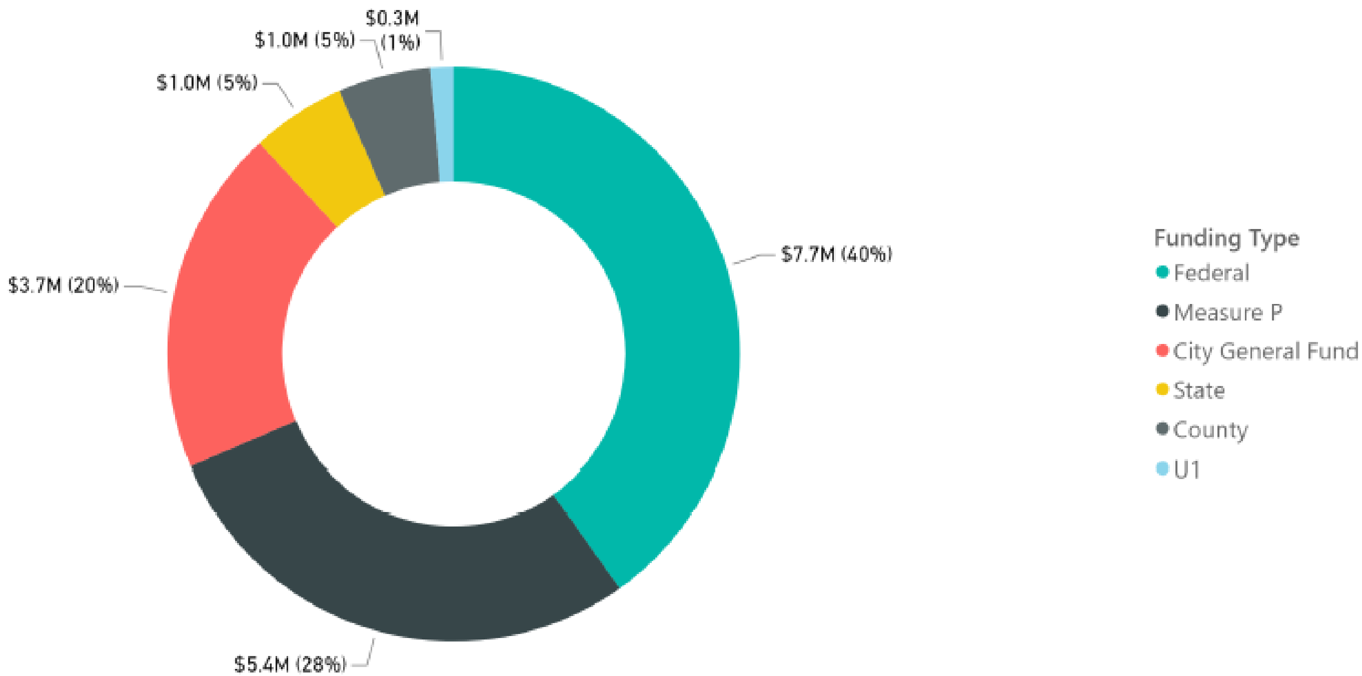


Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

$19.14M

FY20/21



CARES Act and Other Funding for COVID-19

Sources:

- CDBG – CV1: $1,610,805
- CDBG – CV3: $891,121
- ESG – CV1: $808,117
- ESG-CV2: $5,840,486
- CSBG : $373,097
- HEAP : $893,000

Uses:

- Berkeley Respite Program
- Rapid Re-Housing
- Hygiene and Food
- Additional Costs for Shelter Programs
- Mobile Shower Program
- Rental Subsidies

1. Data

- HMIS – Homeless Management Information System
- City Data Services

-[Data Sets]-

Homeless Management Information System

HMIS

Called Clarity. Used throughout Alameda County and in many other Bay Area jurisdictions.

Other Data Set

Excel

In addition to HMIS data, some Excel data sets were used to sort data in different ways.

- **Dependent on Providers**
- **Not Always in Real Time**
- **Multitude of Data Points**
- **Includes All of Alameda County**

-[Data Sets]-

Homeless Management Information System
HMIS

Alameda County and the City of Berkeley use the software Clarity Human Services developed by BitFocus.

Other Data Set
Excel

In addition to HMIS data, some Excel data sets were used to create a calendar to map budget and client data to dates and to track individual program capacity.

- **Client Centered**
- **Uniformity**
- **Performance Reports**
- **Shows Trends and Gaps**

Agency	Program	In HMIS?
ASUC/Suitcase Clinic	ASUC Suitcase Clinic	No
Bay Area Community Services	Coordinated Entry System/STAIR	Yes
Berkeley Drop-In Center	Berkeley Drop-In Center/Lockers/Rep Payee	Partial
Berkeley Food and Housing Project	Shelter/SPC Services	Yes
Bonita House	Supported Independent Living (SIL)	Yes
BOSS	Shelter/SPC Services/Rep Payee	Partial
City of Berkeley	Shelter Plus Care Program	Yes
Covenant House California	YEAH! Youth shelter	Partial
Dorothy Day House	Shelter/Drop-In/Lockers/BESS	Partial
Fred Finch Youth Center	Turning Point TH	Yes
Homeless Action Center	SSI Advocacy	Yes
LifeLong Medical Care	SPC Services	Yes
Options Recovery Services	Transitional Housing	Partial
Toolworks, Inc.	Supportive Housing	No
Women's Daytime Drop-In Center	Drop-In, Transitional Housing	Partial

2. Reports

Power BI is software that turns data into coherent and interactive visuals

Emergency Shelter

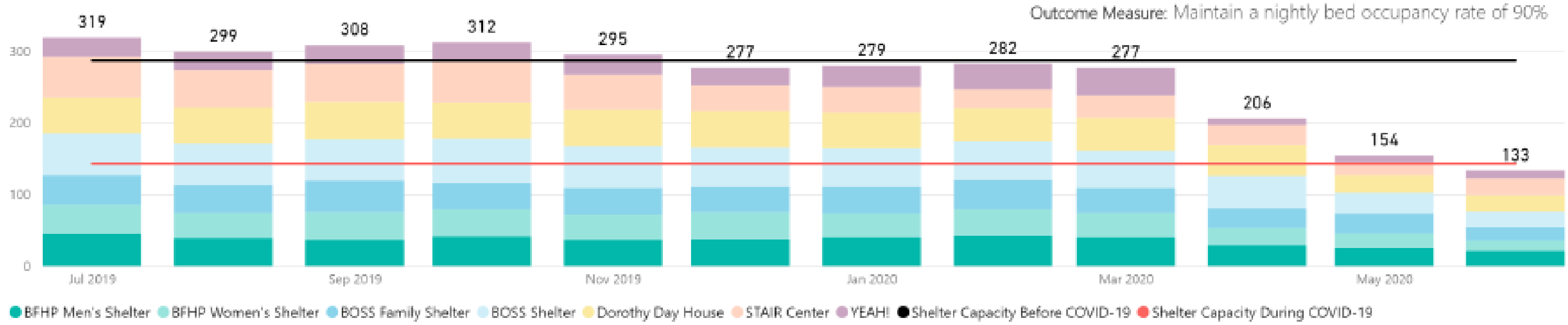
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

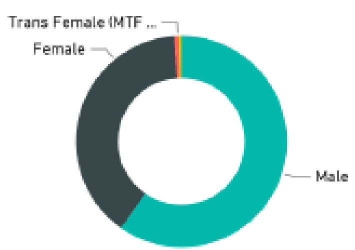
Clients Served	Average Age	Average Length of Stay
600	42	192

Select all	BFHP Women's Shelter	BOSS Shelter	STAIR Center
BFHP Men's Shelter	BOSS Family Shelter	Dorothy Day House	YEAH!

Outcome Measure: Maintain a nightly bed occupancy rate of 90%



Gender



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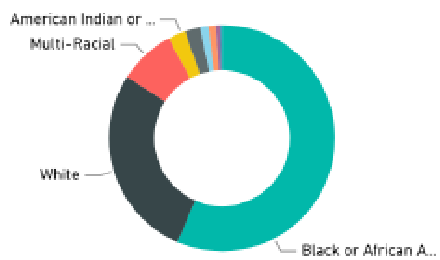

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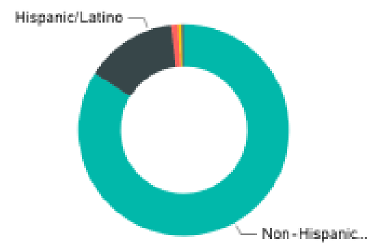

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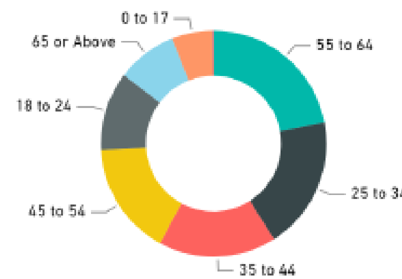


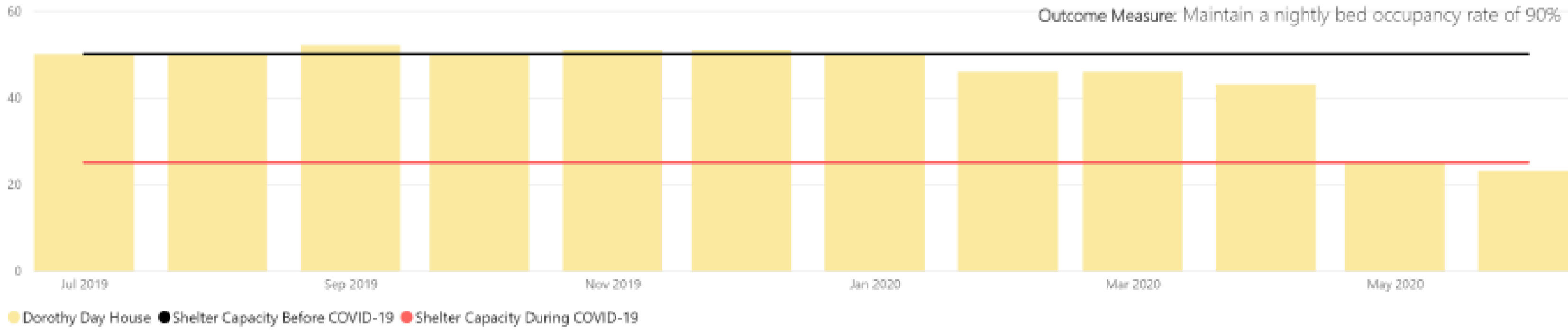
FY 19-20 Shelter Stayers

Health, Housing & Community Services

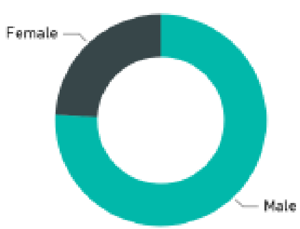
Homeless Services Panel of Experts Periodic Report

Clients Served	Average Age	Average Length of Stay
58	55	502

Select all	BFHP Women's Shelter	BOSS Shelter	STAIR Center
BFHP Men's Shelter	BOSS Family Shelter	Dorothy Day House	YEAH!



Gender



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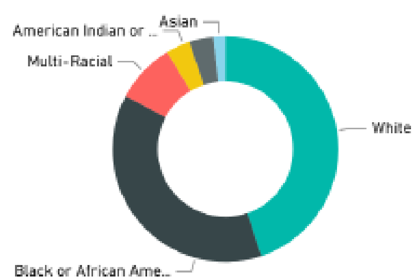

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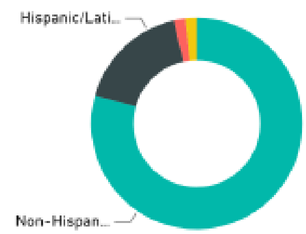

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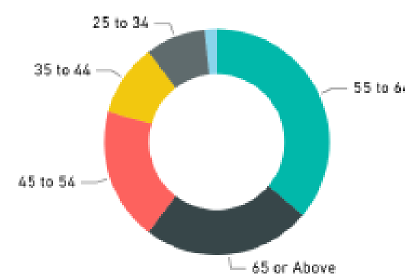


FY 19-20 Shelter Stayers

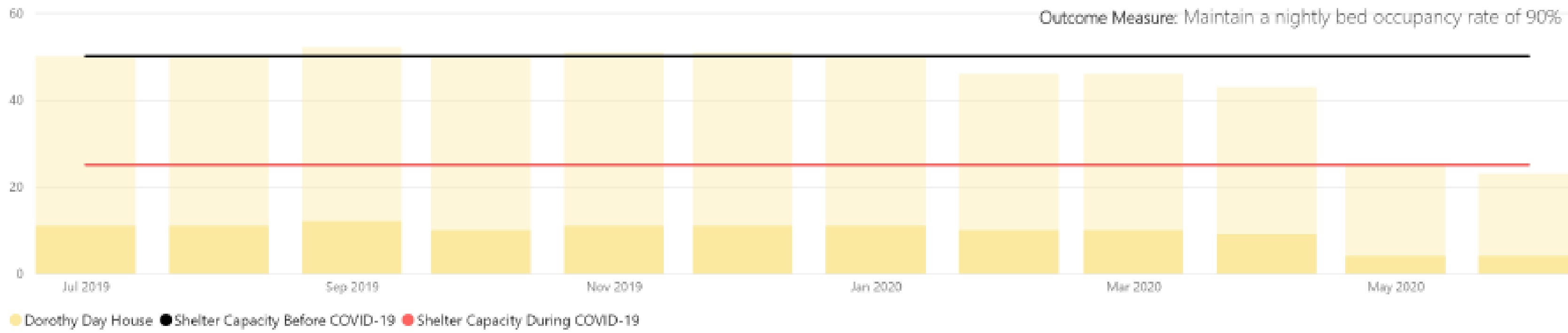
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

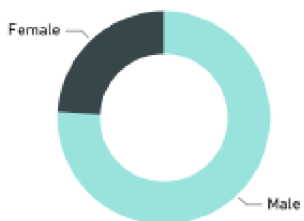
Clients Served	Average Age	Average Length of Stay
14	50	473

Select all	BFHP Women's Shelter	BOSS Shelter	STAIR Center
BFHP Men's Shelter	BOSS Family Shelter	Dorothy Day House	YEAH!

Outcome Measure: Maintain a nightly bed occupancy rate of 90%



Gender



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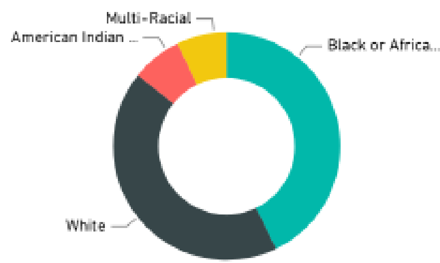

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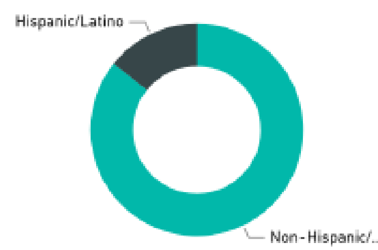

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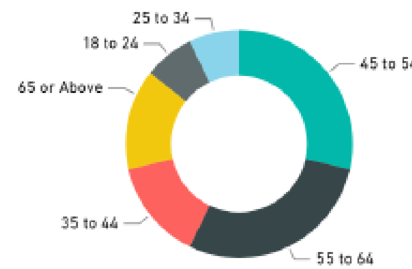


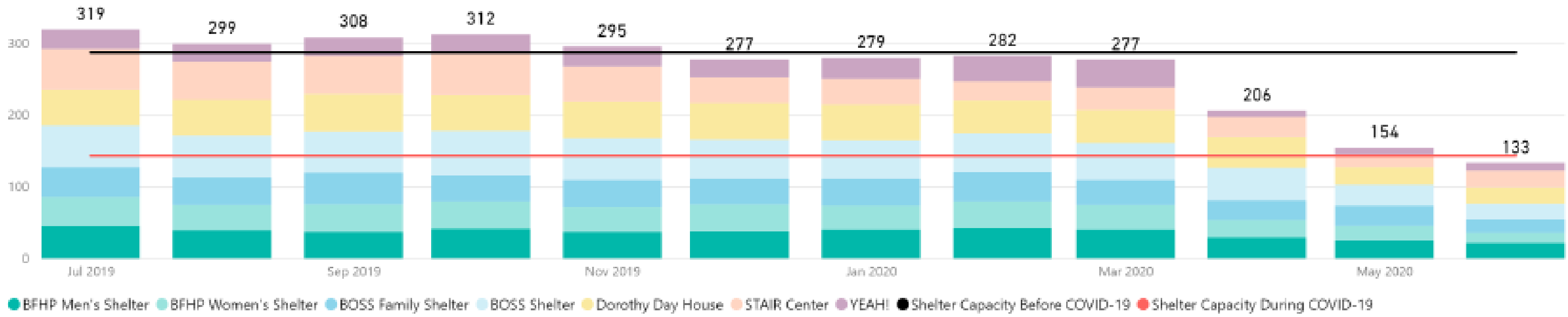
FY 19-20 Shelter Stayers

Health, Housing & Community Services

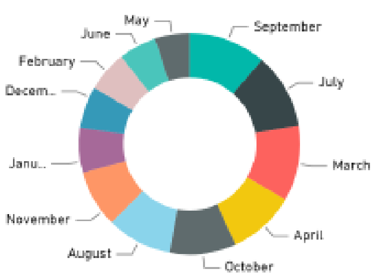
Homeless Services Panel of Experts Periodic Report

Clients Served	Average Age	Average Length of Stay
600	42	192

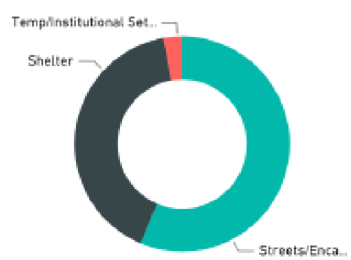
Select all	BFHP Women's Shelter	BOSS Shelter	STAIR Center
BFHP Men's Shelter	BOSS Family Shelter	Dorothy Day House	YEAH!



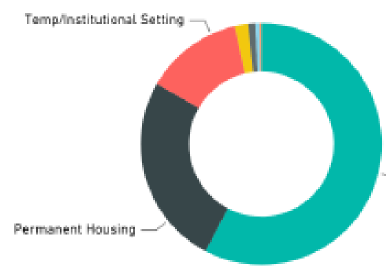
Clients Exited Per Month



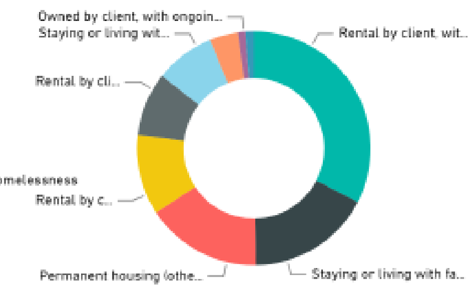
Prior Living Situation



Exit Destinations



Permanent Destinations



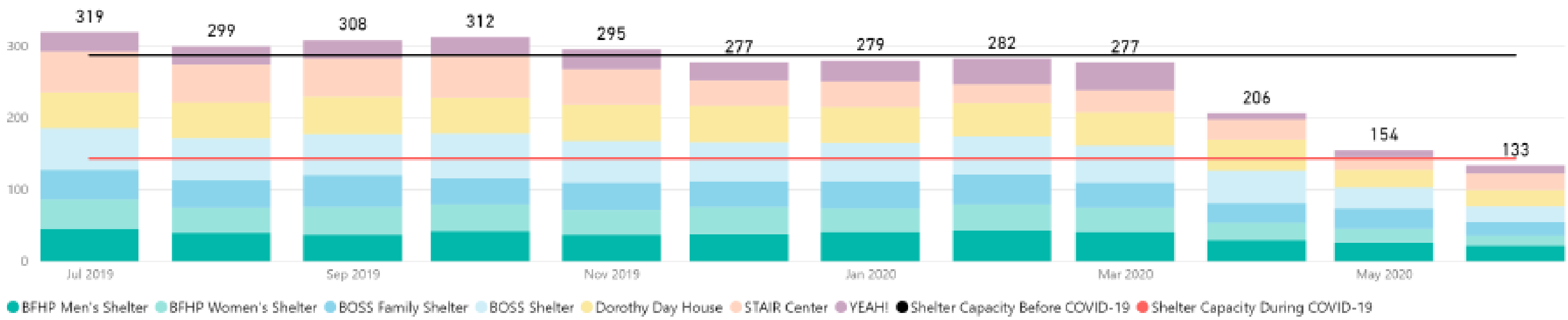
FY 19-20 Shelter Stayers

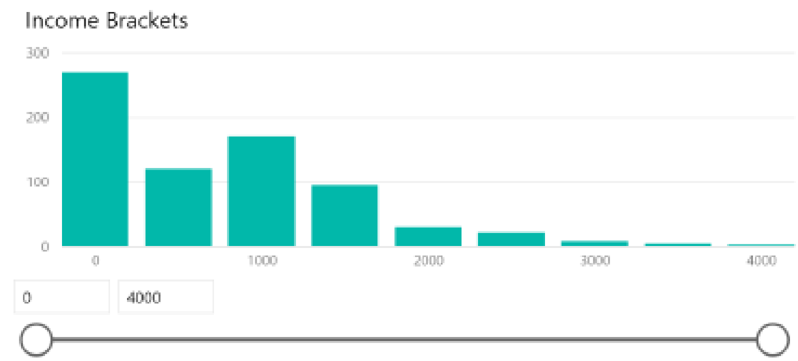
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

Clients Served	Average Income	Average Length of Stay
600	$591	192

Select all	BFHP Women's Shelter	BOSS Shelter	STAIR Center
BFHP Men's Shelter	BOSS Family Shelter	Dorothy Day House	YEAH!





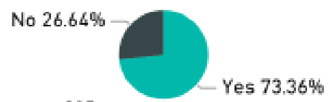
FY 19-20 Shelter Stayers

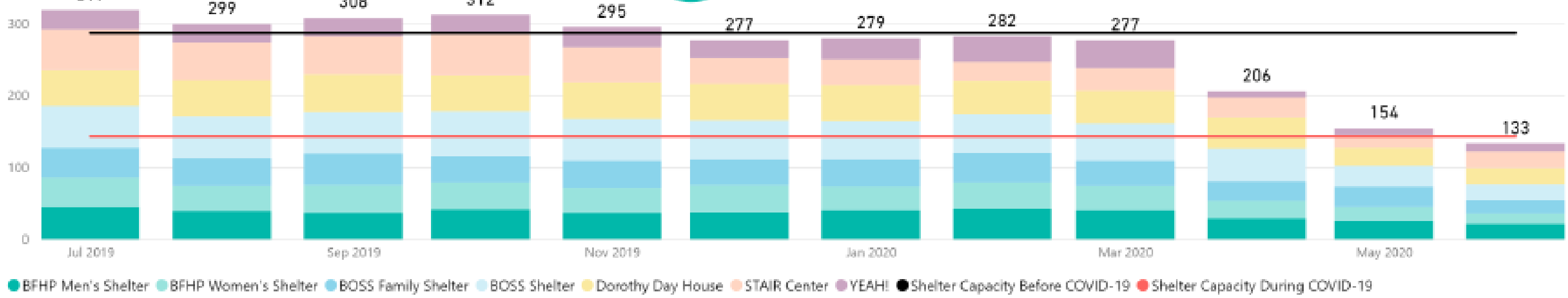
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

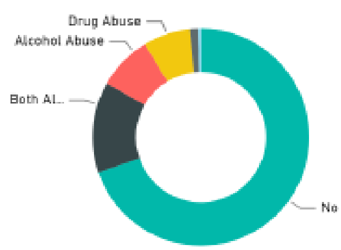
Health Condition

Select all	BFHP Women's Shelter	BOSS Shelter	STAIR Center
BFHP Men's Shelter	BOSS Family Shelter	Dorothy Day House	YEAH!

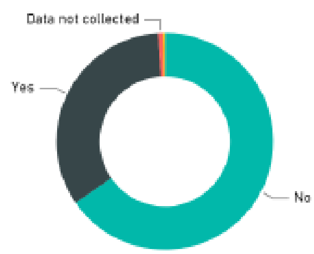




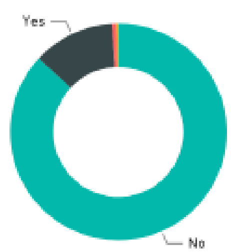
Substance Use Condition



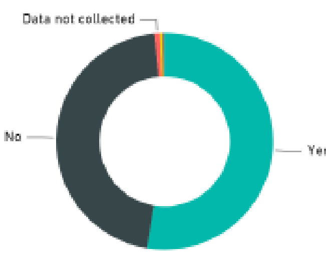
Chronic Health Condition



Developmental Condition



Mental Health Condition



FY 19-20 Shelter Stayers

Permanent Supportive Housing

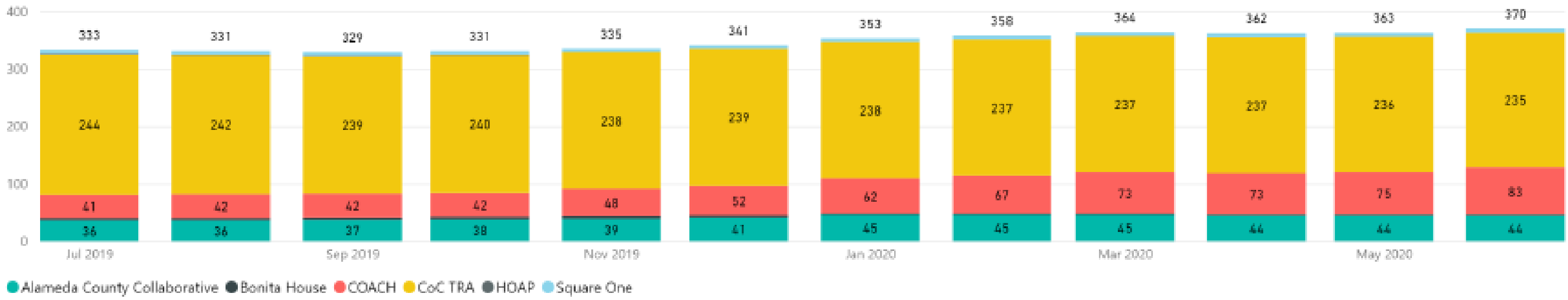
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

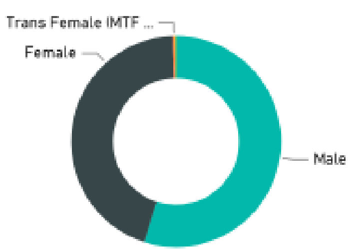
Clients Served	Average Age	Average Income
395	48	$682

Select all | Bonita House | CoC TRA | Square One | Alameda County Collaborative | COACH | HOAP

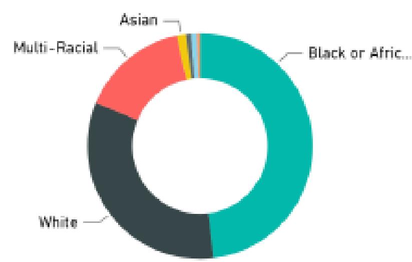
FY19-20



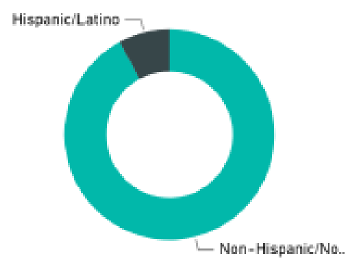
Gender



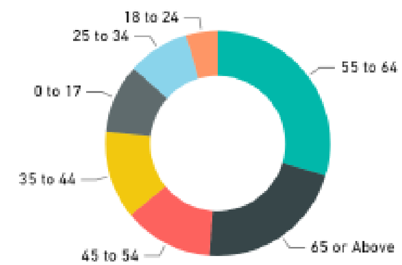
Race



Ethnicity



Age



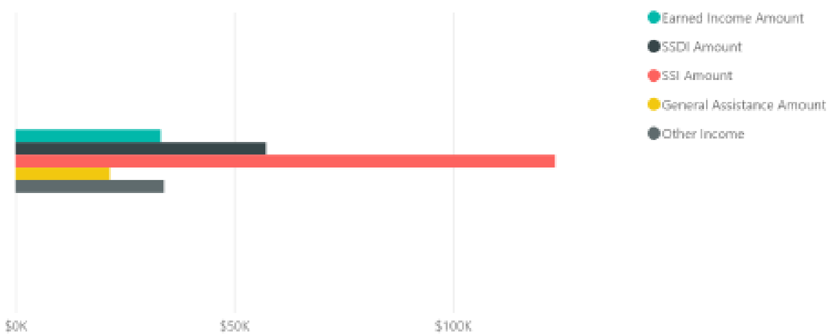
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

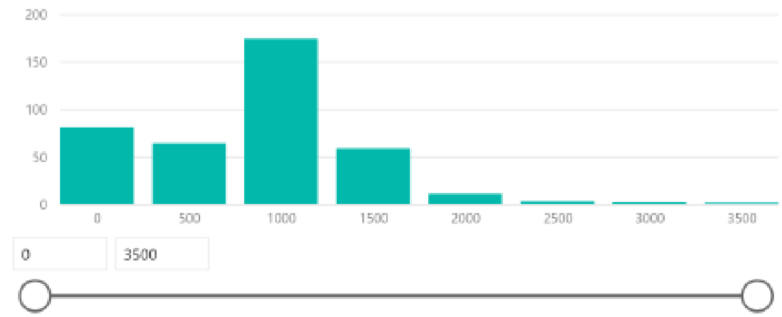
Select all	Bonita House	CoC TRA	Square One
Alameda County Collaborative	COACH	HOAP	

Clients Served	Average Age	Average Income
395	48	$682

FY19-20



Income Brackets



Health, Housing & Community Services

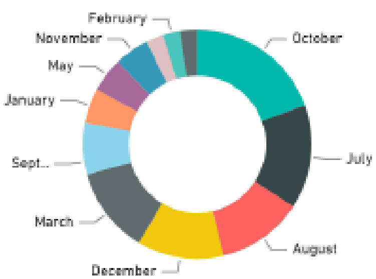
Homeless Services Panel of Experts Periodic Report

Clients Served	Average Age	Average Income
395	48	$682

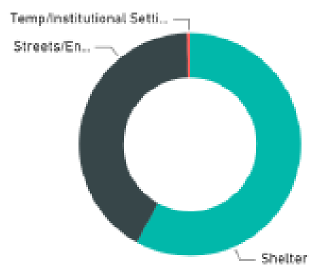
Select all | Bonita House | CoC TRA | Square One | Alameda County Collaborative | COACH | HOAP

FY19-20

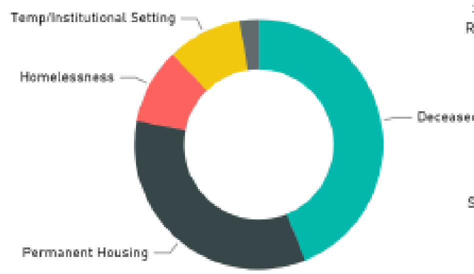
Clients Exited Per Month



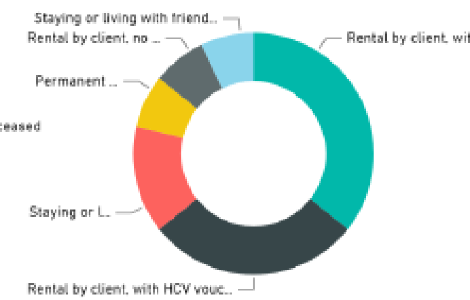
Prior Living Situation



Exit Destinations



Permanent Destinations

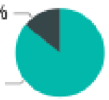


Health, Housing & Community Services

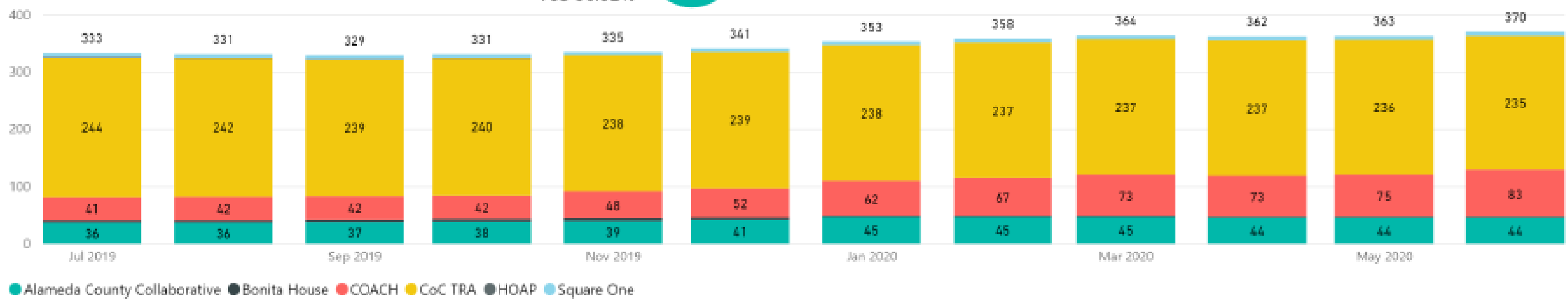
Homeless Services Panel of Experts Periodic Report

Health Condition

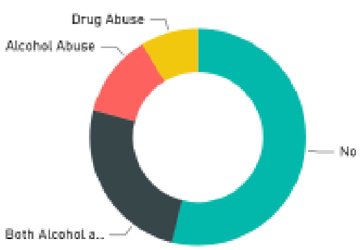
Select all	Bonita House	CoC TRA	Square One
Alameda County Collaborative	COACH	HOAP	



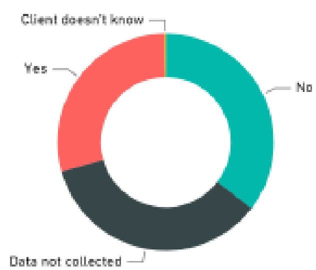
FY19-20



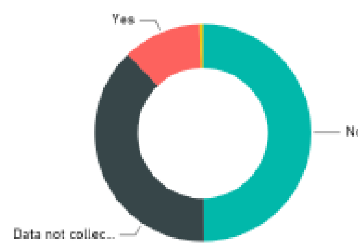
Substance Use Condition



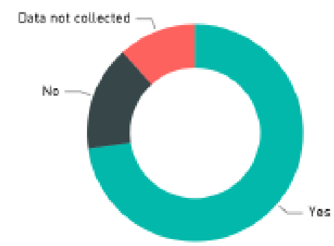
Chronic Health Condition



Developmental Condition



Mental Health Condition



Rapid Rehousing

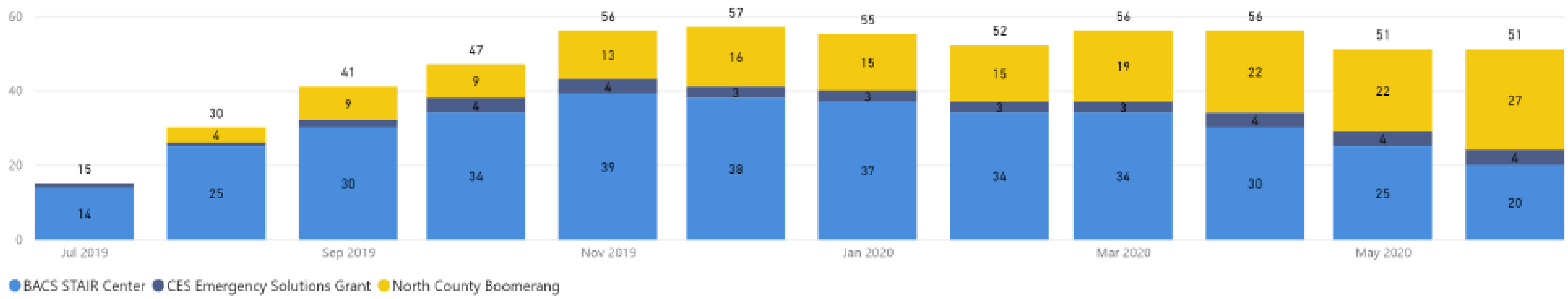
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

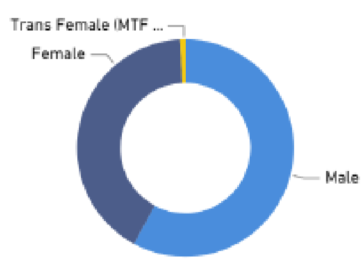
Clients Served	Average Age	Average Length of Stay
115	50	188

Select all	CES Emergency Solutions Grant
BACS STAIR Center	North County Boomerang

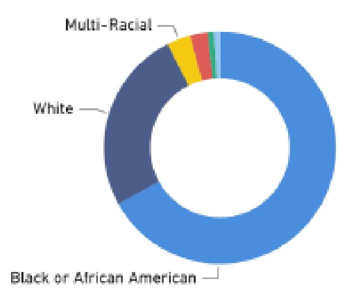
FY19-20



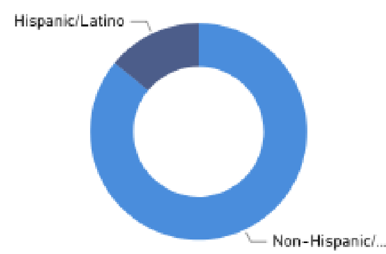
Gender



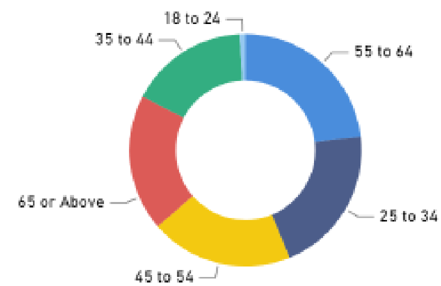
Race



Ethnicity



Age



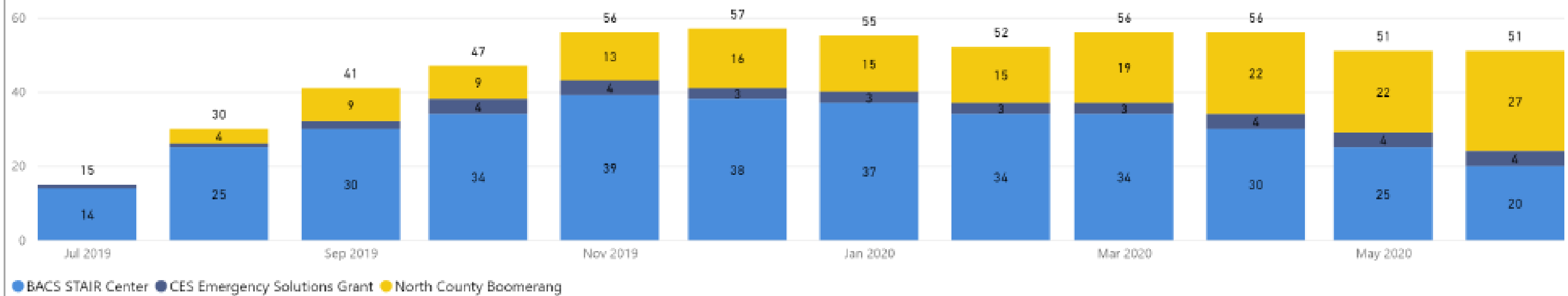
Health, Housing & Community Services

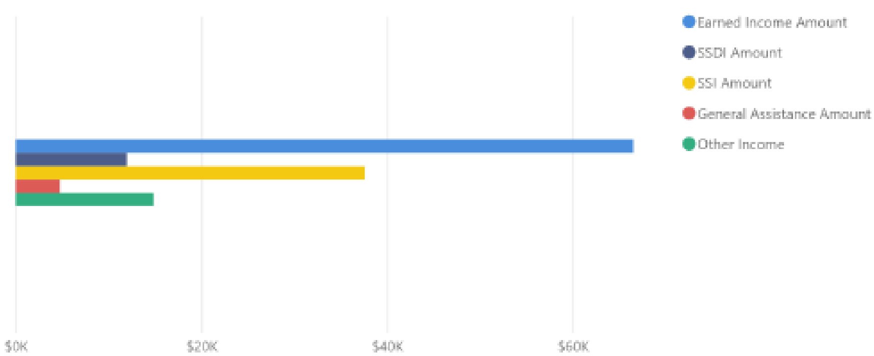
Homeless Services Panel of Experts Periodic Report

Clients Served	Average Income	Average Length of Stay
115	$1,122	188

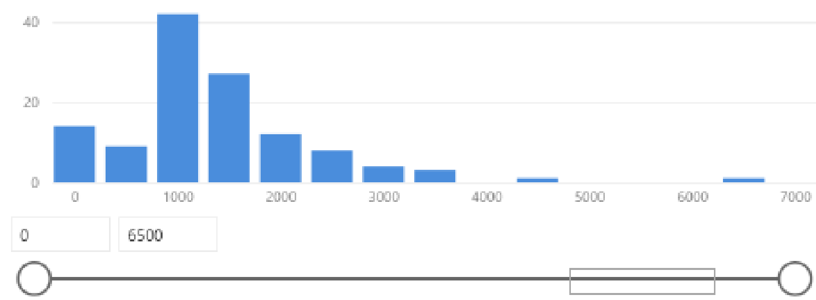
Select all | CES Emergency Solutions Grant | BACS STAIR Center | North County Boomerang

FY19-20





Income Brackets



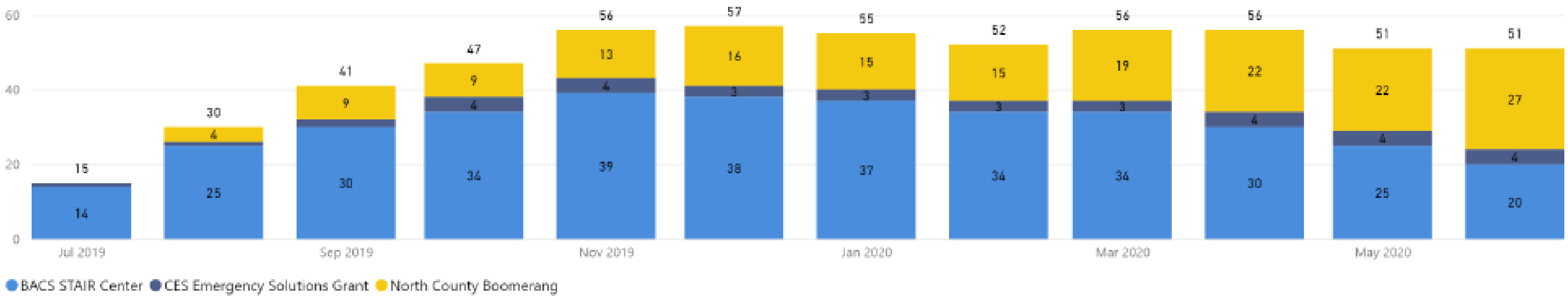
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

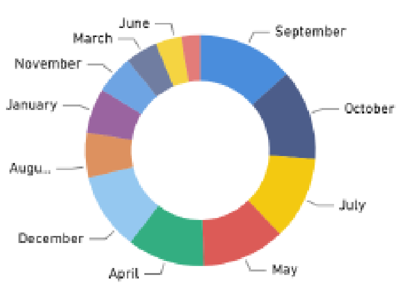
Clients Served	Average Age	Average Length of Stay
115	50	188

Select all | CES Emergency Solutions Grant | BACS STAIR Center | North County Boomerang

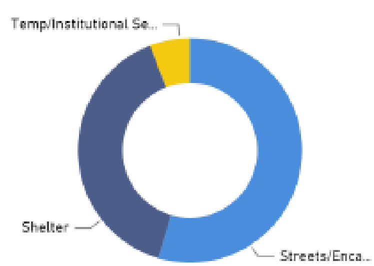
FY19-20



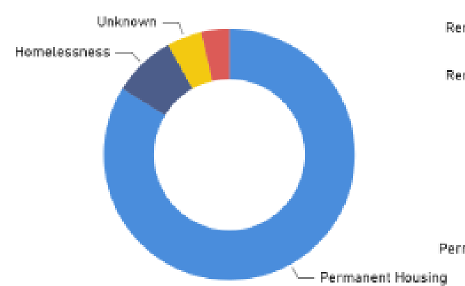
Clients Exited Per Month



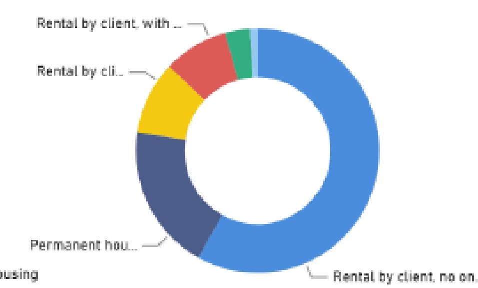
Prior Living Situation



Exit Destinations



Permanent Destinations



Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

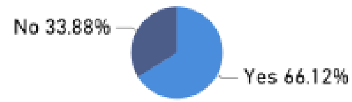
Health Condition

Select all

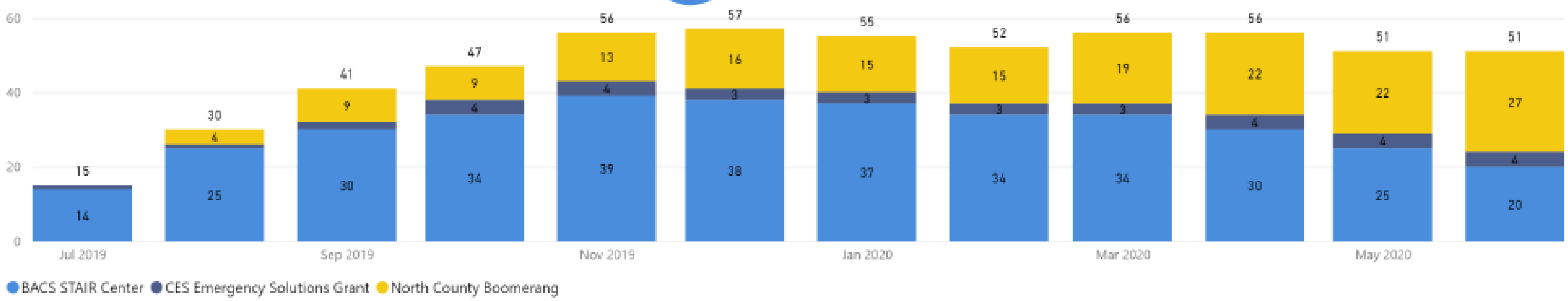
CES Emergency Solutions Grant

BACS STAIR Center

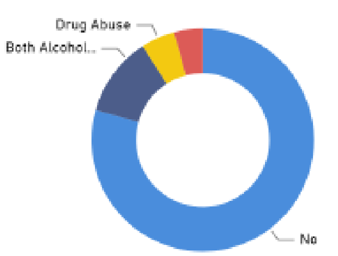
North County Boomerang



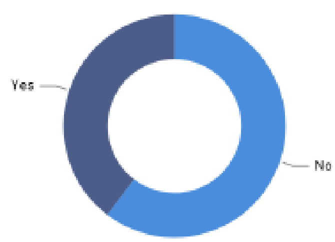
FY19-20



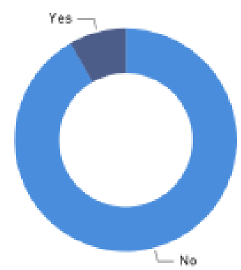
Substance Use Condition



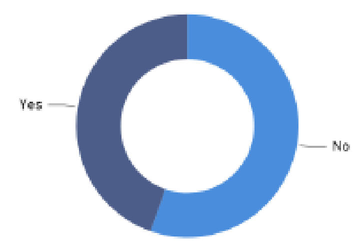
Chronic Health Condition



Developmental Condition



Mental Health Condition



Transitional Housing

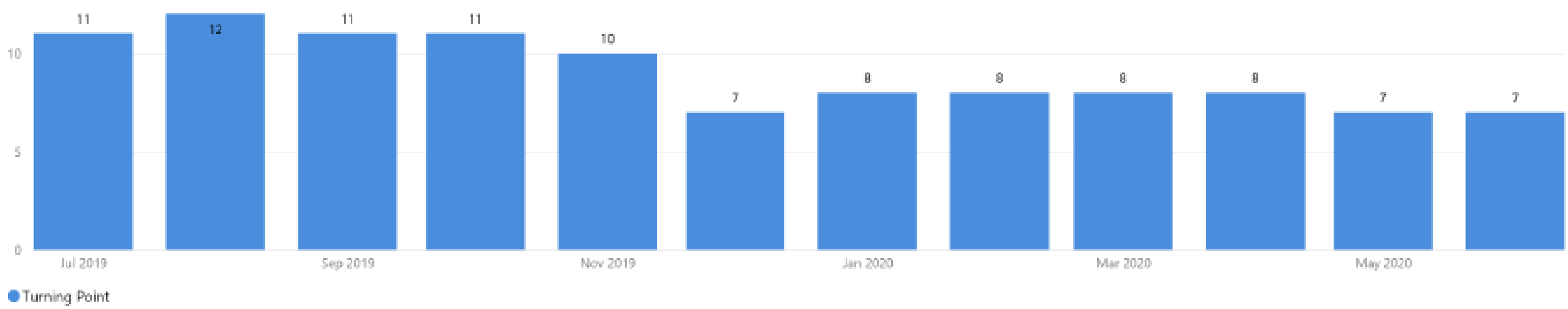
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

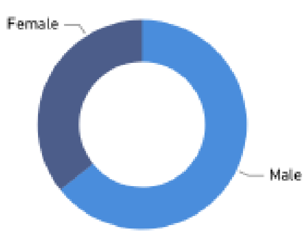
Clients Served	Average Age	Average Length of Stay
14	25	413

Turning Point

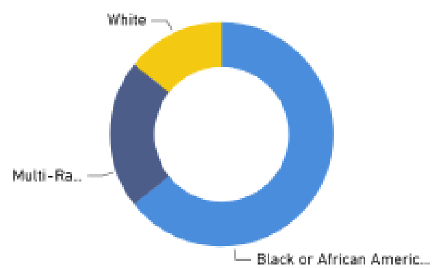
FY19-20



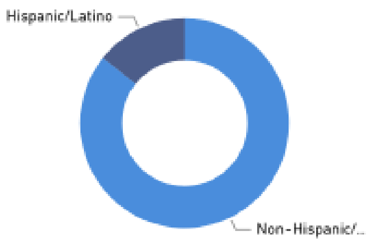
Gender



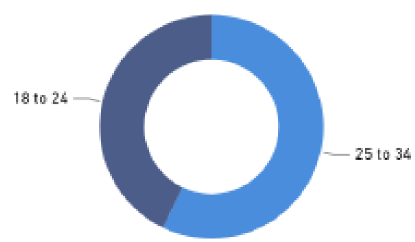
Race



Ethnicity



Age



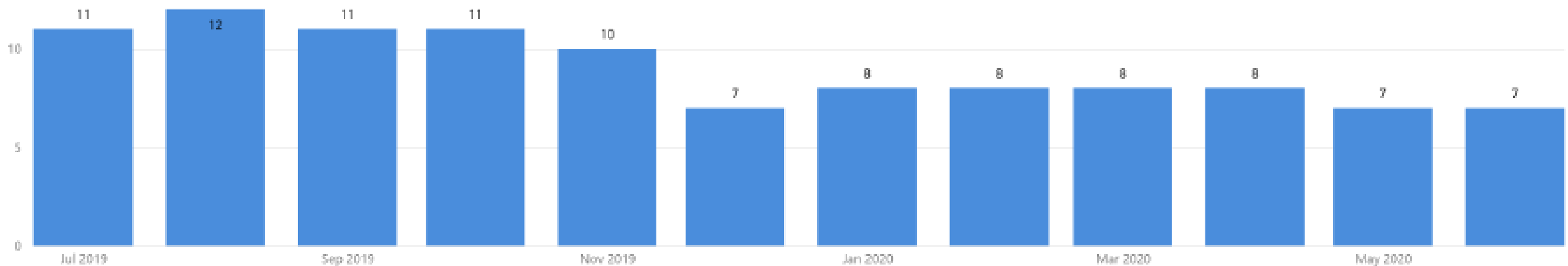
Health, Housing & Community Services

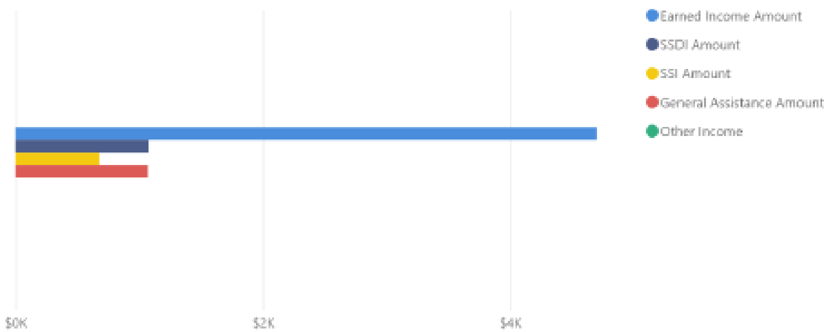
Homeless Services Panel of Experts Periodic Report

Turning Point

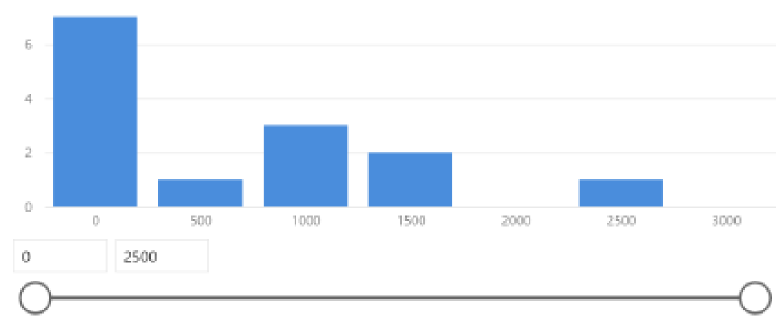
Clients Served	Average Income	Average Length of Stay
14	$537	413

FY19-20





Income Brackets



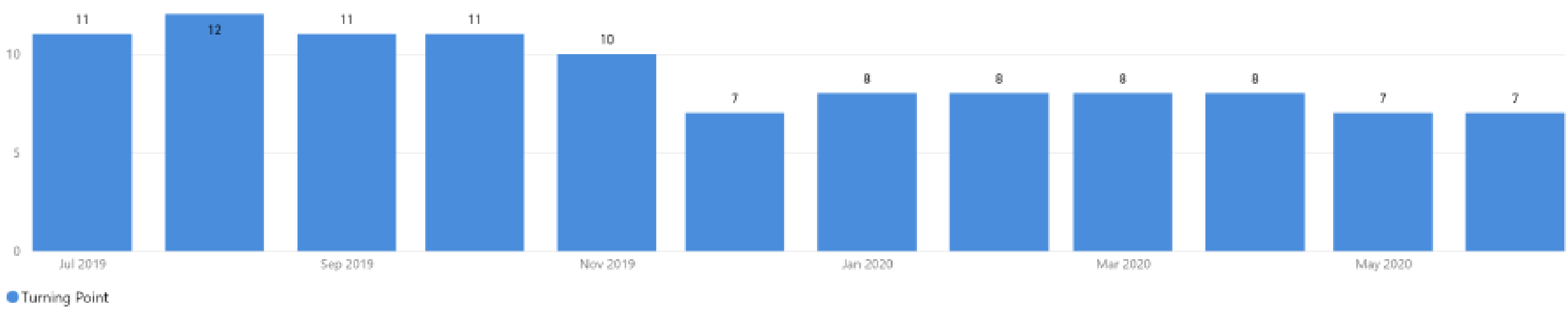
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

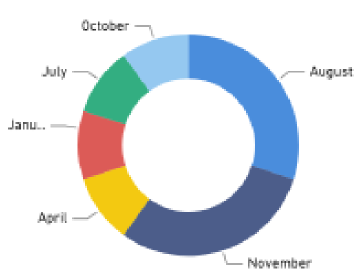
Clients Served	Average Age	Average Length of Stay
14	25	413

Turning Point

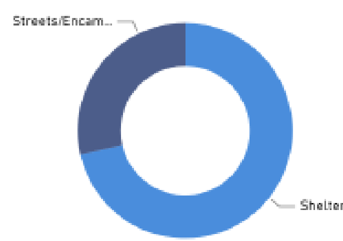
FY19-20



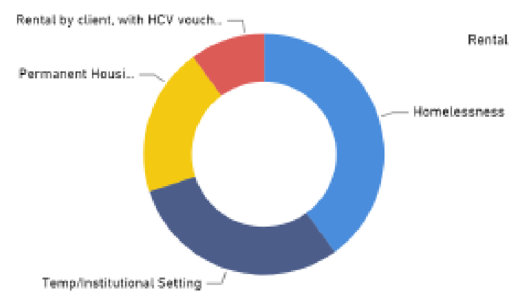
Clients Exited Per Month



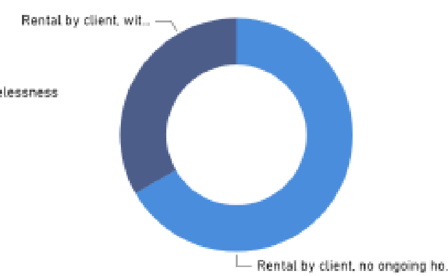
Prior Living Situation



Exit Destinations



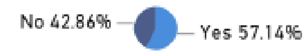
Permanent Destinations



Health, Housing & Community Services

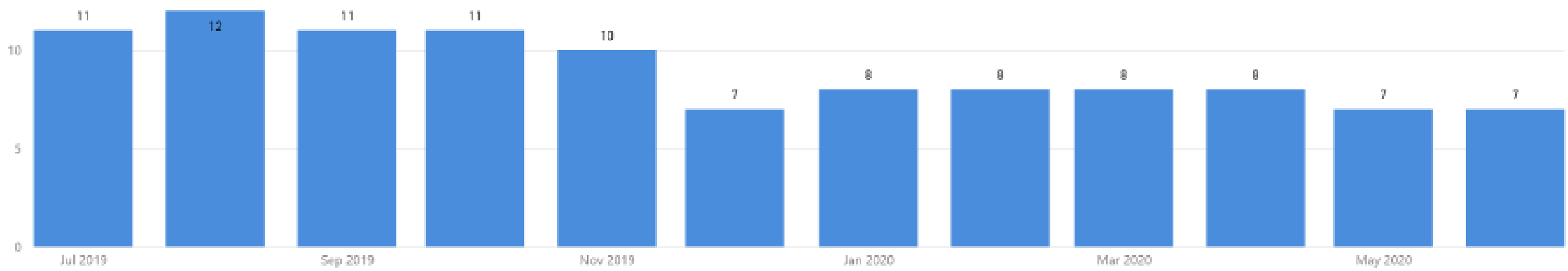
Homeless Services Panel of Experts Periodic Report

Health Condition



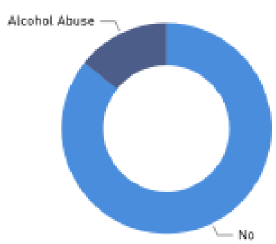
Turning Point

FY19-20

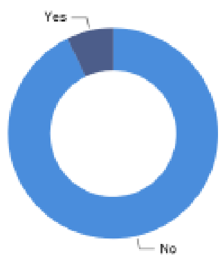


Turning Point

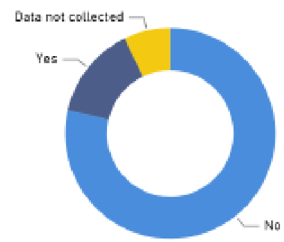
Substance Use Condition



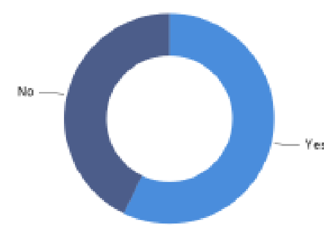
Chronic Health Condition



Developmental Condition



Mental Health Condition



Outreach

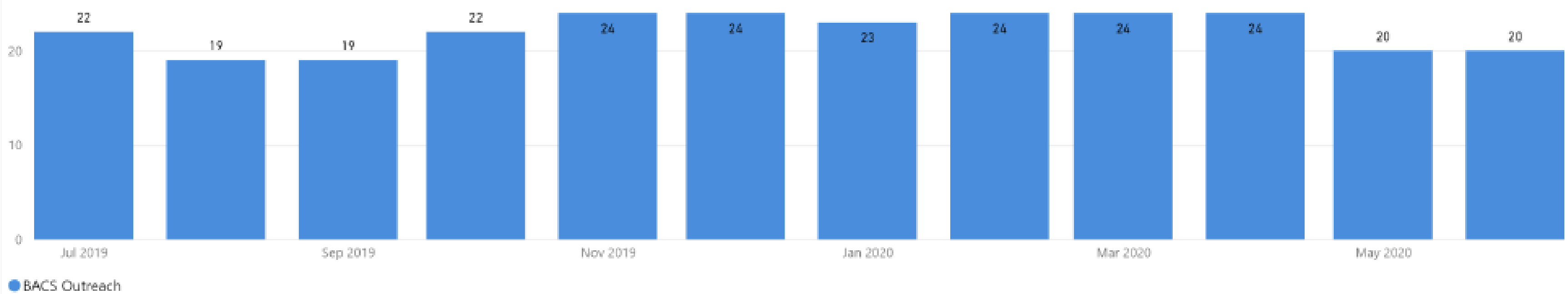
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

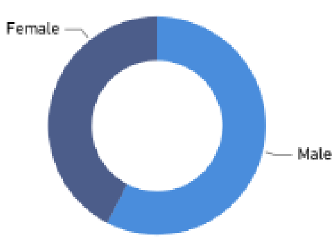
Clients Served	Average Age	Average Length of Stay
33	48	334

BACS Outreach

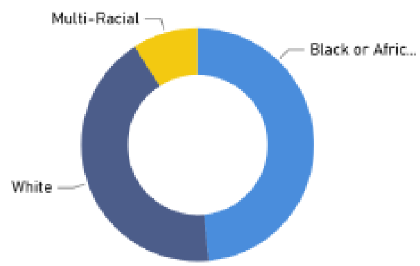
FY19-20



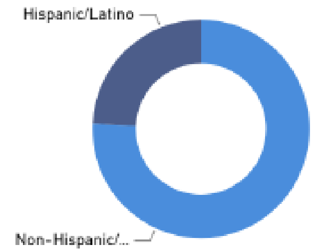
Gender



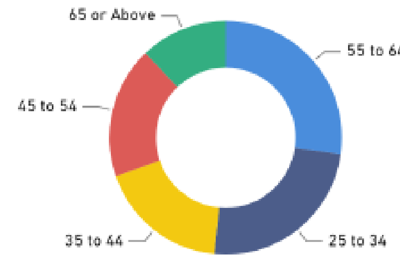
Race



Ethnicity



Age



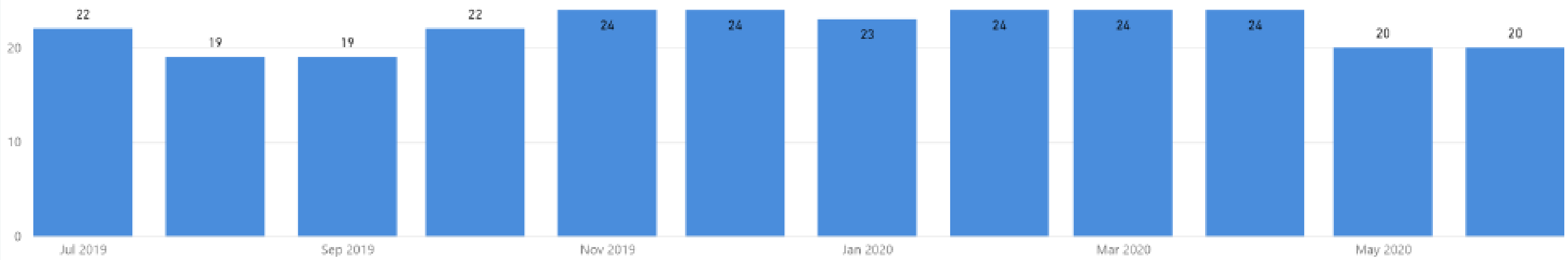
Health, Housing & Community Services

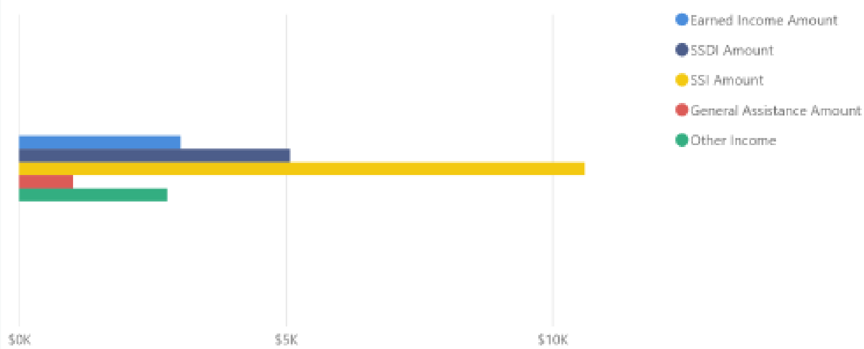
Homeless Services Panel of Experts Periodic Report

Clients Served	Average Income	Average Length of Stay
33	$682	334

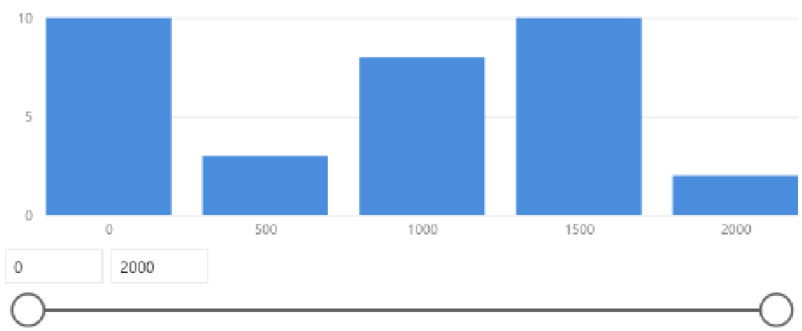
BACS Outreach

FY19-20





Income Brackets



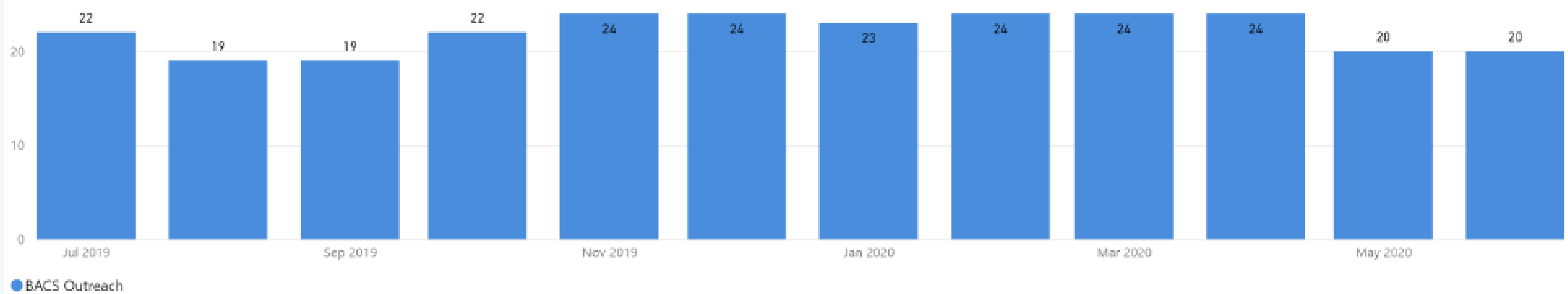
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

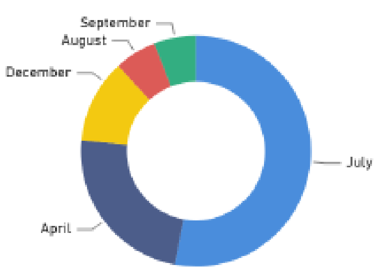
Clients Served	Average Age	Average Length of Stay
33	48	334

BACS Outreach

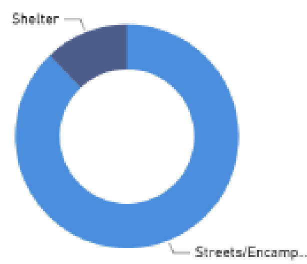
FY19-20



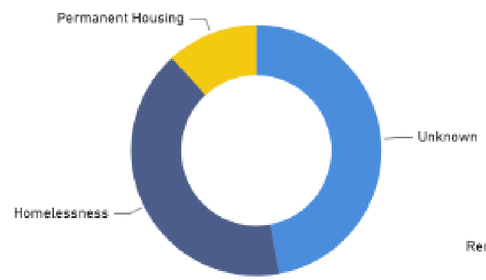
Clients Exited Per Month



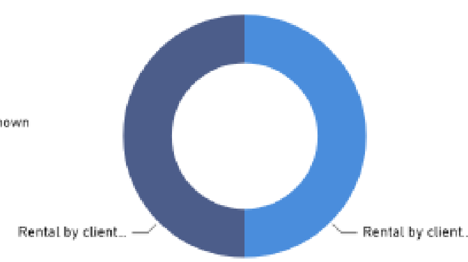
Prior Living Situation



Exit Destinations



Permanent Destinations



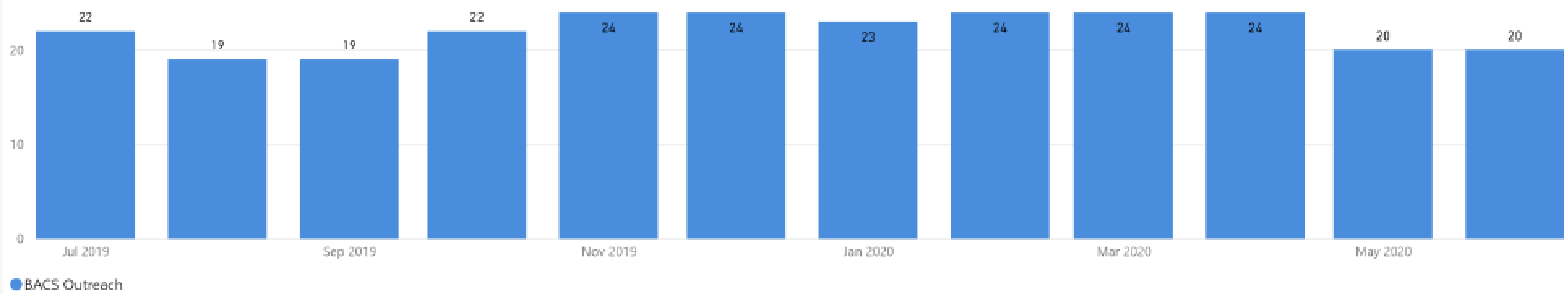
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

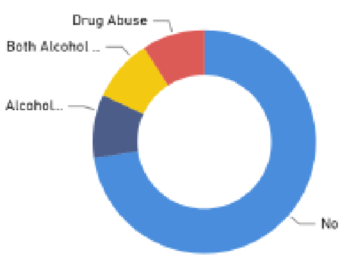
Health Condition

BACS Outreach

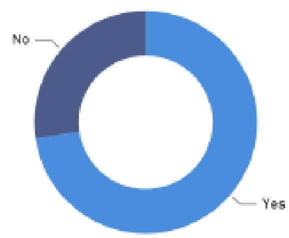
FY19-20



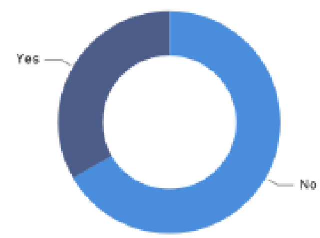
Substance Use Condition



Chronic Health Condition



Developmental Condition



Mental Health Condition

4. Discussion

Open discussion on what the Homeless Services Panel of Experts wants to have included in these reports.

Measure P

-[Measure P Timeline]-

Funding Source

Property Tax

Measure P increased the City's tax on the transfer of real property with a consideration over a certain threshold.

Homeless Services Panel of Experts

Advisory Role

Charged with advising the City Council regarding how and to what extent the City should establish and/or fund programs to end or prevent homelessness in Berkeley and provide humane services and support.

November 6, 2018
Measure Passes

May 2019
Panel First Meeting

November, 2019
Panel and CM Recs to Council

December 2019 + January 2020
Council Adopts MP Allocations

-[Timeline]-

Periodic Reporting

Homeless Services Templates

In October, the panel asked for periodic reports on Programs/Outcomes, Finances, and Other Needs and Trends that could be used to help inform funding decisions.

City Council Actions

Updates

City Council has since taken several actions to allocate Measure P funds.

March 2020
Berkeley Relief Fund

June 2020
Council adopts Revisions to FY21 Budget

October 2020
Council refers BOSS Project to Committee

December 2020
Council adopts CM Program Funding

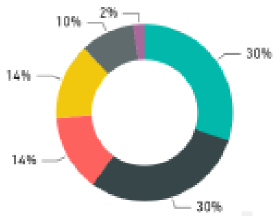
Health, Housing & Community Services

Homeless Services Panel of Experts Periodic Report

Revenue	Cost	Surplus
$18.19M	$13.18M	$5.01M

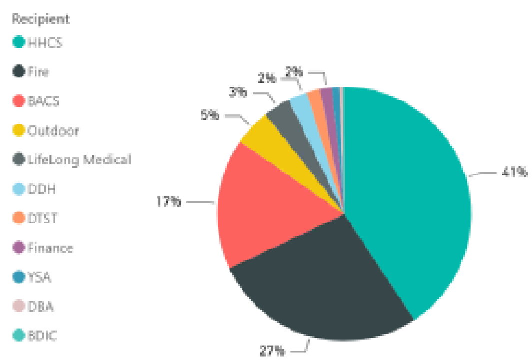
Select all | Allocated | Encumbered | Spent

Panel of Experts Recommendations

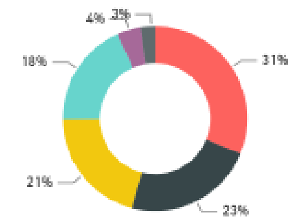


Program Component
- 1. Permanent Supportive Housing
- 2. Shelter and Temporary Accommodations
- 3. Immediate Street Conditions & Hygiene
- 4. Other Supportive Services
- 5. Flexible Housing Subsidies
- 6. Infrastructure

FY Year	Cost	Cost Detail
2020	$846,616	5150 Response & Transport (2) (5)
2020	$1,600,000	Berkeley Relief Fund
2020	$38,266	Finance Contract Specialist
2020	$80,255	HHCS Community Services Specialist II (Filled)
2020	$20,000	Homeless Outreach Worker
2021	$2,753,384	5150 Response & Transport (2) (5)
2021	$21,340	Dorothy Day House Drop In (6)
2021	$300,000	Dorothy Day House Shelter (6)
2021	$11,734	Finance Contract Specialist
2021	$152,965	Finance Finance Accountant II (2)
2021	$115,228	HHCS Community Services Specialist II (Filled)
2021	$65,947	HHCS: Square One Hotel Vouchers
2021	$40,000	Homeless Outreach Worker
2021	$934,533	Homeless Response Team
2021	$25,000	Locker Program
2021	$615,000	Outdoor Shelter
2021	$2,200,000	Pathways STAIR Center
2021	$2,434,053	Permanent Housing Subsidies
2021	$454,239	Street Medicine
Total	**$13,183,894**	



Program Component Allocated



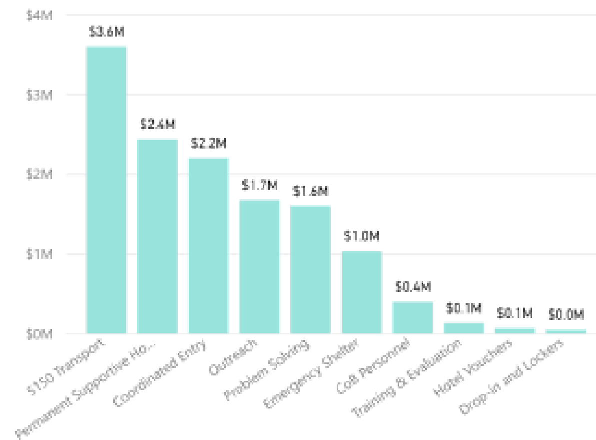


EXHIBIT 1
TRANSFER TAX -- MEASURE P PROGRAM PROJECTION

2/2/21 4:49 PM

	FY 2019 Actuals	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
Revenues						
Beginning Fund Balance		$2,932,313	$9,859,779	$6,508,436	$2,233,374	($3,165,646)
Measure P Revenues (1)	2,932,313	9,512,603	6,247,414	6,247,414	6,247,414	6,247,414
Permanent Local Housing Allocation (FY 21)	0	0	0	0	0	0
Total Revenues and Balance of Funds	2,932,313	12,444,916	16,107,193	12,755,850	8,480,788	3,081,768
LESS: Total Expenses	0	2,585,137	9,598,757	10,522,476	11,646,433	11,662,565
Personnel Costs	*0*	*118,521*	*279,927*	*336,951*	*460,909*	*477,041*
Finance: Accountant II (2)		0	152,965	158,319	163,860	169,595
Finance: Contract Staffing		38,266	11,734	0	0	0
HHCS: Community Services Specialist II (Filled) (3)		80,255	115,228	178,633	184,885	191,356
HHCS: 50% Senior Management Analyst (Requested) (4)		0	0	0	112,164	116,090
Non-Personnel Costs/ Program Expenses	*0*	*2,466,616*	*9,318,830*	*10,185,524*	*11,185,524*	*11,185,524*
Fire: 5150 Response & Transport (2) (5)	0	846,616	2,753,384	2,400,000	2,400,000	2,400,000
Dorothy Day House Shelter (6)	0	0	300,000	566,000	566,000	566,000
Dorothy Day House Drop In (6)	0	0	21,340	182,000	182,000	182,000
Pathways STAIR Center	0	0	1,200,000	1,499,525	2,499,525	2,499,525
Coordinated Entry System	0	0	0	1,442,426	1,442,426	1,442,426
BDIC Locker Program	0	0	25,000	50,000	50,000	50,000
LifeLong Medical - Street Medicine	0	0	454,239	454,239	454,239	454,239
YSA Tiny Home	0	0	117,000	78,000	78,000	78,000
DBA- Homeless Outreach Worker	0	20,000	40,000	40,000	40,000	40,000
Downtown Streets Team	0	0	225,000	225,000	225,000	225,000
Outdoor Shelter	0	0	615,000	615,000	615,000	615,000
COVID-19 Housing Solutions (8)	0	0	0	0	0	0
Permanent Housing Subsidies	0	0	1,501,078	1,600,000	1,600,000	1,600,000
1367 University Avenue Step Up Housing Project (9)	0	0	932,975	900,000	900,000	900,000
HHCS: Square One Hotel Vouchers	0	0	65,947	0	0	0
Training and Evaluation	0	0	133,334	133,334	133,334	133,334
Homeless Response Team	0	0	934,533	0	0	0
Berkeley Relief Fund	0	1,600,000	0	0	0	0
Fiscal Year Surplus (Shortfall)	2,932,313	6,927,466	(3,351,343)	(4,275,062)	(5,399,019)	(5,415,151)
Ending Fund Balance	**$2,932,313**	**$9,859,779**	**$6,508,436**	**$2,233,374**	**($3,165,646)**	**($8,580,797)**

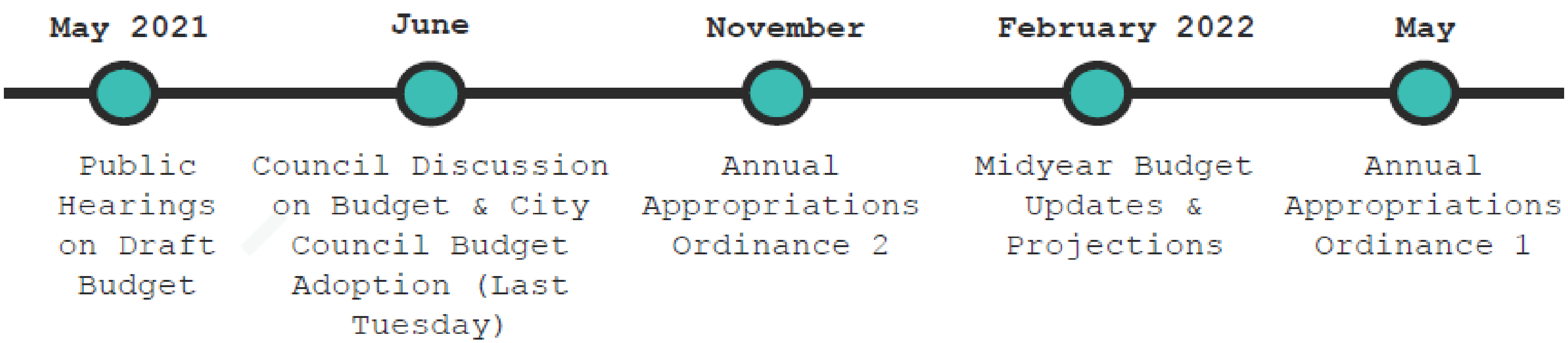
5. Budget Cycle

Review of the budget cycle from the city, community agency, and county levels.

-[City Budget Cycle]-

City of Berkeley's Biennial Cycle

The budget operates on a two year cycle. The following dates outline the key stages of the biennial budget cycle:



-[Community Agency Funding Cycle]-

Four Year Cycle
Operates on a four year funding cycle between FY19 – FY22:

November 2021	January 2022	March	April	May	June
RFP Released	Applications Due	Commission Deliberation	City Manager & Commission advise Council	Public Hearings on Draft Budget	Council Discussion on Budget & City Council Budget Adoption (Last Tuesday)

7. Conclude

Final questions, thoughts, concerns?

Josh Jacobs

Homeless Services Coordinator

Health, Housing, &
Community Services

Thank you!

August 25, 2020
Notes from 9/29 Meeting with City in Red

To: Member of the Homelessness Services Panel of Experts

From: Work Plan Subcommittee

Re: For Discussion: Proposals for future Panel work to be more effective and align with the Ordinance

The work plan committee met twice in August to discuss future plans for the Panel and how to make the work more relevant and impactful, in alignment with the Measure P Ordinance requirements and vision for the Panel[1]. In addition, the chair consulted with Mayor Arreguin and Vice-Mayor Hahn about strategies to make the Panel more effective and able to serve the purposes envisioned in the Ordinance.

The committee's discussions focused on four related, but separate, areas for attention- all with the express intention of meeting the Panel's objectives as defined in the measure- "make recommendations on how to and what extent the City should establish and/or fund programs to end or prevent homelessness in Berkeley and provide humane services and support."

1. Adopting a two-year cycle meeting schedule more closely aligned to the City Council budget process and developing, and
2. Adopting a set of supporting by-laws that regularize the Panels' work and approach around fulfilling the role in the Ordinance (as mandated).
3. Ensuring we, and the public, have access to regular, detailed information about revenues, expenditures, and funded programs.
4. Recognizing that our current membership is not reflective of homelessness in Berkeley from either a lived experience or a race/equity perspective and identifying ways that this can be addressed, acknowledging the parameters of both the Ordinance and the regulations regarding the seating of public bodies like ours.

1. <u>Adopt new schedule aligned with two-year budget cycle</u>

Our panel was seated in May 2019 after most decisions for the 2020-21 budget cycle had been made. Accurate information was not available to us in the fall of 2019 after we convened about

[1] For reference, here is the text of Measure P, as approved by the voters: "Shall ordinance raising funds for general municipal purposes such as navigation centers, mental health support, rehousing and other services for the homeless, including homeless seniors and youth; increasing the real property transfer tax for ten years from 1.5% to 2.5% for property sales and transfers over $1,500,000, adjusted annually to capture the top approximately 33% of transfers; generating an estimated $6,000,000 - $8,000,000 annually; and establishing Homeless Services Panel of Experts to recommend homeless services, be adopted?"

the amount of Measure P funds available to allocate, and our report was needed in an unusual time frame.

Moving forward, we would like the work of the Panel of Experts to align with the bi-annual budget cycle of the City, to ensure that our observations are additive to the conversation at appropriate times, to better serve City Council and the public and to ensure that City staff time is respected (and not just used to facilitate meetings for the sake of having meetings).

This would mean likely meeting more intensively every other year in the January/February to April/May period (beginning in 2021) and then perhaps meeting quarterly during the rest of the two-year cycle to provide oversight of the use of Measure P and other homeless funds and to prepare our annual reports.

Example Schedule (to be refined):

Panel Meeting Date	Topics/**link to budget**
January, 2021 February 2021	One or two meetings to review current situation, and start working, depending on when reports are available
March, 2021	Likely two meetings to develop recommendations
April, 2021	**Budget Recommendations due to the Board, and Annual public report**
June, 2021	Final meeting of Panel if needed for update on budget process and potentially send letter re budget deliberations; **Council adopts Budget**
October, 2021	Update/Officer elections (if still on one year election cycle)
March, 2022	Review off-budget cycle year report from staff
April 2022	Publish off-year cycle annual report
June, 2021	Final meeting of Panel if needed for update on budget process and potentially send letter re budget deliberations; **Council adopts Budget**
October, 2022	Update/Officer elections for new budget cycle

2. **<u>Adopting By-laws</u>**

The ordinance calls for us to adopt by-laws. By having specific by-laws we can differ from some of the requirements for Commissions covered in the Commissioner's handbook, including potentially:

- The meeting frequency and schedule
- the requirement to adopt an annual work plan (the subcommittee would recommend following a bi-annual plan laid out in our by-laws which could include a standard report format, for example),
- officer term limits and roles

- Treatment of absences and temporary appointments (for example to not allow temporary appointments).
- Quorum requirements for taking votes (for example, include a super majority of those present to allow a vote when needed, rather than only a majority of those appointed)

Before drafting by-laws for consideration we want to explore with the Panel the interest in moving to a two-year schedule (above) and we want to discuss the reporting needs of the Panel and the timing for getting such reports with Council and staff before finalizing a schedule and approach (below).

3. Format for Periodic Reports

Our charge is to publish a report for the voters that includes “information, if available, on the impact of funded programs on the residents of the City” and “recommendations to the Council on how to allocate the City’s general funds to fund homeless services program in Berkeley.”

We are unable to fulfill this legislated function without regular, periodic and predictable reports from the City on the funds received, funds committed and expended, and the impact of those investments.

The committee discussed at length the type of content and frequency of reports that would allow us to do this work. We are recommending that we request of the City reports at least semi-annually on financial and outcome information and at least annually on consumer experience and on trends and gaps.

The timing of these reports needs to coincide with our need to make budget recommendations and report to voters. For example, we could ask for a report in February for July- December of the current fiscal year; and in September for a report on the entire previous fiscal year. This timing can be negotiated with staff but must be able to support our need to report and be consistent from year to year.

Our hope is that establishing regular reports will put the Panel, the City Council, and the City Staff in better positions to have productive explorations together. (The members of the subcommittee have also been in the position of having to pull together reports on the Staff side, and it is our desire to have a budget process aligned, functional reporting format so that City Staff will have time to pull together the necessary information and not be in situation where they repeatedly get asked for information on relatively short notice, or asked for information that isn’t possible to synthesize in certain ways.)

Potential report content:

Desire to fulfil our responsibility and be kind to everyone – dialogue with staff about how we can do this. Make it so we get used to reviewing a standard format and template.

A. Financial – (at least 2x per year)
   1. How much P money was collected in the previous period, year to date, and overall
   2. How much Measure P was encumbered in the last period, year to date, and the variance between what has been collected and encumbered overall

What is the cycle for allocating P funds? Still not aligned Panel, Council, Staff on how this goes forward – and in a budget crisis. Is there a trigger amount? Should a certain amount accumulate to allocate?

Revenue reports – come in quarterly.

Plan how look at it holistically and timing wise – first City budget meeting on the 8th.

   3. What other sources (fed, state, pandemic, other) for homelessness have been received or are anticipated
   4. Information broken down by funding area (for all funding sources): outreach, health services, interim housing, and long-term housing that includes:
      - Overall budget
      - Status of contracts w/in each activities – have contracts been executed
      - Expenditures by activity area
      - Written narrative explaining any circumstances that have prevented funding from getting to contractors

Time line and fiscal calendar – some things are not annual – e.g. PH is a long term commitment – will need a longer view.

Community contracts are now based on every four years. HSPOE process could bump up against the Homeless Commission process which makes recommendations on other sources. Would be nice to rationalize and align.

But isn't P also intended to fill gaps and add to the system. What's the right time frame?

B. Programs/Outcomes (at least 2x a year and possibly quarterly once in place and able to be produced)
   1. Target numbers served (through contracts) and how many people were served (overall and in each program type) including demographics and population type
   2. What kind of outcomes were achieved in the period?

- # of people sheltered – help define what that means – how many people were sheltered in Berkeley in the time frame; how many people got into shelter from unsheltered (is that the same??)
- # of people housed – just those exiting into PSH or RRH? Or <u>all destinations</u>
- # of people outreached to (difficult to get)
- # of people returning to homelessness?

Dovetails with HCS goals to get information out. Been talking about what can pull together – easiest to do is data in the HMIS system (not all agencies enter data.)

Staff should present – these are things we can get readily, others can't get readily.

Panel needs to see the whole system, not just the P funded pieces. But need to know where the P-funded pieces are specifically.

Staff need some time to get this and sure that gathering data.

C. <u>Other Needs and Trends (a least 2x a year, with particular emphasis during budget planning)</u>
   1. What is happening in terms of homelessness (what do you see, what is critical, changing, emerging?)
   2. Where are the key gaps City staff identify?
   3. What else you want us to know?

D. <u>Report on participant consumer experience (annually)</u>

Our funding recommendations adopted by Council included putting a small amount of Measure P funds into training and evaluation. Our recommendation on evaluation specified that the funding should be used to ensure that participant/consumer voices are systematically gathered and considered in reviewing performance.

From 9/2 MEETING:

Staff response: Good plan, needs bandwidth and coordination with other departments

Get real about what the barriers are, be able to communicate back to the Council

Get to the place where we are used to reading the reports and can reduce the level of questions

Next steps: meet with City

Action

1. Allow a week for comments from members on the proposal
2. Subcommittee regroup if necessary
3. Reach out to staff for meeting, including with the new homeless services coordinator, staff and City manager's office and mayor's office
4. Proceed with developing by laws, report templates, template and new schedule

4. Membership

This body briefly discussed at our July meeting that our Panel has limited participation from people with lived experience at this time and does not reflect the racial/ethnic and income group makeup of people who experience homelessness in Berkeley. The committee would like to explore methods for achieving a more balanced and representative group that includes people with lived experience and better reflects the racial makeup of the homeless population if possible.

Potential methods we would like to explore (we do not know what the potential for all these are yet):

- Identify a number of dedicated seats (e.g. 1/3 with lived experience or from communities over represented in homelessness)
- Expand the panel and add some dedicated at-large members
- Propose the panel be composed through a slate process (this probably isn't possible with the current ordinance)
- No change, request Council members consider in their appointments and/or do recruitment

03

Office of the City Manager

WORKSESSION
March 16, 2021

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Rama Murty, Acting Budget Manager

Subject: Unfunded Liability Obligations and Unfunded Infrastructure Needs

INTRODUCTION

On May 29, 2012, the City Council adopted Resolution No. 65,748 N.S. "Requiring that the City Manager Develop and Publish a Biennial Report of Current City Liabilities and Projections of Future Liabilities.[1]" The purpose of this report is to provide a thorough overview of the City's long-term expenditure obligations in a format that is easily understandable in a single report.

This report includes the following information set forth in that Resolution:

1. Employee and retiree benefit costs over a 10-year horizon

2. Costs for current active employees including:

    a. total payroll costs for active employees during the current year;

    b. projected payroll costs for the same number of employees for the next 10-year period with costs increases based on MOU's with bargaining units.

3. A summary of all current City obligations including:

    a. general obligation bonds;

    b. certificates of participation;

    c. loans;

    d. all other current long-term obligations.

[1] http://www.cityofberkeley.info/Clerk/City_Council/2012/05May/City_Council__05-29-2012_%e2%80%93_Regular_Meeting_Annotated_Agenda.aspx (Item #39)

4. Summary of all capital assets and infrastructure including:

    a. Appraisal of Public Buildings valued at $5 million or more

    b. Condition of Streets and Roads using the “Street Saver” information projecting costs to bring streets and roads condition to an average Pavement Condition Index (PCI) of 75 within 5 years.

    c. Sewers: updated asset management plan for public sewers including projected costs for succeeding 5 years and projected revenue from sewer fees for the succeeding 5 years.

This report is required to be published every two years, in the second year of the biennial budget, in advance of the Council’s consideration of the upcoming biennial budget. The City is implementing a one-year budget for FY 2022 and then implement a biennial budget process for FY 2023 & FY 2024.

The projections in this report were developed by staff in the City Manager’s Budget Division and the Finance Department, with the assistance of several financial advisors including the City’s sales tax consultant and actuaries. Revenues are, of course, sensitive to normal business cycles as well as unanticipated economic volatility. Thus, it is important that the City continue its fiscally prudent planning to balance expenditures against projected revenues while addressing employee compensation as well as historically underfunded infrastructure needs.

<u>SUMMARY</u>

The following is a summary of key points that will be explained in detail in this report:

- Due to projected increases in expenses, primarily pension and medical, the City currently projects a General Fund structural deficit.

- The City has a significant pension liability that is anticipated to grow due to recent financial losses experienced by CalPERS. Also, of note, the City’s pension contributions for all City employees are anticipated to increase more than $40 million over the next ten years putting a strain on resources and services.

- The City’s retiree health plans are significantly underfunded with the funded status of the City’s plans ranging from a low of 6.16% to a high of 43.79%.

- Due to the age of the City’s infrastructure and limited resources allocated to infrastructure, the City’s unfunded needs tied to infrastructure have increased over the years and is anticipated to range around $1.1 billion from FY 2022 to FY 2026. Of note, the City’s street infrastructure is likely to further deteriorate without a significant infusion of new resources.

- Despite the recent adoption of Measure T1 and Measure O, the City has an aggregate bond tax rate for FY 2020 of 0.0540% (which represents $54 for each $100,000 in assessed value ("A.V"), which is below the historical peak of approximately $95 (per $100,000 in A.V) in tax year 1999-2000.

- The City's ability to borrow is negatively impacted by its unfunded liabilities and the City needs to perform additional analysis to determine the extent to which the City's unfunded liabilities will constrain future bond initiatives.

- Due to significant decreases in revenue and rising expenses, the Marina Fund is on the brink of insolvency and requires additional resources to meet current obligations.

CURRENT SITUATION AND ITS EFFECTS

1. Employee and Retiree Benefit costs over a 10-year horizon

a. CalPERS Retirement Benefits

The City provides retirement benefits for employees through its participation in the California Public Employees' Retirement System (CalPERS). This is a defined benefit pension plan funded by a combination of employee contributions that are set by statute and employer contributions that fluctuate from year to year based on an annual actuarial valuation performed by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Benefits are based on years of credit service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits.

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. The State law applies to employees hired after January 1, 2013, who are new to CalPERS. These employees are termed PEPRA members and employees that were enrolled in CalPERS (without significant separation) prior to January 1, 2013, are now referred to as "classic" members.[2]

The City contributes to three plans in the CalPERS system: Police Safety Plan, Fire Safety Plan, and Miscellaneous Employee Plan. Each plan has a different rate for the City's annual employer contribution which is generally based on the demographics of the plan participants and the value of investment returns of the City's assets in the CalPERS system. In addition, employees' contributions vary by plan based on negotiated Memorandum of Understandings (MOU).

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[2] PEPRA miscellaneous members are enrolled in a 2% at 62 plan and PEPRA safety members (Fire and Police) are enrolled in a 2.7% at 57 plan. PEPRA members are required to pay half the normal cost of their plans.

In 2013, the CalPERS Board voted to change the actuarial model for the pension plans along with certain actuarial assumptions upon which rates are based. First, the model anticipated that the plans would be 100 percent funded in a fixed 30-year time period. Second, the time period to “smooth out” the impacts of CalPERS’ investment losses due to the recession was reduced from 15 years to 5 years. Finally, the rates were structured in such a way that the first five years were considered to be a “ramp up” period to improve the plans funded percentage. That meant that FY 2016, 2017, 2018, 2019, and 2020 were expected to have higher rates, and the years following were projected to plateau for some time before decreasing in the last five years of the 30-year funding period.

In February 2014, the CalPERS Board voted to retain its current long-term assumed rate of return of 7.5 percent but adopted new mortality assumptions due to the fact that retirees are living longer. As a result of the new assumptions, the cost of employer contributions increased, again.

In December 2016, the CalPERS Board lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase in beginning with the June 30, 2016, actuarial valuation[3]. The employer contribution for FY 2020 was calculated using a discount rate of 7.25 percent. CalPERS reduced the return rate to 7.25 percent in July 2018 and will reduce it further to 7.0 percent this year. CalPERS lowered the discount rate because they determined that achieving a 7.5 percent rate of return was now far less likely. The result of this lowered discount rate is that liabilities have grown and the City’s pension contributions have significantly increased.

Currently, changes to the Unfunded Actuarial Liability (UAL) due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. This method phases in the impact of changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result, however, required contributions can change gradually but significantly over the next five years.

Effective with the June 30, 2019, actuarial valuation, the CalPERS Board adopted a new amortization policy. The new policy shortens the period over which actuarial gains or losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains or losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

[3] https://www.calpers.ca.gov/page/newsroom/for-the-record/2017/action-prudent-smart-decision?utm_source=newsroom&utm_medium=banner&utm_campaign=FTR-Discount-Rate

For FY 2020, CalPERS reported a 4.7 percent return on investments. This is obviously below CalPERS assumed 7 percent discount rate. As a result, the City's pension contributions will likely increase beyond what is projected in this report as CalPERS seeks to recoup its losses commencing in FY 2023.

With respect to future liabilities for the costs of these plans, the City has regularly retained an outside actuary to review the CalPERS' estimates and provide independent actuary estimates that the City can use in budget planning. The chart below provides CalPERS payment amounts for FY 2021 and FY 2022 as provided to the city by CalPERS. The outside actuary provided estimated payment amounts for FY 2023 through FY 2031.

Future Payments to California Public Employees Retirement System All Plans *(dollars in millions)*											
	FY 2021	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
Misc.	35.87	39.19	41.94	44.26	47.51	48.61	51.41	53.35	55.15	57.78	60.68
Police	16.67	17.99	19.13	20.15	21.36	22.48	23.55	24.46	25.26	26.37	27.52
Fire	9.47	10.06	10.80	11.36	12.15	12.81	13.48	14.00	14.43	15.11	15.85
Total	**62.00**	**67.24**	**71.87**	**75.77**	**81.02**	**83.90**	**88.44**	**91.81**	**94.84**	**99.26**	**104.05**
FY 2021 and FY 2022 are based on amounts provided by CalPERS.											
FY 2023 through FY 2031 amounts are based on actuary's projections.											
Rates used reflect current MOU agreements: Miscellaneous includes the 8% employee share paid by the City on behalf of the employee as well as the negotiatied employee's contribution to the employer rate.											

There are a couple of important points about the chart. The first is that over the next 10 years there is close to an estimated $42 million dollar increase in pension costs to the City. The next point is that regardless of the City's financial position the payments will have to be made to CalPERS. This financial challenge will require us to be fiscally prudent over this period of time.

The changes made by CalPERS in the last few years are planned to achieve 100% funding for all plans within a 30-year time period. This means that there will be sufficient funds held in each plan to pay obligations for all inactive participants (including retirees) and benefits as a result of prior service for actives.

The funded status of a pension plan is defined as the ratio of assets to a plans accrued liabilities. Based on the CalPERS' actuarial valuations as of June 30, 2019, the City's plans are currently funded as follows: Miscellaneous 70.0%; Police Safety 61.1%; and Fire Safety 71.0%.

California Public Employees Retirement System Funded Status						
Fund Name	Valuation Date	Actuarial Source	Estimated Liablity	Plan Assets	Unfunded Liability	% Funded
Miscellaneous	6/30/2019	CalPERS	$ 1,095.0	$ 766.8	$ 328.20	70.0%
Police	6/30/2019	CalPERS	$ 438.9	$ 268.0	$ 170.90	61.1%
Fire	6/30/2019	CalPERS	$ 286.5	$ 203.5	$ 83.00	71.0%

On June 26, 2018, Council authorized the City Manager to establish an IRS Section 115 Pension Trust Fund. The fund can act as a rate stabilization fund and can be used to ease budgetary pressures resulting from unanticipated spikes in employer contribution rates[4]. On May 14, 2019, Council authorized the City Manager to execute a contract with Keenan Financial Services to establish, maintain, and invest the pension Section 115 Trust[5]. The Section 115 Trust currently has a balance of $10,628,125.22.

On February 27, 2020 the Budget & Finance Policy Committee discussed ongoing funding into the 115 Pension Trust. The following was recommended:

1. Raise the Property Transfer Tax baseline from $12.5 million to $15 million. The additional $2.5M will be allocated to the Trust
2. Property Transfer Tax in excess of $15 million would be used to fund the City's capital infrastructure need. However, revenue generated from Measure P is excluded from this transfer.
3. Savings generate by prefunding CalPERS will be contributed to the 115 Pension Trust. On an annual basis, staff will analyze the impact of prefunding CalPERS. If the analysis determines that pre-funding CalPERS will result in budgetary savings, the net savings will be contributed to the Trust.

Staff requested Council to delay adopting these policies because the City was facing the financial impacts of the pandemic.

b. Retiree Medical Plans

The City provides post-retirement health insurance benefits in accordance with the Memoranda Agreements between the City and the various collective bargaining units (and to unrepresented employees via Council adopted resolutions). The City has individual trusts for each bargaining unit that fund the medical plans, as well as the closed plan for Police that provides a cash benefit. In 2012 the City and the Berkeley Police Association agreed to a new Retiree Medical plan that provides health insurance premium payments, rather than the pre-existing cash payments, to retirees. The original plan is now a "closed" plan meaning that employees who retire after September 2012

[4] https://www.cityofberkeley.info/Clerk/City_Council/2018/06_June/Documents/2018-06-26_Item_19_Authorization_to_Establish_IRS.aspx
[5] https://www.cityofberkeley.info/Clerk/City_Council/2019/05_May/City_Council__05-14-2019_-_Regular_Meeting_Agenda.aspx (Item #5)

will receive benefits from the new plan. However, the original plan must still make benefit payments to existing retirees and thus must continue to be funded until those payment obligations cease.

The City obtains actuarial reports for each of these plans at least every two years and the City is responsible for investing the assets in these plans. The results of that investment activity are provided to the City Council in the regular Investment Report.

In some cases, the City's actual contribution to each plan on an annual basis is based on the actuarially established "Annual Required Contribution" or as a percent of payroll. However, some of the plans are funded on a "pay-as-you-go" basis. Funding on a pay-as-you-go basis is sufficient to cover the annual benefit payments made from the plan assets but impacts the ability to achieve the long-term funding targets.

On April 24, 2017, the City actuary presented various options that would reduce the City's unfunded liabilities tied to post-employee benefits to meet the long-term funding targets. Recommended for Council's consideration were fully prefunding annual actuarially determined contributions, investment reallocations to increase returns, and establishing an irrevocable supplemental trust[6]. Council has already taken action on some of these recommendations.

The following retiree medical plans are discussed in detailed below:

- Police Retiree Income Benefit Plan (closed plan)
- Police Retiree Health Premium Assistance Plan
- Fire Employees Retiree Health Plan
- Retiree Health Premium Assistance Plan (Non-safety Members)

Police Retiree Income Benefit Plan (closed plan)

The City provides a Retiree Income Benefit Plan for prior Police retirees. To be eligible for benefits, Police employees must retire from the City on or after July 1, 1989 and before September 19, 2012, be vested in a CalPERS pension, have ten years of service with the Berkeley Police department, and retire from the City on or after age 50 or with a disability benefit. Benefits commence 10 years after retirement for retirements before July 6, 1997, 5 years after retirement for retirements before July 1, 2007, and 2 years after retirement for retirements on or after July 1, 2007.

Benefits are payable for the retiree's lifetime and continue for the life of the surviving spouse. For employees retiring before September 19, 2012, the City pays a monthly income benefit equal to the City's Active 2-party Kaiser premium regardless of marital status. In 2020, the City's monthly payment per participant for this benefit ranged from

[6] https://www.cityofberkeley.info/Clerk/City_Council/2017/04_Apr/City_Council__04-04-2017_-_Special_Meeting_Agenda.aspx

$398.27 to $1,559.93, depending on the retirees' years of service at retirement. The monthly benefit is pro-rated based on years of service.

As of June 30, 2020, the most recent actuarial valuation date, the plan was 7.29% funded. The actuarial accrued liability for benefits in this plan was $79.95 million, and the actuarial value of assets was $5.83 million, resulting in an unfunded accrued liability of $74.12 million. Since the implementation of GASB 67 and 68, the Annual Required Contribution (ARC) is no longer provided. In addition, the Police Retiree Income benefit Plan is a closed plan and therefore no "Actuarially Determined Contribution" is provided due to no new members and no payroll information.

Police Retiree Health Premium Assistance Plan

Effective September 19, 2012, the City replaced the "Berkeley Police Retirement Income benefit Plan" with the "Retiree Health Premium Assistance Coverage Plan" for any police employees hired on or after that date, as well as any current employees who retire on or after such date. Under the newly established retiree health premium assistance plan, benefits will be paid by the City directly to the provider who is providing retiree health coverage to the retiree or his or her surviving spouse. The maximum amount will be equal in value to the City sponsored health plan.

To be eligible for benefits, Police employees must retire from the City on or after September 19, 2012, be vested in a CalPERS pension, have ten years of service with the Berkeley Police department, and retire from the City on or after age 50. Benefits commence immediately upon retirement, but may also be deferred for a period during which the member is covered under another health insurance plan.
Benefits are payable for the retiree's lifetime. In 2019 the City paid for employees retiring on or after September 19, 2012, a maximum of $762.80/month toward the cost of single-party coverage and up to $1,525.60/month toward the cost of two-party coverage for retirees under age 65 enrolled in the City's Retiree Health Plan. For retirees over age 65 the City's share of single/two-party coverage is a maximum of $436.14/$872.28 per month and retirees must pay the difference of the actual premium cost. The City's share will increase by either the amount Kaiser increases the retiree medical premium for that year or 6%, whichever is less. The monthly benefit is pro-rated based on years of service. The City pays this benefit plan on a pay-as-you-go basis.

As of July 1, 2019, the most recent actuarial valuation date, the Actuarially Determined Contribution (ADC) was $4.43 million and the plan was 6.16% funded. The actuarial accrued liability for benefits was $40.43 million, and the actuarial value of assets was $2.49 million, resulting in an unfunded accrued liability of $37.94 million

Fire Employees Retiree Health Plan

The City sponsors a retiree health benefit plan for its Fire employees. To be eligible for benefits, Fire employees must retire from the City on or after July 1, 1997, be vested in a CalPERS pension, and retire from the City on or after age 50. Retirees can select from among any of the health plans offered to active employees. Benefits commence immediately upon retirement, but may also be deferred for a period during which the member is covered under another health insurance plan.

Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City makes a contribution toward the medical premium depending on whether the retiree has dependent coverage, and date of retirement. The City's contribution increases by 4.5% per year regardless of the amount of increase in the underlying premium rate. The City's contribution is prorated based on years of service. In 2019, the City's monthly premium cost per participant for this benefit was a maximum of $606.99 for single party and $1,210.91 for two-party

As of June 30, 2019, the most recent actuarial valuation date, the plan was 43.79% funded. The actuarial accrued liability for benefits was $25.83 million, and the actuarial value of assets was $11.31 million, resulting in an unfunded accrued liability of $14.52 million.

Retiree Health Premium Assistance Plan (Non-safety Members)

Effective June 28, 1998, the City adopted the City of Berkeley Retiree Health Premium Assistance Plan (for Non-Safety Members). Employees who retire from the City are eligible for retiree health benefits beginning on or after age 55 if they terminate employment with the City on or after age 50 with at least 8 years of service. Retirees can select a non-City sponsored health plan or enroll in any of the health plans offered to active employees. A retiree living outside the coverage area of the City's health plans can select an out-of-area health plan.

Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City pays the monthly cost of the monthly premiums up to a Participant's applicable percentage of the Base Dollar Amount and subject to annual 4.5% increases as specified in the Retiree Health Premium Assistance Plan document. In 2018, the City's monthly premium cost per participant for this benefit was a maximum of $513.17 for single party and $886.14 for two-party. A Participant's applicable percentage is based on years of service with the City. The City funds the plan based on the MOU. Contribution amounts are negotiated and vary by bargaining unit.

As of July 1, 2019, the most recent actuarial valuation date, the plan was 40.62% funded. The actuarial accrued liability for benefits was $68.46 million, and the actuarial value of assets was $27.81 million, resulting in an unfunded accrued liability of $40.65 million.

Safety Members Pension Fund (closed plan)

The City also maintains the Safety Members Pension Fund (SMPF). This plan is a single-employer defined benefit pension plan for fire and police officers that retired before March 1973. In March 1973 all active fire and police officers were transferred from SMPF to CalPERS. Service and disability retirement benefits from the SMPF are based on a percentage of salary at retirement, multiplied by years of service. Benefits are adjusted annually by either:

- Current active salary increases (based on the same rank at retirement) or
- The income in the California Consumer Price Index (with a 1% minimum and a 3% cap). SMPF also provides surviving spouse benefits.

The City pays SMPF benefits on a pay-as-you-go basis. In February 1989, the Berkeley Civic Improvement Corporation purchased, on behalf of the City, a Guaranteed Income Contract (GIC) from Mass Mutual. This contract provides annual payments through 2018 and an annual guaranteed 9.68% rate of return (net of expenses).

The City was paying the difference between the total SMPF benefits and the amount received from the Massachusetts Mutual Guaranteed Income Contract (GIC). The City will receive declining amounts from the GIC through FY 2019. At June 30, 2020, the unfunded accrued liability was $1.76 million. There were 8 participants remaining in the plan with the average age at 96.7 years.

Retiree Medical Plan Actuarial Data
(dollars in milllions)

Plan	Measurement Date	Actuarial Estimated Liabilities	Plan Assets	Net Pension Liability	Actuarially Determined Contribution (ADC)	Actual Contribution *	% Funded	Total Plan Members
Police Employee Retiree Income Benefit Plan (closed)	6/30/2020	$ 79.95	$ 5.83	$ 74.12	$ -	$ 2.05	7.29%	149
Police Employees Retiree Health Premium Assistance Plan (new)	7/1/2019	$ 40.43	$ 2.49	$ 37.94	$ 4.43	$ 0.40	6.16%	189
Fire Employees Retiree Health Plan	7/1/2019	$ 25.83	$ 11.31	$ 14.52	$ 2.16	$ 0.76	43.79%	220
Retiree Health Premium Assistance Plans (Non-Safety Members) *	7/1/2019	$ 68.46	$ 27.81	$ 40.65	$ 5.53	$ 2.00	40.62%	1656
Safety Members Pension Fund	6/30/2020	$ 1.86	$ 0.10	$ 1.76	$ -	$ 0.57	5.38%	8
		$ 216.53	**$ 47.54**	**$ 168.99**	**$ 12.12**	**$ 5.78**	**21.96%**	**2222**

*Actual contribution does not include interest income

Since the implementation of GASB 67 and 68 the Annual Required Contribution (ARC) is no longer provided. In additional, it is a closed plan and therefore no "Actuarially Determined Contribution" is provided due to no new members and no payroll information.

Supplemental Retirement Income Plan (SRIP) I (closed plan)

On January 1, 1983, Ordinance No. 5450-N.S., which was codified in the Berkeley Municipal Code under Chapter 4.36.101 et seq., established SRIP I. The SRIP I plan consists of two components: 1) a defined contribution money purchase pension plan adopted in accordance with Sections 401(a) and 501(a) of the internal revenue code and 2) an employer paid disability benefit.

The City's administrators of the money purchase pension plan are Hartford Life Insurance and Prudential Retirement Services. The plan is a defined contribution plan whereby the City contributes 5.7% of salary up to a salary of $32,400 into a tax-deferred and self-directed investment account and 1% of salary up to a salary of $32,400 into a disability reserve account for each permanent City employee. The total assets of SRIP I available for benefits at June 30, 2018, was $7,992,258, which was comprised of participant accounts. These assets are the property of the individual account holders and not the property of the City. These assets cannot be used to pay disability benefits.

The disability benefit is for employees hired after January 1, 1983 but prior to July 22, 1988, who became disabled and are entitled to receive a disability income benefit equal to 60% of their highest compensation, reduced by any disability payments they receive from Social Security, State Disability Insurance, or Worker's Compensation. Employees hired after July 21, 1988, are not eligible for benefits under this plan which was closed to new enrollees.

Benefits are payable for the disabled participant's lifetime or until recovery from disability. The third-party administrator is Cigna. Currently, the City pays the cost of the monthly disability benefits on a pay-as-you-go basis. As of July 1, 2020, there were a total of 62 closed group participants, 8 active employees and 54 disabled participants receiving benefits. The unfunded liability for SRIP I at July 1, 2020, the date of the last actuarial study, was $13,364,000.

Workers' Compensation Program

The City of Berkeley 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 of the program 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, 2021 at an 80 percent confidence level is $42,384,000 for the workers' compensation program. The City's Workers' Compensation Fund ended FY 2020 with a fund balance of $41,495,756. This means that the City is not quite able to fund its estimated liabilities in its Workers' Compensation Program.

2. Current Costs for Active Employees

As of June 30, 2020, the City budgeted for 1,637 full-time equivalents (FTE). At any given time, the number of employees on the payroll is generally less than the budgeted number of FTE due to retirements and employment separations for other reasons. For purposes of this report, the analysis of the projected payroll costs for the next 10 years is based on the number of authorized budgeted FTE. That number was then projected based on the negotiated cost of living adjustments established in collective bargaining agreements. Other increases were also assumed for medical costs, dental costs, cash in lieu, shoes and tools allowance, commuter checks, and other benefits. Based on these assumptions, total payroll costs for all funds would grow from $278.9 million in FY 2021 to $391.0 million in FY 2031. The FY 2021 Adopted Fringe Benefits Budget included almost $15.7 million in personnel budget deferrals to help balance the budget. Taking that into account and with Zero COLAs applied in future years, the entire increase of $96.4 million is due to the increase in the costs of benefits.

Citywide Total Personnel Costs and Fringe Rate Over Time with Zero COLAS											
Zero COLA	**FY 2021 Adopted**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
Total Payroll	$ 174.6	$ 174.9	$ 174.9	$ 174.9	$ 174.9	$ 174.9	$ 174.9	$ 174.9	$ 174.9	$ 174.9	$ 174.9
Total Benefits	$ 104.3	$ 130.3	$ 141.8	$ 149.1	$ 158.1	$ 165.2	$ 174.5	$ 183.2	$ 192.4	$ 203.7	$ 216.1
Fringe Rate	**60%**	**74%**	**81%**	**85%**	**90%**	**94%**	**100%**	**105%**	**110%**	**116%**	**124%**
Total Personnel Costs	$ 278.9	$ 305.2	$ 316.7	$ 324.0	$ 333.0	$ 340.1	$ 349.4	$ 358.1	$ 367.3	$ 378.6	$ 391.0

A couple of significant factors driving the increase in benefit costs are the following items:

- Health care premiums for active employees (meaning exclusive of retiree medical contributions). The cost of premiums for medical alone is estimated to grow from $25.6 million in FY 2021 to almost $79.6 million in FY 2031 assuming annual increases of 12 percent as has been assumed in developing our budgets for many years now.

- Employer Paid Portion of PERS Costs is expected to rise from $64 million in FY 2021 to $87 million in FY 2031. This does not take into account any contributions made by employees towards overall City PERS costs that will be paid to PERS annually as shown in a previous chart.

3. Summary of all current City Obligations (GO bonds, COPs, etc.)

The City's debt includes General Obligation Bonds, Certificates of Participation and Revenue Bonds. Attachment 2 includes the detailed debt service payment schedules for each of these debt issuances.

The City currently has five outstanding general obligation (GO) bond authorizations (each with multiple series of bonds) related to public safety, libraries, senior centers, animal shelter, street and integrated watershed improvements, infrastructure and facilities improvement, and affordable housing. The oldest of these authorizations dates back to 1992. The City has an aggregate bond tax rate for FY 2020 of 0.0540 (which represents $54 for each $100,000 in assessed value ("A.V"). This rate has dropped from a historical peak of approximately $95 (per $100,000 in A.V) in the tax year 1999-2000. Based on projected annual increases in A.V and decreasing aggregate annual debt service over time, the tax rate will drop with the final tax collected in FY 2051 based on the current outstanding debt (Measure O is the latest bond authorization).

Bond Authorization	Authorization Year	Authorization Amount	Bond issued Amount	Unissued Amount	Outstanding Principle Balance as of 6-30-2020	Final Maturity	FY 2020 BONDS TAX Rate
Measure FF	2008	$26,000,000	$26,000,000	$0	$19,480,000	2040	0.0070%
2015 GO Refunding Bonds (Refunding Measure G, S, I Consolidated)	2015	88,700,000	88,700,000	0	25,960,000	2038	0.0140%
Measure M	2015	30,000,000	30,000,000	0	27,630,000	2045	0.0080%
Measure T1	2016	100,000,000	35,000,000	65,000,000	31,835,000	2047	0.0160%
Measure O	2018	135,000,000	38,000,000	97,000,000	38,000,000	2051	0.0090%
TOTAL		**$379,700,000**	**$217,700,000**	**$162,000,000**	**$142,905,000**		**0.0540%**

It has been the City's debt policy to issue each series of bonds with level amortization and terms of either 25 or 30 years. Many of the series have been refinanced for lower interest rates over time. Given the fixed term for each bond series, the aggregate annual debt service for all outstanding bonds decreases over time as each bond reaches its final maturity. Further information about the City's current and future debt capacity is included in a later section of this report discussing options to address long term costs.

4. Summary of All Capital Assets and Infrastructure

The City has an extensive portfolio of capital assets and infrastructure, which includes 95 public buildings, 254 miles of public sanitary sewer mains and 130 miles of public sewer laterals, 52 parks, 2 pools, 3 camps, and 42 different facilities served by the City's IT systems. Maintaining these assets is a costly and time-consuming enterprise that requires significant resources and constant attention. Additionally, Berkeley is an aging city and thus its infrastructure faces challenges that other younger cities do not.

Several recent actions by the voters have provided an important boost to the resources available for meeting these challenges:

- In November 2016, Berkeley voters passed Measure T1,[7] authorizing the City to sell $100 million of General Obligation Bonds to repair, renovate, replace, or reconstruct the City's aging infrastructure and facilities, including sidewalks, storm drains, parks, streets, senior and recreation centers, and other important City facilities and buildings. Council approved 45 projects to be completed in Phase 1, spanning 2017 to 2021. The majority of these projects are now complete, with the balance to be completed in 2021.[8] On December 15, 2020, Council approved more than 30 additional projects to be completed in Phase 2, between 2021 and 2026. With these allocations, the full $100 million of Measure T1 funds will be expended by 2026, if not sooner.

- The November 2014 voter approval of Measure F (a Citywide special parks parcel tax) provided an additional $750,000 per year for major maintenance projects, raising annual funding for parks capital and major maintenance projects from the prior $250,000 to $1 million.

- In November 2012, Berkeley voters approved Measure M (a general obligation bond), to provide an additional $30 million towards improving the condition of city streets and where appropriate, install Green Infrastructure projects as defined in the Watershed Master Plan. The funds raised with this bond have been fully expended and the City invested these resources to accomplish the following:
    - It would be great to get a summary from public works of the improvements from these bonds - not all the detail but X miles of roads slurry sealed, reconstructed, any green infrastructure projects of note and sidewalk work.

[7] See https://www.cityofberkeley.info/MeasureT1/.
[8] See https://www.cityofberkeley.info/MeasureT1Updates.aspx.

- In November 2014, Alameda County voters approved Measure BB (assessment 0.5% sales tax), increasing funding for local transportation enhancements. Berkeley's allocation is approximately $2.6 million annually and is applied to improving the pavement condition and specific street/transportation improvement projects.

Despite these measures, City facilities and infrastructure needs continue to exceed available funds. The minimum unfunded needs in parks, pools and camps exceed $103 million. The amount of recurring funding to address these needs has been bolstered by the passage of Measure FF, but is still only $1.4 million per year. The unfunded needs at the Waterfront exceed $113 million. There is $350,000/year planned for capital in the Marina Fund, which is insufficient to address the unfunded needs at the Waterfront of $113 million. Even this level of funding exceeds the Fund's resources: the Marina Fund is projected to need $650,000 in the next budget year just to maintain baseline Waterfront operations. Capital needs at the Waterfront are otherwise dependent on external funding and grants. The City has begun the Berkeley Marina Area Specific Plan (BMASP), which is expected to develop alternative approaches to address the structural deficit, exhausted reserves, and declining operating revenue that makes it impossible for the Marina Fund to reinvest in its facilities.

The unfunded needs in streets, sidewalks, storm drain/watershed, sewer, transportation and buildings/facilities exceeds $990 million. The amount of recurring funding to address these needs is $31.5 million.

These costs will continue to increase through typical wear and tear on our City infrastructure in the coming years, plus the pressures of long-deferred maintenance. As needed improvements continue to be deferred, operating and maintenance costs rise and rehabilitation and replacement costs increase substantially. The figures in Attachment 3 do not account for these additional cost escalators.

a. Parks, Waterfront, Pools, and Camps

The Parks, Recreation & Waterfront Department (PRW) operates, maintains and manages 52 parks, 4 community centers, 2 clubhouses, 2 pools, 3 resident camps, 15 sports fields, 49 sports courts, 63 play areas, 36 picnic areas, 35,000 street trees and park trees, 152 landscaped street medians and triangles, 263 street irrigation systems, and 30 restrooms and out-buildings. In addition, PRW operates and maintains the Berkeley Waterfront and its related facilities, including the docks, pilings, channel, streets, pathways, parking lots, buildings, trails, Adventure Playground, and 1,000 boat and berth rentals.

Recurring funding available for capital and major maintenance of these facilities is $1.4M, (see table below).

Annual Funding for Parks, Waterfront, Pools & Camps Capital & Major Maintenance Needs

Funding Source	Annual Funding
Parks Tax Fund	$1,000,000
Capital Improvement Fund	$400,000
Marina Fund	$350,000
Camps Fund[9]	$0
Total Funding Available	**$1,750,000**

Unfunded needs in these facilities are summarized in the table below, and available in detail at http://www.cityofberkeley.info/Parks_Rec_Waterfront/Home/Unfunded_Capital_Projects_List.aspx.

Unfunded Needs in Parks, Waterfront, Pools & Camps Facilities and Infrastructure

Needed Improvements	Cost Estimate
Resident Camps	$5,910,000
Waterfront	$113,167,000
Pools	$11,750,000
Park Buildings/Facilities	$32,960,000
Parks (General)	$9,900,000
Parks (Specific)	$38,902,000
Park Restrooms	$4,450,000
Total	**$217,039,000**

The majority of these unfunded needs are at the Waterfront, where many of the docks, pilings, buildings, parking lots and streets have reached the end of their useful life and are starting to fail. As documented in multiple reports over the last several years[10], there

[9] Due to the loss of Berkeley Tuolumne Camp, the Camps Fund does not have sufficient funds at this time to cover any annual investment in capital or major maintenance.

[10] See November 10, 2020 Marina Fund presentation to Council Budget & Finance Policy Committee (https://www.cityofberkeley.info/uploadedFiles/Clerk/2020-11-12 Item 2c Budget.pdf); December 13, 2018 Off-Agenda Memo (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20121318.pdf); November 15, 2018 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2018/11_Nov/Documents/2018-11-15_WS_Item_02_Parks_Recreation_Waterfront_pdf.aspx); July 1, 2018 Off-Agenda Report (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/CM%20Update%20-%20Waterfront%20-%20Hs%20%20Lordships%20(w%20attachments).pdf); May 8, 2018 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2018/05_May/Documents/2018-05-08_WS_Item_03_Parks,_Recreation,_Waterfront.aspx); May 8, 2018 Proposed Budget Update (https://www.cityofberkeley.info/Clerk/City_Council/2018/05_May/Documents/2018-05-08_WS_Item_01_FY_2019_Proposed_Budget_Update.aspx); April 12, 2018 Off-Agenda Report (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20041218.pdf); and November 7, 2017 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2017/11_Nov/Documents/2017-11-07_WS_Item_02_Parks,_Recreation_and_Waterfront_CIP.aspx).

is a diminishing ability to pay for the pressing capital needs in the Waterfront. The Marina Fund, which is the City's mechanism for managing all Waterfront revenues and expenditures, is projected to be insolvent in FY 2022. Revenues have declined by 20% in the last five years, from $6.4 million in FY 2016 to an estimated $5.1 million in FY 2021 as a result of safety and security concerns and failing infrastructure, and most recently due to the COVID-19 pandemic, which has hit our restaurant, hotel and commercial office tenants particularly hard. The combination of falling revenue and increasing expenditures have strained the relatively small Marina Fund to a breaking point.

The City has begun a long-term planning effort – the Berkeley Marina Area Specific Plan – to establish the community's vision for the Waterfront and a plan for the Marina to achieve financial viability. There is still a need to address an estimated $113 million in infrastructure repairs to finger docks, pilings, electrical systems and restrooms. The City is finalizing a $5.5 million loan from the State to replace D&E docks, which are failing and in urgent need of replacement. If these and additional investments are not made, facilities and infrastructure will either require more costly emergency funding or be closed as in the case of the Berkeley Pier. Waterfront customers will continue to leave the Berkeley Marina, continuing the downward spiral of revenue loss and blight.

b. Public Buildings

The City is responsible for maintenance of 95 facilities, not including Library facilities and facilities leased to other entities, which were not part of this analysis. These 95 facilities include: 39 facilities in the Parks Recreation and Waterfront inventory and 56 facilities in the Public Works inventory.

The City regularly performs assessments and provides updated condition reports and cost estimates for the City's facility inventory. The most recent assessment for city facility needs estimates the cost of improvements at approximately $282 million, while the programmed baseline budget allocation to Public Works over the next five years for this work is a cumulative $4 million allocation from the Capital Improvement Fund. In addition to utilizing one-time sources of project funding, such as the T1 bond, the department is evaluating the establishment of an internal service fund methodology for major facility capital replacement similar to the established internal service fund for maintenance of city owned facilities.

c. Streets & Roads

Berkeley has 216 centerline miles (450 lane miles) of public streets within the City limit, which is comprised of 22 miles of arterials, 37 miles of collectors, and 156 miles of residential streets. The current citywide Pavement Condition Index (PCI) rating for those streets is 57 (out of 100), putting Berkeley streets collectively in the "At-Risk" category. This is well below the 2012 City Council approved City Auditor recommendation to achieve a PCI rating goal of 75.

The City currently allocates about $7.3 million in recurring funding to Street paving from local and state sources, including Measure BB, Vehicle Registration Fees (VRF), State Transportation Tax/SB1 and the City's Capital Improvement Fund. This funding for street paving projects is not only spent on paving, but is also spent on complete streets project elements: traffic calming; signal maintenance and improvements; transit area improvements; sidewalk maintenance and capital improvements; and storm drainage and green infrastructure improvements. The City has used bond funding to supplement its recurring sources of funding, including the 2012 approved Measure M, and the 2016 T1 Infrastructure Bond, in which $8.5 million was programmed to Streets in Phase 1 and $6.8 million is planned in Phase 2.

According to the City's Street Saver system software and detailed analysis and projections provide by a Streets Engineering consultant, the streets network has approximately $250 million in deferred maintenance needs. The City would need to allocate $17.3 million a year to paving just to maintain its current PCI, and increase its annual paving funding to $27.3 million a year to increase PCI by 5 points. In order to merely maintain the City's PCI after one-time bond funds are expended, it will be necessary to identify additional annual funding for the pavement management program. To significantly improve Berkeley's pavement condition, a substantial investment and influx of funding will have to be made.

d. Sidewalks

The City manages sidewalk repair programs to keep the City's sidewalks safe and provide for safe pedestrian passage, including make-safe repairs, annual proactive and responsive repair programs, and the City's 50/50 replacement cost share program in which the City shares the liability and costs for broken sidewalks with property owners. Approximately $700,000 is available in annual funding towards sidewalks maintenance and repair construction from baseline allocations from the Capital Improvement Fund and 50/50 Program contributions from residents. Over time, the backlog of sidewalk repairs identified to be addressed through the 50/50 program has grown significantly beyond the funding capacity to make the needed repairs. Staff estimates that it would require $6 million to close the remaining 50/50 program funding gap to address the backlog within the next 5-year CIP cycle, with about $5 million in other sidewalk infrastructure repairs needed over that same period. A one-time allocation of $500,000 in Excess Equity revenue was added to the FY 2020 Sidewalks CIP budget, but a second $500,000 allocation programmed for FY 2021 was deferred due to citywide budget balancing needs. Any reallocation to sidewalks from local streets and roads funds such gas tax would impact the streets paving program.

e. Sewers

In 2014, the City (along with EBMUD and all agencies conveying flows to EBMUD) concluded negotiations with the Environmental Protection Agency and the Department of Justice for violation of the Clean Water Act and agreed to a stipulated settlement known as the final Consent Decree[11]. To comply with the Consent Decree, the City is required to rehabilitate an average of 4.2 miles of sewer pipeline annually based on a three-year rolling average. Effectively, this mandated significant additional maintenance activities and capital improvements results in increased costs of managing the City's existing sewer system. After a sewer rate study was completed, a series of rate adjustments were adopted[12] beginning in FY 2016 to support the added financial load of the Consent Decree requirements.

The City is currently on track to meet rehabilitation mileage targets with revenues generated from sanitary sewer fees, however the costs per mile for sewer construction have increased since the rate study was completed. These costs will have to be closely monitored going forward over the duration of the Consent Decree, in case funding supplementation from additional sources or future rate adjustments are needed to fund the cost of the required capital improvements. Public Works is currently underway with development of a Sanitary Sewer Master Plan, which will identify areas of high inflow and infiltration and capacity deficiency in the sanitary sewer system, provide prioritization of capital improvements, develop 5-year and 15-year capital improvement plans, and analyze the City's current sanitary sewer rate structure's ability to fund future improvements. Based on the results of this master plan, a better assessment of future liability will be presented in the next Unfunded Liabilities Report.

f. Storm Drains – Clean Stormwater Program

The City's engineered storm drains include approximately 78 miles of underground pipes, manholes, catch basins and cross-drains, and 30 green infrastructure installations. Much of the stormwater infrastructure is over 80 years old and needs substantial rehabilitation. The backlog of projects includes: rehabilitation of pipeline reaches; conveying dry weather flows; replacement of deteriorated drain inlets and piping; major cleaning of the primary storm collectors in the lower Berkeley drainage watersheds; and replacement of street cross drains. The City desires to address these issues while forwarding its policies to improve the environment by pursuing Green Infrastructure and Low Impact Development (LID) methods.

In 2012, City Council adopted the City's Watershed Management Plan (WMP)[13]. The WMP uses LID methods to develop an integrated and sustainable strategy for managing stormwater resources that addresses water quality, flooding, and the

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[11] See http://www.cityofberkeley.info/Clerk/City_Council/2014/09_Sep/Documents/2014-09-09_Item_62_EPA_Litigation.aspx for EPA litigation settlement report

[12] See http://www.cityofberkeley.info/Clerk/City_Council/2015/06_Jun/Documents/2015-06-30_Item_21_Setting_New_Sustainable.aspx for Sanitary Sewer Rate increases and Proposition 218 information.

[13] See http://www.cityofberkeley.info/Clerk/City_Council/2012/10Oct/Documents/2012-10-30_Item_20_Watershed_Management_Plan.aspx

preservation of local creek habitats and the San Francisco Bay. According to the 2012 Watershed Management Plan, the total unfunded need of the stormwater system is a present-day-projected $208 million. Staff estimates an additional need of $38 million over the next five years towards unfunded maintenance of storm water infrastructure as well as storm drain and Green Infrastructure Plan capital improvement projects. Set to begin in 2021 are updates to the Watershed Management Plan and development of a Storm Drain Master Plan, which will assist with the planning for rehabilitation and replacement of aging infrastructure and how to address future water runoff flows.
The City has two Clean Stormwater Fee sources assessed to owners of real property that contribute to stormwater runoff and use the City's storm drain for collection and conveyance. The first Clean Stormwater Fee was established in the early 1990's and generated enough revenue to cover only baseline stormwater maintenance operations and emergency storm drain response efforts. In FY 2018, the City passed a second Clean Stormwater Fee through voter approval of a majority of responding property owners. In addition to increasing revenue for maintenance and operations, the new fee has added an additional $1.1 million in annual revenue available for capital projects.

g. Traffic Signals & Parking Infrastructure

The City currently has 142 traffic signals and 20 Rectangular Rapid Flashing Beacons (RRFBs) maintained by the Public Works Department. To support this network, Public Works has a baseline budget of $300,000 in capital maintenance for signals and other traffic calming devices, and $100,000 toward new traffic calming requests. These funding levels are insufficient to bring all of the signals up to date. As a result, there are deficiencies at many intersections throughout the city, including lack of detection devices, lack of pedestrian push buttons, and lack of battery backup for signal controllers in case of power outage. Any reallocation to traffic signals from street and transportation funds such as gas tax and Measure B & BB would impact the street paving program or other transportations projects.

Parking capital infrastructure is newly added to the Future Liability needs report in FY 2021. COVID driven impacts to both on-street and off-street parking revenue have depleted parking fund reserves earmarked for major capital improvements to the City's parking infrastructure. The Telegraph Channing Garage Elevator Replacement Project, scheduled to begin in FY 2021 but deferred to a future fiscal year, has an estimated full project cost of approximately $1.0M. The Citywide Parking Meter Upgrade/Replacement project is estimated to cost $6.0M and is scheduled for FY 2023, to align with cell network carrier technology upgrades. Public Works has programmed an annual contribution to the On-Street Parking Fund balance at a rate of $1.0M/year through FY 2023 to fund the project. By FY 2023, those fund balances will have been completely drained to cover parking program operations. Funding for these major projects is uncertain until the parking funds can restore revenues.

Attachment 3 contains the budget and projected funding needs for both the Public Works and Parks, Recreation and Waterfront department facilities and assets described above.

h. Information Technology Infrastructure

Technology infrastructure presents unique challenges with respect to forecasting long term requirements because technology evolves quickly compared to other types of infrastructure. The City's needs in terms of network bandwidth, data storage, and wireless devices may be dramatically different in the future than they are today. Additionally, unlike traditional infrastructure replacement projects which can be done incrementally, some technology tools require a large upfront investment to implement but cost significantly less to upgrade as the technology becomes more common. City staff currently use and maintain a vast technology infrastructure to provide services to the community each day. Current information technology infrastructure will expand as the City uses more technology tools to gain efficiencies.

Summary

Currently, the City's asset inventory comprises approximately 1,300 desktops, 530 laptops, 100 tablets, and 100 Public Safety Mobile Data Computers (MDCs), which is an increase of 20% compared to last Fiscal Year (FY) 2019 due to remote work expansion.

In FY 2015 the City established a replacement fund for our core enterprise financial system, FUND$. The property tax in excess of the $10.5 million baseline was allocated for FUND$ replacement, based on the timing and replacement costs reported in the FUND$ Status Report[14].

In FY 2016, the City released an RFP to identify a vendor and product to replace FUND$. In FY 2017, the City assembled a team of subject matter experts from across the organization to lead the implementation process of the new software with a focus on change management and process improvement. The team completed the evaluation process and selected a vendor to propose to Council. The team is also charged with replacing additional modules utilized in FUND$ that are not core financial or HR/Payroll. The Core Financials went live in November 2018 and the HR/Payroll went live in January 2021. Other modules will occur in subsequent years and are detailed in the Digital Strategic Plan presented to Council on November 11, 2016.[15]

In FY 2016, the City established a replacement fund for the citywide telephone system, estimating a ten-year replacement cycle. Staff is planning to replace the handsets at the

[14] https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_City_Council/2010/06Jun/2010-06-01_Item_54_FUND__Status_Report.pdf

[15] http://www.cityofberkeley.info/Clerk/City_Council/2016/11_Nov/Documents/2016-11-15_WS_Item_01_Digital_Strategic_Plan.aspx

five-year mark, as the current handsets are already one generation behind. Annual maintenance cost for the VOIP system has increased to $65,000.

In FY 2016, the City funded additions to our storage area network (SAN), which supports the backend storage for our virtual server infrastructure and add storage capacity for the City needs of data storage and retention.

In FY 2017, the City upgraded its Microsoft Office software licenses to enable video conferencing and Office 365 capabilities. These upgraded licenses provided more reliable security and will help enhance the disaster recovery (DR) process, which is designed to allow email to be accessible on mobile devices should City Hall be impacted in a disaster. Later phases of this project will improve access to data and files from any location thus increasing employee efficiencies. Investment decisions will prioritize initiatives that achieve the best performance outcomes and greatest benefit so funding and other resources currently dedicated to operations and maintenance efforts can be recapitalized and invested in modernization efforts.

In FY 2019, the IT Department developed a Technology Internal Service Fund, which accounted for IT infrastructure costs. Now, PCs, servers, storage, wireless, uninterrupted power supplies (UPS), and network devices are fully funded. Cyber Security initiatives remain partially unfunded at this time.

In FY 2019, the IT department upgraded the server and storage backend infrastructure to support the City's Cyber Resilience efforts and to provide operational and offsite DR including business continuity to our critical applications. The City now has operational backup between the two data centers for business continuity and a remote offsite for DR. In FY 2019, the network routers and switches were consolidated at remote sites to advanced layer 3 switches resulting in 40% reduction in network equipment thus resulting in energy efficiencies and reduced staff time in support.

In FY 2020, the IT Department began the RFP process for the VoIP phone system upgrade and backup replacement solutions, both of which will be implemented in FY 2021. The VoIP Phone system will provide a redundant onsite system for DR needs. The offsite redundancy is still unfunded. The backup replacement solution will provide both onsite and offsite backup and redundancy.

In FY 2021, the IT Department will also replace the legacy core network switches located in City Hall and the Public Safety Building, as well as the network switches on each floor that serve our largest City facilities; City Hall, the Public Safety Building, and 1947 Center Street.

Four critical projects need to be addressed through unfunded liabilities:

1. **Cybersecurity Resiliency Plan**:

The goal of this project to implement foundational safeguards that address documented gaps and deficiencies in the City's procedures and technologies to support the delivery of services to the community in a safe and resilient manner[16].

In FY 2021 Council approved a portion of funding for the cyber resilience plan for the top 5 projects and implementation is underway to address efforts around data safety, data hygiene and data classification including the onboarding of a Managed Security services provider (MSSP).

There are approximately eight projects for FY 22, and the purpose of the projects is to address the most critical and consequential issues and action items identified by the City's consultant that impact or are impacted by pandemic induced work from home in the delivery of services to the community. These projects are prioritized to address the current threat and regulatory environments, then considers the traffic patterns and key components of a "new normal" of distributed operations and faces the known challenges that the City faces in meeting and keeping up with the needs of both.

The focus areas driving the projects selection and their scope are the (i) user, (ii) the last mile (endpoint devices and clients), (iii) the resources being used (City, home, ISP, and cellular networks) to (iv) access the last mile (Cloud, server, files, and applications), and (v) the resilience of each.

2. **Customer Relationship Management (CRM):**

In FY 2019, the City of Berkeley upgraded the existing CRM software application to version V14R2, Verint-Lagan, used by 311, Public Works and Parks to enter community service requests. Both the CRM and Verint-Lagan knowledge system used by 311 were upgraded. The new 311 CRM system replacement and implementation targeted for FY 2021 was delayed due to COVID related proposed budget reduction.

A new CRM system will give 311 the ability to capture, route, and manage all forms of requests through multiple communication channels with integration to Public Works work order system and Zero Waste billing system. Allow community members to see status of their requests through online status of service requests or a City of Berkeley branded mobile solution and an provide an integrated knowledge system with the City Website.

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[16] https://www.cityofberkeley.info/Clerk/City_Council/2020/12_Dec/City_Council__12-01-2020_-_Special_Closed_Meeting_Agenda.aspx

3. **Geographical Information Systems (GIS)– Master Address Database (MAD) to address the Non-Compliance with NENA GRID and e911 Technology:**

   Goal of the Project – To establish one master address database out of the City's multiple sources of address data. This master address database will be a modern, GIS based system, that will provide addresses that are more accurate and parcel information that is consistent and current across the City's various applications.

   As the City roles out a new work order system, zero waste billing system, digital permitting system, and CRM system and others, it is critical that we have a modern, centralized address database that can easily feed accurate and consistent GIS address data. Having one source of truth for address data will allow for ease of maintenance, timely updates, and consistency. This will bring greater efficiencies for staff through various workflows including permitting, building inspections, work orders, billing, assessments and more. It will result in service that is more effective to our community by providing real time and accurate address data across departments.

4. **IT Department Move to 1947:**

   The Department of Information Technology was scheduled to move to 1947 Center Street in FY 2020. This move was cancelled due to COVID related proposed budget reductions.

   In their current space, the IT Department is unable to work at a safe distance from each other. Remote work will be a long-term strategy unless the City can identify a safe seating arrangement and improve the work environment for staff to return safely to work. Extended remote work has its challenges and may have a negative service impact on response times to tickets as well as resolutions to hardware issues.

Options to Address Long Term Retirement and Infrastructure Costs

The City continues to consider how to prioritize expenditures to address some of its long-term obligations in order to maintain a healthy future.

As mentioned earlier in this report, Council has already taken the following actions to address the City's unfunded liabilities.

- On June 26, 2018, Council authorized the City Manager to establish an IRS Section 115 Pension Trust Fund (Trust) to be used to help pre-fund pension obligations[17]. On May 14, 2019, Council authorized the City Manager to execute

[17] https://www.cityofberkeley.info/Clerk/City_Council/2018/06_June/Documents/2018-06-26_Item_19_Authorization_to_Establish_IRS.aspx

a contract with Keenan Financial Services to establish, maintain, and invest the pension Section 115 Trust[18].

- The Section 115 Trust currently has a balance of $10,628,125.22.

On February 27, 2020 the Budget & Finance Policy Committee discussed ongoing funding into the 115 Pension Trust. The following was recommended:

- Raise the Property Transfer Tax baseline from $12.5M to $15M. The additional $2.5M will be allocated to the Trust.
- Property Transfer Tax in excess of $15 million would be used to fund the City's capital infrastructure need. However, revenue generated from Measure P is excluded from this transfer.
- Savings generate by prefunding CalPERS will be contributed to the 115 Pension Trust. On an annual basis, staff will analyze the impact of prefunding CalPERS. If the analysis determines that pre-funding CalPERS will result in budgetary savings, the net savings will be contributed to the Trust.

Staff requested Council to delay adopting these policies because the City was facing the financial fallout of the pandemic.

- The City prefunded the unfunded liability portion of the FY 2021 CalPERS pension resulting in savings totaling $1.3 million.

- In addition, 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.

Most noteworthy are Berkeley voters who passed several bond measures to improve the City's infrastructure, including Measure F for parks, Measure M for streets, and most recently Measure T1 which authorized the City to sell $100 million of General Obligation Bonds to repair, renovate, replace or reconstruct the City's aging infrastructure and facilities.

Effects of Unfunded Liabilities on Bonding Capacity:

The long term liability burden is one of the major criteria that bonding rating use in determining the ratings of Municipal Issuers. The others are Revenue Framework, Expenditure Framework and Operational Performance. The long term liability assessment typically considers both direct and overlapping debt. Pension liabilities are now considered part of an issuers' long term debt picture and bond rating agencies have placed these obligations on par with debt obligations as a component of the long term liability picture.

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[18] https://www.cityofberkeley.info/Clerk/City_Council/2019/05_May/City_Council__05-14-2019_-_Regular_Meeting_Agenda.aspx (Item #5)

Municipal securities issuers (i.e., Berkeley) must prepare an "Official Statement" (OS) before presenting the primary offering. These municipal disclosure documents provide information for investors, including the terms of the bond offering and financial information on the issuer. They also typically contain information regarding the purpose of the bond; whether the issuer can redeem the bonds prior to maturity; and when and how principal and interest on the bond will be repaid.

After the Preliminary Official Statement (POS) is prepared, it is submitted to a bond rating agency. The bond rating agency reviews and evaluates the POS and other financial information and issues a rating on the bonds being issued. Municipal bond credit ratings measure the issuer's risk of paying all interest and principal back to investors. A bond rating system helps investors distinguish an issuer's credit risk. The three major rating agencies are Moody's Investor Services, S&P Global Ratings, and Fitch Ratings.

The City utilized S&P Global Ratings to rate its latest 2020 bonds that was issued (Attachment 5 Exhibit A). The below summarizes their findings and indicates the weaknesses of the City's financial health because of the City's Unfunded Pension Liability.

<u>Rating Summary</u>
The rating reflect S&P Global Ratings (view of the following credit characteristics of the City:

<u>Weaknesses</u>
The weaknesses S&P identified in their ratings evaluation were the following:

- Weak debt and contingent liability profile, with debt service carrying charges of 4.2% of expenditures and net direct debt that is 47.8% of total governmental fund revenue;
- Large pension and other postemployment benefits (OPEB) and the lack of a plan to sufficiently address the obligations
  1. The City has a large pension and OPEB liability that is pressuring the City's operations, and while the City has made progress in planning-including, establishing a Section 115 trust, S&P Global Ratings does not believe the City has adequately planned for expected cost escalation;
  2. The City's pension funding ratios as of June 30, 2019 (Miscellaneous-70%; Fire-71%; and Police-61%), combined with recent changes in the assumed discount rate and amortization methods, will likely lead to accelerating costs in the medium term;
  3. The City is not making full actuarially determined contributions towards its OPEB liabilities (combined 45% funded), which will lead to significant contribution volatility over time.

Additional Information Requested

After staff reviewed and analyzed the rating rational, staff was concerned about the section that stated that the City had a “Weak debt and contingent liability profile”. Staff wrote to S&P for additional information and clarification on how S&P conducted the analysis of the city’s debt and contingent liability profile. On February 28, 2020, S&P issued additional information that detailed their methodology (Attachment 5 Exhibit B).

Summary of Initial Debt and Contingent Liabilities Score

S&P used two criteria to form the initial debt and contingent liabilities score for the City:

- Total governmental funds debt service as a percentage of total governmental funds expenditures; and
- Net direct debt as a percentage of total governmental funds revenue

Net direct debt is the total amount of general obligation debt, including notes and short-term financing issued by a municipality or state.

The potential scores were the following:

1	Very Strong
2	Strong
3	Adequate
4	Weak
5	Very Weak

S&P gave the City a score of 4, indicating a weak debt and contingent liability profile, as a result of total governmental funds debt service of 4.2% of total governmental funds expenditures and net direct debt of 47.8% of total governmental funds revenue. The initial scoring of the debt and contingent liabilities score of 2 indicated a strong scoring but when S&P added an additional qualitative adjustments factor with a negative impact on Berkeley’s initial debt and contingent liabilities score, it resulted in a final debt and contingent liability score of four. From their point of view, one of the negative qualitative factors is the presence of an unaddressed exposure to large unfunded pension or OPEB obligations which represents a significant pressure on the budget over the medium term. In their view, the city has a large pension and OPEB liability that is pressuring the city’s operations, and while the city has made progress planning, including establishing a Section 115 Trust, they do not think the City has adequately planned for the expected cost escalation.

The take away from this analysis is that the impact of the huge pension liability has a negative effect on the city’s debt capacity. It appears that the assumption that as long as the debt service on General Obligation Bonds is being paid by the citizens and businesses, and not directly by the City, will not affect the City’s debt capacity is not true. Implicit in the S&P weak score of 4 for the City’s debt and contingent liability profile is a warning that this is not the case and the City needs to be aware of it.

Staff Observations, Conclusions and Recommendations

1. S&P Global Ratings acknowledged the City's current strong credit profile and the City's attempt to start planning for a reduction in its pension and OPEB liabilities, but there was an underlying warning from them that what the City is currently doing is not enough. There is an 800 pound gorilla in the room, and that is the City's large unfunded pension liability, and CalPERS and others are predicting a significant increase in those pension liabilities in the next several years.

   In fact, despite the substantial increases in CalPERS pension rates over the last several years, the funding ratios for all three plans has worsened, as illustrated in Tables 1 through 3 below. In addition, the funding ratios for the OPEB plans have remained flat or declined, at very low levels, as illustrated in Tables 4 through 6:

Table 1: CalPERS Miscellaneous Defined Benefit Pension Plan Trends-By Fiscal Year

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY2019
	($ in millions)					
Liability	$864	$874	$902	$983	$1,016	$1,072
Net Position	655	656	641	696	736	767
Net Liability	209	218	261	287	280	305
Funded Ratio	76%	75%	71%	71%	72%	71%

Table 2: CalPERS Fire Defined Benefit Pension Plan Trends-By Fiscal Year

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	($ in millions)					
Liability	$241	$240	$247	$267	$273	$284
Net Position	186	182	177	183	197	203
Net Liability	55	58	70	78	76	80
Funded Ratio	77%	76%	72%	69%	72%	72%

Table 3: CalPERS Police Defined Benefit Pension Plan Trends-By Fiscal Year

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	($ in millions)					
Liability	$357	$362	$372	$405	$417	$430
Net Position	233	232	226	245	258	268
Net Liability	124	130	146	160	159	162
Funded Ratio	65%	64%	61%	61%	62%	62%

Table 4: OPEB: Miscellaneous Retiree Health Plan Trends-By Fiscal Year

	FY 2017	FY 2018	FY 2019	FY 2020
	($ in millions)			
Liability	$62	$59	$66	$90
Net Position	24	25	28	29
Net Liability	38	34	37	61
Funded Ratio	39%	42%	43%	33%

Table 5: OPEB: Fire Retiree Health Plan Trends-By Fiscal Year

	FY 2017	FY 2018	FY 2019	FY 2020
	($ in millions)			
Liability	$28	$27	$31	$33
Net Position	10	10	11	12
Net Liability	18	17	20	21
Funded Ratio	36%	37%	37%	36%

Table 6: OPEB: Police Retiree Health Plan Trends-By Fiscal Year

	FY 2017	FY 2018	FY 2019	FY 2020
	($ in millions)			
Liability	$47	$43	$49	$60
Net Position	46	42	46	57
Net Liability	1	1	3	3
Funded Ratio	4%	4%	5%	4%

2. Staff would like to point out that the lower the discount rate is for a pension plan, the higher the unfunded liability is. In staff's view, even these low funding ratios reported by CalPERS are overstated because CalPERS is not reporting and charging local governments pension rates based on what it believes the true discount rate is. Instead, it reports ongoing, small piecemeal annual reductions in the discount rate, in order to avoid immediately increasing the pension rates to a level they feel local governments could not afford.

   This means that, even after those piecemeal discount rate reductions and resulting increase in the unfunded liability, the City's unfunded liability for each of the three plans is understated.

   To summarize, rather than provide local and state governments with what CalPERS actually believes the discount rate to be, CalPERS is providing the reductions in small increments over a period of time, so that they don't have to raise the employer contribution rate so dramatically that it will put such a strain on local and state government budgets, that many won't be able to make them without significant cuts in service or financial trouble. What that means is that the City's current real unfunded pension liability is larger than the amounts reported by CalPERS each year, and that the real funded ratio is lower than the ratio reported by CalPERS each year.

Furthermore, the discount rate (or expected return on future investments) is very likely to continue to decline in the future, for the following reasons, among others: (1) In order to reduce risk, much of the equity portfolio is typically invested in mature countries and mature companies in those countries. As a result, future earnings growth will slow; (2) Higher Interest rates and higher Inflation are expected in the future. The stock market has been in a 12- year bull market due primarily to the Federal Reserve (the Fed) lowering interest rates to zero and dramatically increasing the money supply by dramatic increases in bond purchases (i.e., quantitative easing). At some point, interest rates and inflation will increase (in fact, long-term interest rates have already started rising significantly recently). The Federal Reserve can't control long-term interest rates. As inflation moves above the Fed's 2 percent target, the Fed will be forced to tighten monetary policy to combat inflation. If the Fed tightens the monetary supply, stocks are likely to decline;(3) As a result of an increase in nationalism, there will be slower growth throughout the world; (4) Fixed income instruments will become more attractive to investors as interest rates rise. This will put downward pressure on stocks as fixed income investors move money out of equity securities. During this 12-year stock bull market, many fixed income investors have been forced to participate in the equity market in order to get some yield, since fixed-income yields were near zero. (5) There will be less earnings from the fixed income portion of the portfolio as a result of the extremely low interest rates throughout the world; and (6) mortality improvements will mean that pensioners get paid for a longer period of time

3. There have been some discussions about the possibility of issuing additional debt to fund some of the infrastructure needs that will help fix some of the crumbling infrastructure and lack of low-income housing. In these conversations, the justification used is that the State debt limit allows it, so therefore the City has capacity.

   Staff will like to point out that the maximum debt margin is merely a ratio of 15 percent of assessed value to total assessed value. All it does is establish an arbitrary maximum level of general obligation bonds that general law cities may issue under State law. It does not consider all the level or status of the City's liabilities, especially net pension liability and net OPEB liability.

   Any measure that does not take into account all of an organization's liabilities, and the trend in those liabilities, is not a measure that should be used to determine how much to borrow (the Capacity of the entity). An organization should not take on a level of debt that makes it difficult to sustain its financial position. The debt margin for general law cities is not a reasonable measure for assessing an organization's debt profile or borrowing capacity, and it is not the one used by debt rating agencies or financial analysts to assess debt profiles or borrowing capacity. In fact, the evaluation standards used by the S & P Global debt rating agency were (1) total governmental funds debt service as a percentage of total governmental expenditures; and (2) Net direct debt as a percentage of total governmental funds revenue.

4. The City has not adequately planned for expected pension and OPEB cost increases. The more these pension and OPEB costs increase, the more strain there will be on the City's budgets and operations. Failure to address this could result in:
   a. Reduction in the number of employees
   b. Reduction in pension benefits
   c. Reduction in services provided to citizens and businesses
   d. Possible future tax increases
   e. A combination of these possible outcomes

   Staff also believes that a huge increase in borrowing by the City, without the development of an effective plan for reducing the substantial unfunded pension and OPEB liabilities, might be met by skepticism from bond rating agencies (i.e., possible downgrade of the City's general obligation bonds, resulting in even higher taxes to the citizens and businesses in the City) and skepticism from investors (i.e., lower demand for the City's general obligation bond, resulting in higher interest rates on the bonds, and resulting increase in taxes to citizens and businesses).

<u>Staff Recommendations</u>

1. Before any additional borrowing is contemplated, the City should contract with a debt rating agency and/or actuarial consultant that specializes in evaluating and assessing debt profiles, borrowing capacity and actuarial analysis and reporting to provide the City guidance in these areas, and to assess the ramifications of substantially increasing borrowing.
   - Assess the potential rating agency response to significantly increased borrowing
   - Assess potential investor response to significantly increased borrowing
   - Assess tax impact on citizens and businesses
   - Determination of the actual discount rate and the actual unfunded pension liabilities
   - Options and costs of reducing the pension and OPEB liabilities

2. Meetings and discussions among all the stakeholders to identify and understand the problems before working toward a solution.

3. Pending the analysis and recommendations in #1 above, staff believe the City needs to contribute more to the Section 115 Pension Trust Fund than it is currently contributing, so that the increases in the CalPERS contributions plus the amount in the Section 115 Pension Trust Fund are used to reduce the unfunded pension liability, and not to offset the increase in the liability resulting from the reductions in the discount rate.

General Fund Revenue Projections

As noted in the introduction, when this report was originally presented in 2013, members of the City Council requested that staff include long-term revenue projections in the next biennial report, in addition to the expenditure projections identified in Council Resolution No. 65,748-N.S. The intent was to present a more complete and informative forecast, and provide a better long-term perspective on Berkeley's ability to achieve financial stability through future economic cycles. The projections presented in this report are limited to the General Fund as those funds are the most discretionary in terms of allocation, and also highly subject to economic conditions. The General Fund typically comprises about one-half of the City's total budget; the remainder of the budget consists of various Special Funds which are restricted in purpose (e.g. Zero Waste, Permit Services Center, Sewer, Public Health, and Mental Health).

The chart below provides a summary of total General Fund Revenues projected through FY 2030. The revenue projections have been updated to reflect results from the first six months of Fiscal Year 2021. Fifty-eight percent (58%) of the City's FY 2021 Projected General Fund revenue is derived from Secured Property, Property Transfer, Utility Users and Sales Taxes. Each major contributing revenue stream is described in more detail below. Additional detail on General Fund Revenue Projections can be found in Attachment 4.

	General Fund Revenues Projections									
	FY 2021 Projected	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenues Baseline	195.9	186.5	192.1	197.0	201.9	206.6	211.5	215.2	219.5	221.1

Property Tax

Real Property Taxes are applied to all taxable real and personal property and are set at 1% of the assessed value. Proposition 13 limited the amount that this tax can be increased to no more than 2% each year. The Alameda County Assessor maintains property tax assessment rolls that account for all property. The City's Property Tax is collected by Alameda County. The City receives approximately 32.57% of the real property tax dollar generated within the City limits. (Berkeley receives a comparatively higher share of the property tax dollar than other cities in Alameda County, many of whom receive about 15% of the tax dollar due to the way that Proposition 13 was implemented in 1978.) The projections above assumed a 7.7% increase in property tax in FY 2021, an increase of 4.5% in FY 2022, and an annual increase averaging 3.5% from FY 2023 through 2030.

Property Transfer Tax
The Property Transfer Tax rate set by the City of Berkeley is 1.5% of the value of consideration of $1.5 million, and 2.5% for transfer properties with consideration of over $1.5 million (Measure P Revenues). The tax is due when the documents of transfer are recorded with the County. Title companies collect the tax as part of the sales closing process, and remit the funds to Alameda County when sales or transfers are finalized. Alameda County remits the amounts due monthly, and the amounts are credited to the General Fund.

In addition, the City has a Seismic Retrofit Rebate Program. In Berkeley, a portion of Transfer Taxes are used to fund the City's Seismic Retrofit Rebate Program for residential housing. Upon transfer of a qualifying residential property, the buyer may voluntarily choose to reserve up to 1/3 of the total Transfer Tax to perform voluntary seismic upgrades as specified by the City.

Property owners have up to one year after the recording of the sale to complete the seismic work and file for the rebate. An extension for good cause may be requested in writing up to one year past the original deadline date, provided the request is made prior to the one-year filing deadline. The total amount of seismic rebates to property owners is netting against the Property Transfer Taxes remitted to the City by the County, to determine the net Property Transfer Tax revenue each year.

Because Property Transfer Tax is tied directly to real property sales, it is a volatile revenue source, and difficult to predict more than one year at a time. Understanding the volatility of this General Fund revenue stream, Council adopted a policy that Transfer Tax in excess of $12.5 million is treated as one-time revenue to be transferred to the Capital Improvement Fund for capital infrastructure needs. Therefore, the amount of Property Transfer Tax included in the chart above is set at the baseline level of $12.5 million annually since any remainder is transferred into the Capital Improvement Fund after the fiscal year ends.

Utility Users Tax
Utility Users Tax (UUT) is charged at the rate of 7.5% to all users of a given utility (gas, electricity, telephone, cable, and cellular). UUT is Berkeley's 4th largest source of General Fund revenue. Factors that affect the revenue generated by UUT include consumption, PUC rate changes, regulatory actions, evolution of technology and market forces.

Sales Tax
Sales Tax is an excise tax imposed on retailers. The proceeds of sales and use taxes imposed within the boundaries of Berkeley are distributed by the State to various

agencies, with the City of Berkeley receiving 1% of the amount collected. City staff review sales tax revenues regularly and compares Berkeley's performance with other cities in Alameda County, as well as statewide trends. Sales tax is a relatively stable revenue source for Berkeley. Berkeley is somewhat unique in that 24.5% of its sales tax is from restaurants compared to 16.2% statewide (SF Bay Area is 15.1%). Berkeley otherwise has a generally well diversified sales tax base that is projected to continue to modestly improve over time, unless the Bay Area experiences a recession or as the city is noticing the significant effects of the curent pandemic on its Sales revenues.

General Fund Revenues versus General Fund Expenditures

One value of producing long term General Fund revenue projections is to compare them against General Fund expenditure projections. Since about 67% of the General Fund expenditures are personnel costs, any change in those costs has an impact on the balance between revenues and expenditures. The chart below reflects all currently negotiated impacts on salaries and benefits. The expenditure projections assume no cost of living adjustments (COLA) beyond what is currently negotiated. The chart below is offered as a demonstration only and is not a proposal or budget plan.

General Fund Revenues v.s. Expenditures - Demonstrative Comparison										
	FY 2021 Adopted	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenues Baseline	$ 188.35	$ 186.50	$ 192.10	$ 197.00	$ 201.90	$ 206.60	$ 211.50	$ 215.20	$ 219.50	$ 221.10
GF Expenditures - Zero COLA	$ 187.04	$ 209.87	$ 215.10	$ 220.14	$ 225.18	$ 231.01	$ 236.85	$ 243.10	$ 248.94	$ 255.26
Surplus/(Deficit)	$ 1.30	$ (23.37)	$ (23.00)	$ (23.14)	$ (23.28)	$ (24.41)	$ (25.35)	$ (27.90)	$ (29.44)	$ (34.16)

Staff is in the process of developing the FY 2022 Budget, however, the preliminary forecast above indicates that the City has a structural deficit that needs to be addressed. Both Council and operating departments have identified additional funding needs tied to Council mandates and priorities, which are not included in the expenditures noted above.

It is important to note that not included in the chart above are General Fund revenues from Rental Unit Business License Tax (U1)[19] estimated to be about $2.8 million in FY 2022 as well as General Fund revenues generated from Measure P[20] estimated to be

[19] Measure U1 is a revenue stream assigned to fund affordable housing and protect Berkeley residents from homelessness.
[20] Measure P is a general fund revenue stream assigned for general municipal purposes such as avigation centers, mental health support, rehousing and other services for the homeless.

about $6.2 million in FY 2022. Also not included in the chart above are corresponding General Fund expenditures tied to U1 and Measure P.

Attachment 4 details the projected General Fund revenues.

CONCLUSION

One of the terms that is often used with respect to the long-term obligations that are described above is “unfunded liabilities.” Unfunded liabilities are defined as identifiable obligations of an organization for which the organization does not have 100% of the funding (cash or other assets) set aside to cover the cost should all obligations become immediately due. Generally, an organization manages a balance between funding a portion of the entire obligation and the associated risk that the obligation will be due at the same time. This balance is considered the practical and responsible approach since payment demands of these obligations rarely, if ever, occur simultaneously. The alternative would be to 100% fund the obligations causing a great portion of cash to be reserved and not available for providing services or meeting other immediate obligations, needs, or desires of the community. Maintaining a careful balance between cash on hand to fund daily operations and liquidity to cover unfunded liabilities is a key challenge for all governments. With that said, the City’s unfunded liabilities tied to benefits total $751 million, and the City’s unfunded infrastructure needs total $1.1 billion.

POSSIBLE FUTURE ACTION

The information contained in this report will be referenced throughout the budget planning meetings in advance of the FY 2022 budget adoption and during the FY 2023 & FY 2024 Biennial Budget process.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

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

Rama Murty, Acting Budget Manager, City Manager’s Office, 981-7000
Henry Oyekanmi, Finance Director, Department of Finance, 981-7300

Attachments:

1. Employee and Retiree Benefits Funded Status
2. City’s Debt Obligations
   Exhibit A: General Obligation bonds
   Exhibit B: Certificates of Participation
   Exhibit C: Revenue Bonds
3. Capital Assets

Exhibit A: Infrastructure
Exhibit B: Appraisal of Buildings Valued at $5 million or more

4. General Fund Revenues
5. Effects of Unfunded Liabilities on Bonding Capacity

Exhibit A: S&P Global Ratings: Ratings Direct
Exhibit B: S&P Additional Information on Debt and Contingent Liability Analysis

Employee and Retiree Benefits Funded Status (dollars in millions) **Attachment 1**

Fund Name	Valuation Date	Estimated Liability	Plan Assets	Funding Target	Net Liability	% Funded
Police Retiree Income Plan (closed)*	6/30/2020	$ 79.95	$ 5.83	2	$ 74.1	7.29%
Police Employee Retiree Health Plan (new)*	7/1/2019	$ 40.43	$ 2.49	2	$ 37.9	6.16%
Fire Employees Retiree Health Plan*	7/1/2019	$ 25.83	$ 11.31	1	$ 14.5	43.8%
Retiree Health Premium Assistance Plan (Non-Safety Members)*	7/1/2019	$ 68.46	$ 27.81	1	$ 40.7	40.62%
Safety Members Pension Fund*	6/30/2020	$ 1.86	$ 0.10	2	$ 1.76	5.4%
Miscellaneous CalPERS Plan*	6/30/2019	$ 1,095.0	$ 766.8	1	$ 328.2	70.0%
Police CalPERS Plan*	6/30/2019	$ 438.9	$ 268.0	1	$ 170.9	61.1%
Fire CalPERS Plan*	6/30/2019	$ 286.5	$ 203.5	1	$ 83.00	71.0%
TOTAL		**$ 2,036.9**	**$ 1,285.8**	-	**$ 751.1**	**63.1%**

Since the implementation of GASB67 and 68 the Annual Required Contribution (ARC) is no longer provided.
Funding Target:
1 - percentage of payroll
2 - pay as you go

Retiree Medical Plan data from acturial reports from Bartel Asociates, LLC and CalPERS Plans data from CalPERS

Attachment 2 Exhibit A

General Obligation Bonds

FY	2009 Measure FF, Series A Principal	2009 Measure FF, Series A Interest	2010 Measure FF, Series B Principal	2010 Measure FF, Series B Interest	2014 Measure M (2014 Street and Integrated Watershed) Principal	2014 Measure M (2014 Street and Integrated Watershed) Interest	2015 GO Refunding Bonds (Refunding Measure G, S, I) Principal	2015 GO Refunding Bonds (Refunding Measure G, S, I) Interest	2016 Measure M (2016 Street and Integrated Watershed) Principal	2016 Measure M (2016 Street and Integrated Watershed) Interest	2017 Measure T1 Infrastructure and Facilities Improvementsd Principal	2017 Measure T1 Infrastructure and Facilities Improvementsd Interest	2020 Measure O Affordable Housing Principal	2020 Measure O Affordable Housing Interest	Total Principal	Total Interest	Annual Total P & I	End of FY GO Bonds Balance
2020																		142,905,000
2021	345,000	261,268.75	580,000	333,295.14	335,000	561,125.00	2,850,000	1,022,962.50	295,000	450,737.50	660,000.00	1,070,056.26	845,000.00	503,527.50	5,910,000	4,202,973	10,112,972.65	136,995,000
2022	250,000	284,950.00	380,000	428,687.50	350,000	544,000.00	2,160,000	890,587.50	305,000	435,737.50	695,000.00	1,036,181.26	715,000.00	1,308,940.00	4,855,000	4,929,084	9,784,083.76	132,140,000
2023	265,000	272,075.00	395,000	409,312.50	370,000	526,000.00	2,270,000	779,837.50	320,000	420,112.50	730,000.00	1,000,556.26	740,000.00	1,280,340.00	5,090,000	4,688,234	9,778,233.76	127,050,000
2024	275,000	258,575.00	415,000	389,062.50	385,000	507,125.00	2,380,000	663,587.50	335,000	403,737.50	765,000.00	963,181.26	770,000.00	1,250,740.00	5,325,000	4,436,009	9,761,008.76	121,725,000
2025	285,000	244,575.00	435,000	367,812.50	405,000	491,425.00	2,495,000	541,712.50	350,000	386,612.50	805,000.00	923,931.26	800,000.00	1,223,790.00	5,575,000	4,179,859	9,754,858.76	116,150,000
2026	300,000	229,950.00	455,000	345,562.50	420,000	478,787.50	2,625,000	413,712.50	370,000	370,462.50	845,000.00	882,681.26	825,000.00	1,195,790.00	5,840,000	3,916,946	9,756,946.26	110,310,000
2027	315,000	214,575.00	485,000	322,062.50	430,000	465,237.50	2,760,000	306,687.50	385,000	355,362.50	885,000.00	843,856.26	855,000.00	1,166,915.00	6,115,000	3,674,696	9,789,696.26	104,195,000
2028	335,000	198,325.00	505,000	297,312.50	445,000	449,350.00	2,840,000	222,687.50	405,000	339,562.50	920,000.00	807,756.26	885,000.00	1,136,990.00	6,335,000	3,451,984	9,786,983.76	97,860,000
2029	355,000	181,075.00	530,000	271,437.50	465,000	431,150.00	1,960,000	150,687.50	425,000	322,962.50	960,000.00	779,156.26	915,000.00	1,106,015.00	5,610,000	3,242,484	8,852,483.76	92,250,000
2030	370,000	162,950.00	555,000	244,312.50	480,000	412,250.00	880,000	108,087.50	450,000	307,712.50	980,000.00	757,931.26	950,000.00	1,073,990.00	4,665,000	3,067,234	7,732,233.76	87,585,000
2031	395,000	143,825.00	585,000	215,812.50	500,000	392,650.00	305,000	89,931.25	470,000	293,912.50	1,000,000.00	731,906.26	980,000.00	1,040,740.00	4,235,000	2,908,778	7,143,777.51	83,350,000
2032	410,000	125,750.00	615,000	188,887.50	520,000	372,250.00	315,000	79,856.25	485,000	279,587.50	1,030,000.00	701,456.26	1,015,000.00	1,006,440.00	4,390,000	2,754,228	7,144,227.51	78,960,000
2033	430,000	108,950.00	640,000	163,787.50	540,000	350,712.50	325,000	69,253.13	500,000	264,812.50	1,060,000.00	670,106.26	1,050,000.00	973,452.50	4,545,000	2,601,074	7,146,074.39	74,415,000
2034	450,000	94,725.00	665,000	137,687.50	565,000	327,921.88	335,000	57,906.26	515,000	250,875.00	1,095,000.00	637,781.26	1,085,000.00	939,327.50	4,710,000	2,446,224	7,156,224.40	69,705,000
2035	460,000	82,200.00	690,000	114,037.50	590,000	304,100.01	345,000	46,006.26	530,000	237,812.50	1,125,000.00	604,481.26	1,120,000.00	904,065.00	4,860,000	2,292,703	7,152,702.53	64,845,000
2036	480,000	68,700.00	715,000	95,643.75	610,000	278,587.51	360,000	33,668.76	550,000	223,968.75	1,160,000.00	570,206.26	1,155,000.00	867,665.00	5,030,000	2,138,440	7,168,440.03	59,815,000
2037	495,000	64,575.00	730,000	76,650.00	640,000	251,243.76	370,000	20,662.51	570,000	209,268.75	1,195,000.00	534,881.26	1,190,000.00	830,127.50	5,190,000	1,987,409	7,177,408.78	54,625,000
2038	510,000	39,600.00	750,000	56,325.00	665,000	222,696.88	385,000	6,978.13	590,000	193,675.00	1,230,000.00	497,737.51	1,235,000.00	785,502.50	5,365,000	1,802,515	7,167,515.02	49,260,000
2039	525,000	24,075.00	770,000	35,400.00	695,000	192,946.88			610,000	177,175.00	1,270,000.00	458,675.01	1,285,000.00	739,190.00	5,155,000	1,627,462	6,782,461.89	44,105,000
2040	540,000	8,100.00	795,000	11,925.00	725,000	161,884.38			630,000	160,125.00	1,310,000.00	418,362.51	1,330,000.00	691,002.50	5,330,000	1,451,399	6,781,399.39	38,775,000
2041					760,000	128,925.00			655,000	142,456.25	1,350,000.00	375,956.26	1,380,000.00	641,127.50	4,145,000	1,288,465	5,433,465.01	34,630,000
2042					790,000	94,050.00			680,000	124,100.00	1,395,000.00	331,350.01	1,435,000.00	589,377.50	4,300,000	1,138,878	5,438,877.51	30,330,000
2043					830,000	57,600.00			705,000	104,175.00	1,440,000.00	285,281.26	1,485,000.00	535,565.00	4,460,000	982,621	5,442,621.26	25,870,000
2044					865,000	19,462.50			735,000	82,575.00	1,485,000.00	237,750.01	1,545,000.00	479,877.50	4,630,000	819,665	5,449,665.01	21,240,000
2045									765,000	60,075.00	1,535,000.00	188,675.01	1,600,000.00	421,940.00	3,900,000	670,690	4,570,690.01	17,340,000
2046									795,000	36,675.00	1,585,000.00	137,975.01	1,655,000.00	367,540.00	4,035,000	542,190	4,577,190.01	13,305,000
2047									825,000	12,375.00	1,635,000.00	84,628.13	1,710,000.00	311,270.00	4,170,000	408,273	4,578,273.13	9,135,000
2048											1,690,000.00	28,518.75	1,770,000.00	253,130.00	3,460,000	281,649	3,741,648.75	5,675,000
2049													1,830,000.00	192,950.00	1,830,000	192,950	2,022,950.00	3,845,000
2050													1,890,000.00	130,730.00	1,890,000	130,730	2,020,730.00	1,955,000
2051													1,955,000.00	66,470.00	1,955,000	66,470	2,021,470.00	-
Grant Total	$ 7,790,000	$ 3,068,819	$ 11,690,000	$ 4,505,014	$ 13,380,000	$ 8,021,481	$ 25,960,000	$ 5,504,813	$ 14,250,000	$ 6,646,644	$ 31,835,000	$ 16,561,016	$ 38,000,000	$ 24,014,528	$ 142,905,000	$ 68,322,314	$ 211,227,314	

Attachment 2 Exhibit B

Certificates of Participation

FY	2010 COP Animal Shelter Principal	Interest	Total Annual P & I	End of FY COPs Balance
			$ -	
2020				4,890,000
2021	125,000	276,800.00	401,800.00	4,765,000
2022	135,000	270,106.25	405,106.25	4,630,000
2023	140,000	262,200.00	402,200.00	4,490,000
2024	150,000	253,862.50	403,862.50	4,340,000
2025	155,000	245,093.75	400,093.75	4,185,000
2026	165,000	235,893.75	400,893.75	4,020,000
2027	175,000	226,118.75	401,118.75	3,845,000
2028	185,000	215,768.75	400,768.75	3,660,000
2029	195,000	204,843.75	399,843.75	3,465,000
2030	210,000	193,200.00	403,200.00	3,255,000
2031	220,000	180,837.50	400,837.50	3,035,000
2032	235,000	167,756.25	402,756.25	2,800,000
2033	245,000	153,956.25	398,956.25	2,555,000
2034	260,000	139,437.50	399,437.50	2,295,000
2035	275,000	124,056.25	399,056.25	2,020,000
2036	290,000	107,812.50	397,812.50	1,730,000
2037	310,000	90,562.50	400,562.50	1,420,000
2038	325,000	72,306.25	397,306.25	1,095,000
2039	345,000	53,043.75	398,043.75	750,000
2040	365,000	32,631.25	397,631.25	385,000
2041	385,000	11,068.75	396,068.75	-
Grand Total	$ 4,890,000.00	$ 3,517,356.25	$ 8,407,356.25	

Attachment 2 Exhibit C

Revenue Bonds

	Berkeley Rep. 2012 Refunding		1947 Center 2012 Refunding		2016 Parking Revenue Bond		Total			
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Annual Total P & I	End of FY Rev Bonds Balance
2020										52,465,000
2021	320,879.33	178,817.04	1,049,121	584,645.46	780,000	1,130,250.00	2,150,000	1,893,713	4,043,712.50	50,315,000
2022	337,274.63	162,363.19	1,102,725	530,849.31	805,000	1,106,850.00	2,245,000	1,800,063	4,045,062.50	48,070,000
2023	352,498.83	146,881.34	1,152,501	480,231.16	840,000	1,074,650.00	2,345,000	1,701,763	4,046,762.50	45,725,000
2024	366,551.94	130,667.56	1,198,448	427,219.93	870,000	1,041,050.00	2,435,000	1,598,937	4,033,937.49	43,290,000
2025	386,460.51	111,842.25	1,263,539	365,670.25	905,000	1,006,250.00	2,555,000	1,483,763	4,038,762.50	40,735,000
2026	405,197.99	92,050.79	1,324,802	300,961.71	945,000	970,050.00	2,675,000	1,363,063	4,038,062.50	38,060,000
2027	427,448.74	71,234.62	1,397,551	232,902.88	980,000	932,250.00	2,805,000	1,236,388	4,041,387.50	35,255,000
2028	442,672.95	53,908.31	1,447,327	176,254.19	1,020,000	893,050.00	2,910,000	1,123,213	4,033,212.50	32,345,000
2029	459,068.24	40,095.28	1,500,932	131,092.22	1,060,000	852,250.00	3,020,000	1,023,438	4,043,437.50	29,325,000
2030	320,879.33	16,461.17	1,049,121	102,695.08	1,105,000	809,850.00	2,475,000	929,006	3,404,006.25	26,850,000
2031			1,450,000	74,187.50	1,145,000	765,650.00	2,595,000	839,838	3,434,837.50	24,255,000
2032			1,500,000	25,312.50	1,190,000	719,850.00	2,690,000	745,163	3,435,162.50	21,565,000
2033					1,240,000	672,250.00	1,240,000	672,250	1,912,250.00	20,325,000
2034					1,290,000	622,650.00	1,290,000	622,650	1,912,650.00	19,035,000
2035					1,340,000	571,050.00	1,340,000	571,050	1,911,050.00	17,695,000
2036					1,380,000	530,850.00	1,380,000	530,850	1,910,850.00	16,315,000
2037					1,425,000	489,450.00	1,425,000	489,450	1,914,450.00	14,890,000
2038					1,465,000	446,700.00	1,465,000	446,700	1,911,700.00	13,425,000
2039					1,510,000	402,750.00	1,510,000	402,750	1,912,750.00	11,915,000
2040					1,555,000	357,450.00	1,555,000	357,450	1,912,450.00	10,360,000
2041					1,600,000	310,800.00	1,600,000	310,800	1,910,800.00	8,760,000
2042					1,650,000	262,800.00	1,650,000	262,800	1,912,800.00	7,110,000
2043					1,700,000	213,300.00	1,700,000	213,300	1,913,300.00	5,410,000
2044					1,750,000	162,300.00	1,750,000	162,300	1,912,300.00	3,660,000
2045					1,805,000.00	109,800.00	1,805,000	109,800	1,914,800.00	1,855,000
2046					1,855,000.00	55,650.00	1,855,000	55,650	1,910,650.00	-
Grand Total	$ 3,818,932	$ 1,004,322	$ 15,436,068	$ 3,432,022	$ 33,210,000	$ 16,509,800	$ 52,465,000	$ 20,946,144	$ 73,411,144	

		FY 2022 Year 1	FY 2023 Year 2	FY 2024 Year 3	FY 2025 Year 4	FY 2026 Year 5	Total Year 1- 5
Parks, Park Buildings, Pools, Waterfront, and Camps							
Available Funding[1]		$1,750,000	$1,750,000	$1,750,000	$1,750,000	$1,750,000	$8,750,000
Expenditures		$1,750,000	$1,750,000	$1,750,000	$1,750,000	$1,750,000	$8,750,000
Capital & Maint. Need [2]	$217,039,000						
Unfunded Liability		($219,594,780)	($222,201,676)	($224,860,709)	($227,572,923)	($230,339,382)	($230,339,382)
Public Buildings							
Available Funding		$800,000	$800,000	$800,000	$800,000	$800,000	$4,000,000
Expenditures		$800,000	$800,000	$800,000	$800,000	$800,000	$4,000,000
Capital & Maint. Need	$282,300,000						
Unfunded Liability		($287,130,000)	($292,056,600)	($297,081,732)	($302,207,367)	($307,435,514)	($307,435,514)
Sidewalks							
Available Funding		$700,000	$700,000	$700,000	$700,000	$700,000	$3,500,000
Expenditures		$700,000	$700,000	$700,000	$700,000	$700,000	$3,500,000
Capital & Maint. Need	$11,120,000						
Unfunded Liability		($10,628,400)	($10,126,968)	($9,615,507)	($9,093,818)	($8,561,694)	($8,561,694)
Streets & Roads							
Available Funding		$6,820,000	$6,820,000	$6,820,000	$6,820,000	$6,820,000	$34,100,000
Expenditures		$6,820,000	$6,820,000	$6,820,000	$6,820,000	$6,820,000	$34,100,000
Capital & Maint. Need	$250,000,000						
Unfunded Liability		($248,043,600)	($246,048,072)	($244,012,633)	($241,936,486)	($239,818,816)	($239,818,816)
Sewers							
Available Funding		$21,974,583	$16,456,882	$20,188,912	$24,206,893	$24,700,000	$107,527,270
Expenditures		$21,974,583	$16,456,882	$20,188,912	$24,206,893	$24,700,000	$107,527,270
Capital & Maint. Need	$193,800,000						
Unfunded Liability		($175,261,925)	($161,981,144)	($144,628,077)	($122,829,608)	($100,092,200)	($100,092,200)
Storm Water							
Available Funding		$1,300,000	$1,300,000	$1,300,000	$1,300,000	$1,300,000	$6,500,000
Expenditures		$1,300,000	$1,300,000	$1,300,000	$1,300,000	$1,300,000	$6,500,000
Capital & Maint. Need	$245,820,000						
Unfunded Liability		($249,410,400)	($253,072,608)	($256,808,060)	($260,618,221)	($264,504,586)	($264,504,586)
Traffic Signals & Parking Infrastructure							
Available Funding		$400,000	$400,000	$400,000	$400,000	$400,000	$2,000,000
Expenditures		$400,000	$400,000	$400,000	$400,000	$400,000	$2,000,000
Capital & Maint. Need	$14,838,800						
Unfunded Liability		($14,727,576)	($14,614,128)	($14,498,410)	($14,380,378)	($14,259,986)	($14,259,986)
TOTAL							
Available Funding		$33,744,583	$28,226,882	$31,958,912	$35,976,893	$36,470,000	$166,377,270
Expenditures		$33,744,583	$28,226,882	$31,958,912	$35,976,893	$36,470,000	$166,377,270
T1 Funding: $100M Infrastructure Bond[3]		$10,650,000	$10,650,000	$10,650,000	$10,650,000	$10,650,000	$53,250,000
Capital & Maint. Need	$1,214,917,800						
Unfunded Liability		($1,193,933,681)	($1,178,935,473)	($1,159,905,270)	($1,136,476,483)	($1,112,086,012)	($1,112,086,012)

[1] Unless otherwise noted, available funding includes recurring sources of capital and major maintenance funding.

[2] Capital & Maint. Needs are current estimates of unfunded needs. Needs are estimated to increase at a rate of 2% per year.

[3] The remaining $53.25M of the bond allocated to project budgets is estimated to be equally distributed over 5 years, ($10.65 million/year).

Public Buildings - Appraisal of Assets Valued @ $5M or More

Other ID.	Address	Sq Feet	Year Built	Last Appr.	Occupied As	Leased Owned	Total Values
MAIN LIBRARY	2090 KITTREDGE STREET (FRONT)	102000	1931	2016	LIBRARY - HIGH END	OWNED	$ 65,314,995
VEHICLES	VARIOUS LOCATIONS	0			RC, COMP & COLLISION	OWNED	$ 55,896,045
CIVIC CENTER BUILDING ANNEX	1947 CENTER STREET	112798	1947	2016	PUBLIC WORKS ENGINEERING AND TRANSPORTATION	OWNED	$ 47,904,716
CENTER STREET GARAGE AND COMMERCIAL SPACE	2025 CENTER STREET	248000	2018	2018	CITY AND PUBLIC PARKING AND OFFICE	OWNED	$ 47,061,572
MARTIN LUTHER KING JR. CIVIC CENTER	2180 MILVIA STREET	89075	1940	2016	OFFICE BUILDING	OWNED	$ 36,913,177
PUBLIC SAFETY BUILDING (INCLUDES PRIIMARY EOC)	2100 MARTIN LUTHER KING JR WAY	60108	2000	2016	POLICE STATION/FIRE STATION OFFICES	OWNED	$ 26,636,433
OLD CITY HALL	2134 MARTIN LUTHER KING JR. WAY	38400	1908	2016	OFFICE	OWNED	$ 17,435,819
TELEGRRAPH/CHANNING (SATHER GATE) MALL AND GARAGE	2438 DURANT AVENUE/CHANNING AVENUE	186890	1990	2016	PARKING GARAGE W/RETAIL	OWNED	$ 15,052,194
FIRE DEPARTMENT WAREHOUSE	1011 FOLGER AVENUE	8021	2011	2019	WAREHOUSE	OWNED	$ 11,818,413
DONA SPRING ANIMAL SHELTER	1 BOLIVAR DRIVE	11700	2013	2016	Animal Shelter	OWNED	$ 10,300,011
LIBRARY-WEST BRANCH	1125 UNIVERSITY AVENUE	9300	2013	2014	LIBRARY	OWNED	$ 8,022,103
125-127 University Office Building	125-127 UNIVERSITY AVE.	15396	1968	2015		OWNED	$ 7,810,758
TAREA HALL PITTMAN SOUTH BRANCH	1901 RUSSELL STREET	8700	2013	2016	LIBRARY	OWNED	$ 6,936,886
OXFORD STREET GARAGE	2165 KITTREDGE STREET	42128	2009	2016	PARKING/RETAIL	OWNED	$ 6,796,983
BERKELEY REP THEATER	2025 ADDISON STREET	24893	2000	2016	THEATRE	OWNED	$ 6,678,445

Public Buildings - Appraisal of Assets Valued @ $5M or More

Other ID.	Address	Sq Feet	Year Built	Last Appr.	Occupied As	Leased Owned	Total Values
VETERANS MEMORIAL HALL	1931 CENTER STREET	33254	1923	2016	ASSEMBLY AND HOMELESS SHELTER	OWNED	$ 6,588,339
NORTH BERKELEY SENIOR CITIZENS CENTER	1901 HEARST AVENUE	20880	1977	2011	SENIOR CENTER	OWNED	$ 6,179,583
JAMES KENNEY RECREATION CENTER	1718 & 1720 8TH STREET	17724	1973	2019	RECREATION CENTER/ASSEMBLY	OWNED	$ 5,841,155
LIBRARY-NORTH BRANCH	1170 THE ALAMEDA	9555	1936	2019	LIBRARY	OWNED	$ 5,823,439
LIBRARY - CLAREMONT BRANCH	2940 BENVENUE AVENUE	8110	1924	2019	LIBRARY	OWNED	$ 5,496,807
SOUTH BERKELEY SENIOR CENTER	2939 ELLIS STREET	17156	1977	2019	SENIOR CENTER	OWNED	$ 5,582,332
BERKELEY MARINA	201 UNIVERSITY AVENUE	152571	1974	2019	BOAT DOCKS	OWNED	$ 5,340,000
TOTAL							**$ 411,430,205**

PROJECTED GENERAL FUND REVENUES

	Projected General Fund Revenue FY 2021 through FY 2030									
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Undesignated Revenues										
Secured Property Taxes	68,058,514	71,121,147	73,610,388	76,186,751	78,853,287	81,613,152	84,469,613	87,426,049	90,485,961	90,485,961
Unsecured Property Taxes	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Supplemental Taxes	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Property Transfer Taxes	16,500,000	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000
Sales Taxes	16,727,492	16,705,100	17,569,800	18,475,300	19,117,700	19,550,400	19,962,000	20,161,620	20,363,236	20,363,236
Soda Tax	970,794	990,210	1,010,014	1,030,214	1,050,819	1,071,835	1,093,272			
Utility Users Taxes	12,750,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Transient Occupancy Taxes(TOT)	3,070,000	3,394,880	3,496,726	3,601,628	3,709,677	3,849,903	3,965,400	4,053,664	4,175,274	4,300,532
TOT for Short-Term Rentals	476,260	500,073	525,077	551,330	578,897	607,842	638,234	670,146	703,653	738,836
Business License Taxes	12,984,192	14,043,702	14,605,450	15,189,668	15,797,255	16,429,145	17,086,311	17,769,763	18,480,554	19,219,775
Business License Taxes for Cannabis Recreational	1,300,000	1,326,000	1,352,520	1,379,570	1,407,162	1,435,305	1,464,011	1,493,291	1,493,291	1,523,157
Vehicle In Lieu Taxes	14,384,459	15,031,760	15,557,872	16,102,397	16,665,981	17,249,290	17,853,016	18,477,871	18,477,871	19,124,597
Other Taxes	1,456,560	1,471,126	1,485,837	1,500,695	1,515,702	1,530,859	1,546,168	1,561,629	1,561,629	1,577,246
Parking Fines	4,049,000	4,129,980	4,212,580	4,296,831	4,382,768	4,470,423	4,559,832	4,651,028	4,744,049	4,838,930
Moving Violations	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000
Interest Income	4,051,200	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Ambulance Fees	3,342,159	3,342,159	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
Franchise Fees	1,581,650	2,152,513	2,195,563	2,239,474	2,284,263	2,329,948	2,376,547	2,424,078	2,472,560	2,472,560
Indirect cost reimbursements	5,490,000	5,490,000	5,490,000	5,490,000	5,490,000	5,490,000	5,490,000	5,490,000	5,490,000	5,490,000
Transfers	17,274,293	5,874,293	5,874,293	5,874,293	5,874,293	5,874,293	5,874,293	5,874,293	5,874,293	5,874,293
Other Revenues	6,246,348	6,246,348	6,246,348	6,246,348	6,246,348	6,246,348	6,246,348	6,246,348	6,246,348	6,246,348
Total Undesignated Revenues	**195,902,922**	**186,509,291**	**192,122,467**	**197,054,501**	**201,864,152**	**206,638,744**	**211,515,043**	**215,189,781**	**219,458,719**	**221,145,470**
Designated Revenues										
Prop. Transfer Taxes for capital improvements		3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Prop. Transfer Taxes-Measure P	6,247,414	6,247,414	6,247,414	6,247,414	6,247,414	6,247,414	6,247,414	6,247,414	3,123,707	
Measure U1 for low income housing	2,700,000	2,808,000	2,920,320	3,037,133	3,158,618	3,284,963	3,416,361	3,553,016	3,695,136	3,842,942
Total Designated Revenues	**8,947,414**	**12,555,414**	**12,667,734**	**12,784,547**	**12,906,032**	**13,032,377**	**13,163,775**	**13,300,430**	**10,318,843**	**7,342,942**
TOTAL REVENUES AND TRANSFERS	**204,850,336**	**199,064,705**	**204,790,201**	**209,839,048**	**214,770,184**	**219,671,121**	**224,678,818**	**228,490,211**	**229,777,562**	**228,488,412**

1. Secured Property Taxes- Projections based on actual or forecast increase in assessed values: FY 2021 7.70%; FY 2022 4.5%;FY 2023-FY 2030 3.5%. Conservatively assumes the real estate market will remain active for the next two years, and then dip and level off.
2. Unsecured Property Taxes, Supplemental Taxes,Utility Users Taxes, and Ambulance Fees-Historical revenues have been flat for several years, and are expected to remain so.
3. Property Transfer Taxes- Projections assume a $16.5 million level from FY 2021 to FY 2022 and then a drop to the $16 million level from FY 2022 through FY 2030.
4. Sales Taxes- Projections are "the most likely outcome" each year up to FY 2027, as provided by MuniServices, the City's Sales Tax consultant that maintains the City's Sales Tax data base. 1% growth each year after FY 2027.
5. Transient Occupancy Taxes- After several years of double-digit growth, this revenue source was devastated by COVID-19 in FY 2021; Thereafter, 3% growth is projected through FY 2030.
6. Business License Taxes (excluding Cannabis Recreational)-Huge decline is expected in FY 2021 as a result of COVID-19; Thereafter, assumes a 4% growth rate from FY 2022-FY 2030
7. Business License Taxes- Cannabis Recreational- Assumes a 4% growth rate from FY 2022-FY 2030.
8. Vehicle In Lieu Taxes- Projections based on actual or forecast increase in assessed values: FY 2021 7.70%; FY 2022 4.5%; FY 2023-FY 2030 3.5%.
9. Parking Fines- Ticket writing has been in a downward spiral for many years; the projections assume flat revenue each year from FY 2022 through FY 2030.
10. Interest Income-The Fed lowered rates to zero again. After a big hit in FY 2021, projection assumes flat growth through FY 2030.
11. Franchise Fees- This revenue source has historically experienced relatively low growth. After a big hit in FY 2021, projection assumes 2% each year through FY 2030.
12. Indirect Cost Reimbursements-Reimbursement increases result from increases in the indirect cost allocation base (i.e., total direct salaries and wages in the fund), an increase in the indirect cost rate or both. Projections assume flat revenue through FY 2030.
13. Transient Occupancy Taxes- Short-term Rentals- After a big hit in FY 2021 as a result of COVID-19, projections assume a 4% growth rate.
14. Soda Taxes- This revenue source was always expected to decline, as the decline in sweet drinks decline. Projections assume a dip in FY 2021 and then 2% growth each year until the tax sunsets on 12/31/2026.

S&P Global Ratings

RatingsDirect®

Summary:

Berkeley, California; Appropriations; General Obligation

Primary Credit Analyst:
Benjamin P Geare, San Francisco + 1 (415) 371 5047; benjamin.geare@spglobal.com

Secondary Contact:
Andrew Bredeson, Centennial + 1 (303) 721 4825; andrew.bredeson@spglobal.com

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Summary:

Berkeley, California; Appropriations; General Obligation

Credit Profile		
US$38.0 mil 2020 GO bnds (2018 Election Measure O) due 09/01/2050		
Long Term Rating	AA+/Stable	New
US$12.12 mil 2010 GO rfdg bnds (2008 Election Measure FF) ser B due 09/01/2039		
Long Term Rating	AA+/Stable	New
US$7.755 mil 2009 GO rfdg bnds (2008 Election Measure FF) ser A due 09/01/2039		
Long Term Rating	AA+/Stable	New
US$4.01 mil 2010 certs of part rfdg bnds due 10/01/2040		
Long Term Rating	AA/Stable	New

Rationale

S&P Global Ratings assigned its 'AA+' long-term rating to Berkeley, Calif.'s 2020 general obligation (GO) bonds (Measure O Authorization) ($38 million in planned par), 2020 GO refunding bonds series A ($7.8 million in planned par), and 2020 GO refunding bonds series B ($12.1 million in planned par). S&P Global Ratings additionally assigned its 'AA' long-term rating to the city's 2020 lease revenue refunding bonds ($4 million in planned par). Finally, S&P Global Ratings affirmed its 'AA+' long-term rating and underlying rating (SPUR) on Berkeley's general obligation (GO) debt outstanding, and its 'AA' long-term rating on the city's certificates of participation (COPs) and lease revenue bonds (LRBs) outstanding. The outlook on all ratings is stable.

Security and use of proceeds

Revenue from unlimited ad valorem taxes levied on taxable property in the city secures both the new and outstanding GO bonds. The city has the power and obligation to levy these taxes without limitation as to rate or amount. Proceeds from the 2020 GO bond (Measure O Authorization) will be used for improvements to and acquisition of affordable and transition housing within the city. Proceeds from the series A and series B 2020 GO refunding bonds will refund a portion of the city's outstanding debt for level interest savings.

The LRBs and COPs outstanding are payable from lease payments to be made from the city to the Berkeley Joint Powers Financing Authority for use of real property in the city. The LRBs are payable under a lease-leaseback agreement whereby the city leases the property to the authority and the authority leases it back to the city. As provided in the lease for the LRBs and the 2010 COPs, payments are triple net, without right of set-offs, and the city is responsible for the maintenance, taxes, and utilities of the leased property. Base rental payments may be abated in the event of damage to, or the destruction of, the assets. To mitigate the risk of abatement in such a case, the city has covenanted to maintain at least 24 months' rental interruption insurance coverage, except with respect to earthquake coverage. In addition, insurance against loss or damage, for certain causes of loss equal to the lesser of 100%

outstanding aggregate principal amount of the bonds or 100% replacement cost of all structures, is required under the lease. The transaction documents do not require the city to fund a debt service reserve. In accordance with our criteria, we do not view the lack of a debt service reserve as a significant credit weakness because the three-month lag between the start of the city's fiscal year (July 1) and the debt service due date (Oct. 1) mitigates late budget adoption risk. Our ratings on the city's LRBs and COPs are one notch below the city GO rating to reflect appropriation risk. Proceeds from the series 2020 lease revenue refunding bonds will be used to refund a portion of the city's outstanding debt. The city is planning to redirect the savings, which will be frontloaded, to the city's section 115 pension trust.

Credit overview

The city of Berkeley's credit quality is anchored by the city's desirable location on the San Francisco Bay in Alameda County, as well as the presence of the University of California's flagship Berkeley campus. These factors have helped the city enjoy extraordinary growth during the recent expansion. Importantly, the city has successfully leveraged this wealth to fortify its financial position. A history of strong operating surpluses has allowed the city to maintain very strong budgetary flexibility. While the city has begun to take steps to plan for continued increases in pension costs, we believe the city's elevated pension liabilities will continue to challenge the city, particularly if a recession once again causes a decline in revenue. We also believe the statewide challenges of housing affordability and homelessness are beginning to affect the city's credit quality, with the city dedicating significant attention and, increasingly, fiscal resources to address the problems.

The ratings further reflect our view of the following credit characteristics of the city:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA) and a local stabilizing institutional influence;
- Very strong management, with strong financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2019;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2019 of 50% of operating expenditures;
- Very strong liquidity, with total government available cash at 105.2% of total governmental fund expenditures and 24.8x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability profile, with debt service carrying charges at 4.2% of expenditures and net direct debt that is 47.8% of total governmental fund revenue, as well as a large pension and other postemployment benefit (OPEB) obligation and the lack of a plan to sufficiently address the obligation; and
- Strong institutional framework score.

Very strong economy

We consider Berkeley's economy very strong. The city, with an estimated population of 123,328, is located in Alameda County in the San Francisco-Oakland-Hayward, Calif., MSA, which we consider to be broad and diverse. The city also benefits, in our view, from a stabilizing institutional influence. The city has a projected per capita effective buying income of 159% of the national level and per capita market value of $167,618. The city's market value grew by 7.0% over the past year to $20.7 billion in 2020. The county unemployment rate was 3.0% in 2018.

Berkeley is located on the east side of the San Francisco Bay, approximately 10 miles northeast of San Francisco. The University of California, on the eastern side of the city, acts as a stabilizing institution and serves as a major component of the city's economy, employing approximately 13,400 (roughly 20% of total employment) full- and part-time workers. In our view, the University of California's student population (roughly 43,000 enrolled students in 2019) lowers income levels within the city. According to management, the university is planning to continue adding students after adding nearly 10,000 in recent years. Management also reports that the city is continuing to experience a significant construction boom as a result of major residential and commercial construction projects as well as an increase in single-family home renovations.

Looking ahead at macro-level considerations, despite some indications of a weakening economy at the national level, state and local government credit quality has not shown any signs of broad deterioration. We believe the prolonged trade dispute with China is pulling down projections for U.S. GDP growth. That said, we note that the city could face some economic risk due to increasingly unaffordable housing across much of coastal California and due to the cap on the state and local tax deduction imposed by the federal Tax Cuts and Jobs Act--although we have not seen these risks materialize thus far. For additional information, see "In The Mist Of Mixed Economic Signals, U.S. State And Local Credit Quality Remains Strong" (published Oct 29, 2019) and "U.S. Tax Reform: Mapping The Potential Winners And Losers By County" (published May 2, 2018).

Very strong management

We view the city's management as very strong, with strong financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.

Highlights of the city's approach to financial management include:

- A budget formation process that incorporates historical revenue and expenditure trends, as well as some independent revenue forecasts;
- A biannual budget process with formal revision twice per calendar year, coupled with quarterly monitoring of budget-to-actual results;
- A five-year financial forecast that is updated annually;
- A five-year capital improvement plan, updated annually as part of the budget process, that identifies all known revenue sources to support potential projects;
- A formal investment policy that details permitted instruments and portfolio objectives and includes monitoring requirements with quarterly presentations to the council;
- A basic debt policy that includes some quantitative limits but does not include robust quantitative measures or benchmarks; and
- A minimum reserve and fund balance policy of 13.8% of budgeted revenue, with a longer-term goal of 30%.

Strong budgetary performance

Berkeley's budgetary performance is strong, in our opinion. The city had operating surpluses of 9.7% of expenditures in the general fund and of 17.0% across all governmental funds in fiscal 2019. Our assessment accounts for our expectation that budgetary results could deteriorate somewhat in the near term.

We believe the city is operationally balanced, and due largely to the city's robust economic growth in recent years, the city has experienced sizable positive net general fund results due to positive variation in revenue. However, the city's challenges with housing and homelessness have absorbed much of this additional fiscal capacity in recent years, in our view. In the city's 2016 and 2018 election, the two most significant fiscal measures--a new real estate transfer tax that was expected to generate $6 million-$8 million annually and a $135 million GO authorization--were both passed by voters as measures to address the city's housing affordability and homelessness challenges. While the actions the city has taken to date are significant and unique in the region, at this point it's not clear if they will be sufficient. If not, the city may need to dedicate additional ongoing budgetary resources or debt capacity to respond to the challenge.

The city is budgeting for balanced general fund results over the 2020-2021 biennium, and we believe they will likely end better than budgeted.

We have adjusted general fund expenditures upward and the corresponding net transfers downward to reflect ongoing transfers out to various special funds to support operations and maintenance. We also adjusted general fund revenue and the corresponding net transfers in the past three audited years to reflect ongoing transfers in from the parking enterprise fund.

Very strong budgetary flexibility

We expect the available fund balance to remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor.

The city maintains very strong reserves and has no plans to spend them down. We do not anticipate that the city will spend them down.

Very strong liquidity

In our opinion, Berkeley's liquidity is very strong, with total government available cash at 105.2% of total governmental fund expenditures and 24.8x governmental debt service in 2019. In our view, the city has strong access to external liquidity if necessary.

We believe the city's investment policy restricts its ability to maintain an aggressive investment portfolio, and we have not identified any contingent risks that would jeopardize the city's liquidity. The city invests in money market funds, medium-term notes, and municipal bonds. We do not expect the city's liquidity position to deteriorate over the medium term, based on historical performance and a lack of identified material risks to liquidity.

Weak debt and contingent liability profile

In our view, Berkeley's debt and contingent liability profile is weak. Total governmental fund debt service is 4.2% of total governmental fund expenditures, and net direct debt is 47.8% of total governmental fund revenue.

In November 2018, the city's voters approved $135 million in general fund bond authorization specifically to address the city's housing challenges, and this series will be the first issuance. According to management, the city will likely issue the remaining $97 million in three series over the next several years, with the next issuance expected in 2023. In addition, the city still has $65 million in authority from its 2016 measure T1 authorization.

Management also confirmed that the city has no alternative financing obligations.

Pension and OPEB highlights

- In our view, the city has a large pension and OPEB liability that is pressuring the city's operations, and while the city has made progress planning--including establishing a Section 115 trust--we don't yet believe the city has adequately planned for expected cost escalation.
- The city's pension funded status, combined with recent changes to assumed discount rate and amortization methods, will likely lead to accelerating costs in the medium term. However, we believe this approach will help the city make timely progress reducing pension liabilities.
- While the city is not making full actuarially determined contributions (ADCs) toward its OPEB liability, which will lead to significant contribution volatility over time, we believe Berkeley's pension costs represent a more urgent source of adverse credit pressure.

The city participates in the following plans funded as of June 30, 2018:

- California Public Employees' Retirement System (CalPERS) miscellaneous plan: $281 million in net liability, or 72% funded;
- CalPERS police plan: $159 million in net liability, or 62% funded;
- CalPERS fire plan: $76 million in net liability, or 72% funded; and
- Retiree Health Plan: single-employer OPEB plan with $37 million in net liability, or 45% funded.

Berkeley's combined required pension and actual OPEB contributions totaled 15.9% of total governmental fund expenditures in 2019. Of that amount, 14.8% represented required contributions to pension obligations, and 1.1% represented OPEB payments. The city's 2018 ADC for all three of its CalPERS plans fell short of static funding, indicating that the city's pension liabilities increased. While CalPERS' recent adoption of a 20-year, level dollar amortization approach for new gains and losses will lead to more rapid contribution increases, a shorter amortization period will provide a faster recovery to plan funding following years of poor investment performance or upward revisions to the pension liability, which we view favorably. However, we believe costs will continue to increase for the next several years to retire existing unfunded liability, much of which is amortized over 30-year periods using a level percent of payroll approach. In our view, the discount rate of 7.15% contributes to contribution volatility.

Strong institutional framework

The institutional framework score for California municipalities required to submit a federal single audit is strong.

Outlook

The stable outlook reflects our view of Berkeley's historically stable financial position and demonstrated willingness to reduce expenditures as volatile revenues decline. We also expect that city management will continue to balance its operations and maintain very strong reserves. We do not expect to change the ratings within the two-year outlook horizon.

Upside scenario

We could raise the ratings if the city significantly reduces its unfunded pension liability and we believe the city will not need to increase its ongoing fiscal commitments to address its housing and homelessness challenges.

Downside scenario

We could lower the ratings if the city's financial performance and flexibility deteriorate to a level we consider adequate, and if debt or economic scores worsen.

Related Research

- SeismiCat Earthquake Model, May 4, 2018
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2019 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of February 14, 2020)		
Berkeley GO		
Long Term Rating	AA+/Stable	Affirmed
Berkeley GO (BAM)		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Berkeley APPROP		
Long Term Rating	AA/Stable	Affirmed
Berkeley GO		
Long Term Rating	AA+/Stable	Affirmed
Berkeley 2010 certs of part rfdg bnds due 10/01/2040		
Long Term Rating	AA/Stable	Affirmed
Berkeley Jt Pwrs Fing Auth, California		
Berkeley, California		
Berkeley Jt Pwrs Fing Auth (Berkeley) 2012 rfdg lse rev bnds		
Long Term Rating	AA/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

To: Henry Oyekanmi
From: Ben Geare
Date: Feb 28, 2020
Re: Additional information on debt and contingent liability analysis

Dear Henry,

Per your request, please find below some additional information on how we conducted our analysis of the city of Berkeley's debt and contingent liability profile.

Please note that certain terms used in our rating report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria.

The debt and contingent liabilities section of our analysis relies on the three documents listed below (attached in Appendix 4). Note that these documents, as well as any other criteria used to assign the rating, should be read in full to understand all aspects of our analysis.

- "Debt Statement Analysis" criteria, published Aug 22, 2006
- "U.S. Local Governments General Obligation Ratings: Methodology And Assumptions" criteria, published Sept. 12, 2013
- "Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings" guidance, published Oct 7, 2019

Initial debt and contingent liabilities score

The criteria form the initial debt and contingent liabilities score from the combination of two measures: total governmental funds debt service as a percentage of total governmental funds expenditures and net direct debt as a percentage of total governmental funds revenue. Table 14 from our "U.S. Local Governments General Obligation Ratings: Methodology And Assumptions" criteria (listed in Appendix 2 below) details the scoring for the debt and contingent liabilities score. A score from that table of 1, 2, 3, 4, or 5 are very strong, strong, adequate, weak and very weak, respectively.

Our description of Berkeley's debt and contingent liability profile as "weak" indicates a score of 4. As we stated in our report, we determined (according the methods described in our Debt Statement Analysis criteria) that Berkeley's total governmental fund debt service is 4.2% of total governmental fund expenditures, and net direct debt is 47.8% of total governmental fund revenue. If you reference Table 14 below, you will see that these two scores result in an initial debt and contingent liabilities score of 2 (with TGF debt service below the 8% threshold and net direct debt as a percentage of TGF revenue between 30% and 60%).

Additional qualitative adjustments related to pension and OPEB liabilities

As our report also indicates, there was an additional qualitative factor with a negative impact on Berkeley's initial debt and contingent liabilities score, resulting in a final debt and contingent liabilities score of four. As you can see in table 14 in Appendix 2 below, one of these negative qualitative factors is the presence of an "unaddressed exposure to large unfunded pension or OPEB obligations leading to accelerating payments over the medium term that represent significant budget pressure…" and the criteria goes on the say that: "If there is a plan to address the obligations, the final score will worsen by one point, otherwise the score worsens by two points". As we stated in the rating report, "…In our view, the city has a large pension and OPEB liability that is pressuring the city's operations, and while the city has made progress planning--including establishing a Section 115 trust--we don't yet believe the city has adequately planned for expected cost escalation".

Paragraph 82 of our Sept. 2013 Local Government GO Ratings criteria (included in appendix 2 below) provides more detail on areas of analytical focus when assessing pension and OPEB burden. This section notes: "A combined carrying charge (required annual pension payment plus annual OPEB payment as a percentage of total governmental funds expenditures) of 10% or more will be considered elevated, however, we will consider whether we expect the elevated payments to result in lower future obligations." And then goes on to state that when pension plan funded ratios "are less than 80%, they will receive further review especially when the carrying charge is elevated." As we noted in our report, "Berkeley's combined required pension and actual OPEB contributions totaled 15.9% of total governmental fund expenditures in 2019. Of that amount, 14.8% represented required contributions to pension obligations, and 1.1% represented OPEB payments." We also noted that, as of June 30, 2018, the city's miscellaneous, police, and fire CalPERS plans were funded at 72%, 62%, and 72%, respectively.

Our Oct. 7, 2019 pension guidance document provides guidelines that we commonly consider when analyzing the potential for pension cost acceleration and budget stress. This document defines how we calculate our assessment of "static funding" and "minimum funding progress," which are metrics used to assess cost trajectory and potential for budgetary stress. See appendix 3 for the definition of these metrics and an explanation of how they are calculated. Our statement in the report that all three of the city's CalPERS plans "fell short of static funding" refers to this metric. The pension guidance document also includes guidelines we use to assess other actuarial methods and assumptions, including the plan amortization approach and discount rate.

I hope this answers your question. We are happy to discuss any additional questions you might have.

Kind Regards,

Ben Geare
Feb 28, 2020

Appendix 1:

The debt and contingent liabilities section for the City of Berkeley's Feb 14, 2020 Rating Report

"Weak debt and contingent liability profile

In our view, Berkeley's debt and contingent liability profile is weak. Total governmental fund debt service is 4.2% of total governmental fund expenditures, and net direct debt is 47.8% of total governmental fund revenue.

In November 2018, the city's voters approved $135 million in general fund bond authorization specifically to address the city's housing challenges, and this series will be the first issuance. According to management, the city will likely issue the remaining $97 million in three series over the next several years, with the next issuance expected in 2023. In addition, the city still has $65 million in authority from its 2016 measure T1 authorization.

Management also confirmed that the city has no alternative financing obligations.

Pension and OPEB highlights

- In our view, the city has a large pension and OPEB liability that is pressuring the city's operations, and while the city has made progress planning--including establishing a Section 115 trust--we don't yet believe the city has adequately planned for expected cost escalation.
- The city's pension funded status, combined with recent changes to assumed discount rate and amortization methods, will likely lead to accelerating costs in the medium term. However, we believe this approach will help the city make timely progress reducing pension liabilities.
- While the city is not making full actuarially determined contributions (ADCs) toward its OPEB liability, which will lead to significant contribution volatility over time, we believe Berkeley's pension costs represent a more urgent source of adverse credit pressure.

The city participates in the following plans funded as of June 30, 2018:

- California Public Employees' Retirement System (CalPERS) miscellaneous plan: $281 million in net liability, or 72% funded;
- CalPERS police plan: $159 million in net liability, or 62% funded;
- CalPERS fire plan: $76 million in net liability, or 72% funded; and
- Retiree Health Plan: single-employer OPEB plan with $37 million in net liability, or 45% funded.

Berkeley's combined required pension and actual OPEB contributions totaled 15.9% of total governmental fund expenditures in 2019. Of that amount, 14.8% represented required contributions to pension obligations, and 1.1% represented OPEB payments. The city's 2018 ADC for all three of its CalPERS plans fell short of static funding, indicating that the city's pension liabilities increased. While CalPERS' recent adoption of a 20-year, level dollar amortization approach for new gains and losses will lead to more rapid contribution increases, a shorter amortization period will provide a faster recovery to plan funding following years of poor investment performance or upward revisions to the pension liability, which we view favorably. However, we believe costs will continue to increase for the next several years to retire existing unfunded liability, much of which is amortized over 30-year periods using a level percent of payroll approach. In our view, the discount rate of 7.15% contributes to contribution volatility."

Appendix 2

Selections from "U.S. Local Governments General Obligation Ratings: Methodology And Assumptions" criteria, published Sept. 12, 2013

I. Debt And Contingent Liabilities Score

78. The criteria form the initial debt and contingent liabilities score from the combination of two measures: total governmental funds debt service as a percentage of total governmental funds expenditures and net direct debt as a percentage of total governmental funds revenue. Debt service as a percentage of expenditures measures the annual fixed-cost burden that debt places on the government. Debt to revenues measures the total debt burden on the government's revenue position rather than the annual cost of the debt, which can be manipulated by amortization structures. Net direct debt is calculated as of the date of our analysis, including any debt issuance we are currently rating. Debt to expenditures is measured similarly, recognizing any near-term changes due to the government's debt structure. Table 14 details the scoring for the debt and contingent liabilities score. For more information on debt measurement, see "Debt Statement Analysis," published Aug. 22, 2006.

Table 14
Assessing The Debt And Contingent Liabilities Score (see paragraphs 78-84)

	Net Direct Debt As % Of Total Governmental Funds Revenue				
Total Governmental Funds Debt Service As A % of Total Governmental Funds Expenditures	<30	30 to 60	60 to 120	120 to 180	≥180
< 8	1	2	3	4	5
8 to 15	2	3	4	4	5
15 to 25	3	4	5	5	5
25 to 35	4	4	5	5	5
≥35	4	5	5	5	5

A score of 1, 2, 3, 4 and 5 are very strong, strong, adequate, weak and very weak, respectively.

Qualitative factors with a positive impact on the initial score:	Qualitative factors with a negative impact on the initial score:
Overall net debt as a percentage of market value below3%.	Significant medium-term debt plans produce a higher initial score when included.
Overall rapid annual debt amortization, with more than 65% coming due in10 years.	Exposure to interest-rate risk or instrument provisions that could increase annual payment requirements by at least 20%.
	Overall net debt as a percentage of market value exceeding 10%.
	Unaddressed exposure to large unfunded pension or OPEB obligations leading to accelerating payment obligations over the medium term that represent significant budget pressure (see paragraph 82). If there is a plan to address the obligations, the final score worsens by one point; otherwise the score worsens by two points.
	Speculative contingent liabilities or those otherwise likely to be funded on an ongoing basis by the government representing more than 10% of total governmental revenue .

For each relevant qualitative factor, the score changes by one point, except for unaddressed exposure to unfunded pension or OPEB obligations which can worsen the final score by two points. The final debt and contingent liabilities score equals the initial score adjusted up or down based on the net effect of the qualitative factors. Metrics equal a cutoff point between two initial scores will equate to the worse score.

79. Qualitative adjustments may raise or lower the final debt and contingent liabilities score relative to the initial score, as shown in table 14. The criteria consider pending debt issuance through an upward score adjustment when including the planned or recently issued debt results in a worse score.

80. The criteria improve the final score by one point when above-average annual debt amortization (based on total direct debt) inflates the debt service as a percentage of expenditures score and masks the future flexibility stemming from an early deleveraging. The criteria do not apply this adjustment when the early amortization results from a near-to-medium term bullet maturity that will not be retired with funds on hand. Exposure to interest-rate risk or instrument provisions that cause amortization or interest-rate changes beyond the issuer's control increase the score by one point, reflecting additional uncertainty as to whether current debt service costs will be sustained. Examples include unhedged variable-rate debt or higher interest rates resulting from failed remarketings in instruments such as auction-rate securities, variable-rate demand bonds, and certain direct purchase obligations.

81. An overall net debt to TMV level of above 10% worsens the score by one point, while a low level, below 3%, improves the score by one point. This statistic captures the burden of the local government's debt in addition to that of overlapping jurisdictions on the overall tax base. An atypical debt burden can present extra challenges or flexibility over and above that suggested by the individual government's debt burden alone.

82. The impact of pension and OPEB obligations depends on the degree to which such costs will likely escalate and whether the government has plans to address them. Relative to debt, governments have a higher level of flexibility to address these costs, both from a temporal payment perspective and from an obligation level perspective. Many governments have the flexibility to alter benefit levels, and some governments already have availed themselves of this ability. Most governments also can pay less than the annual required contribution without leaving the fund unable to meet actual payments in the current and following year. On the other hand, such delays accelerate the growth rate of future payments. When the potential for such accelerations exists and the increased payments would increase budget stress, the final debt and contingent liabilities score worsens by one point when a specific and credible plan to address this burden is in place. Otherwise, the score worsens by two points relative to the initial score. Among the areas of analytic focus when assessing the pension and OPEB burden will be:

- *The required annual pension payment plus annual OPEB payment as a percentage of total governmental funds expenditures. A combined carrying charge of 10% or more will be considered elevated, however, we will consider whether we expect the elevated payments to result in lower future obligations.*
- *The actuarial funded ratio(s) of the pension plan(s) a local government participates in or sponsors. If the ratio(s) are less than 80%, they will receive further review especially when the carrying charge is elevated. We also consider the magnitude of the unfunded obligation in tandem with the funded ratio(s) when assessing the potential for stress.*
- *The contributions actually made to all pension plans a local government participates in or sponsors. The degree to which a local government contributes less than its full*

required contribution(s) could be an indication of either short-term cash flow issues or a willingness of management to defer difficult decisions.

- *The OPEB costs exceed 5% of total governmental funds expenditures and the local government has limited flexibility to change or amend these benefits.*

83. Finally, another adjustment considers additional future contingent liabilities not yet requiring government support. While our debt burden calculation already considers other nondirect debt requiring government support and our liquidity score considers the near-term impact of any contingent liabilities, the adjustment to the debt score results from a likelihood of ongoing payment obligations not yet occurring that represent more than 10% of total governmental funds revenues. Once the payment obligations become reality, they are included in the debt measure. Examples of contingent liabilities include potential legal judgments, currently self-supporting government enterprise debt that is likely to require support in the near future, guaranteed debt likely to need support in the near future, and additional costs resulting from pending changes in law.

Appendix 3

Selections from "Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings" guidance, published Oct 7, 2019

Actual Contribution

Not all pension plans have an actuarial funding plan in place, which can hinder evaluation of the funding discipline. One way we may evaluate how effective the most recent year's contributions are at reaching 100% funding within a reasonable timeframe is our minimum funding progress (MFP) metric. The MFP metric assesses whether the most recent employer and employee contributions cover total service cost plus unfunded interest cost plus 1/30th of the principal and is defined as follows:

MFP = SC + IC + NPL/30

- *Service cost = new benefits earned during the year*
- *Unfunded interest cost = interest earned during the year on the net pension liability*
- *Net pension liability (NPL) = NPL at beginning of year*

When contributions are to equal service cost plus unfunded interest cost alone, the plan would typically maintain its current funding levels and not make any progress toward full funding; in other words, it is "static funding." We generally do not view static funding as prudent because failing to make measureable progress on the unfunded liability, especially during periods of economic expansion, indicates poor plan management that increases the risk of higher costs during down markets. We view contributions that cover static funding plus 1/30th of the unfunded liability in the most recent annual contribution as a minimum amount of progress that governments should make toward full funding, without regard to an actuarial funding plan.

Appendix 4

Selected Criteria and Guidance documents

Link to spratings.com	"Debt Statement Analysis" criteria, published Aug 22, 2006
Link to spratings.com	"U.S. Local Governments General Obligation Ratings: Methodology And Assumptions" criteria, published Sept. 12, 2013
Link to spratings.com	"Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings" guidance, published Oct 7, 2019

Office of the City Manager

WORK SESSION
March 16, 2021

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Rama Murty, Acting Budget Manager

Subject: FY 2021 Mid-Year Budget Update

INTRODUCTION

This report presents the FY 2021 Mid-Year Budget Update and focuses on projected General Fund revenues and actual General Fund and Special Fund expenditures from July 2020 to December 2020.

CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley is currently in Fiscal Year 2021 (FY), the second of two fiscal years in the FY 2020 & FY 2021 biennial budget cycle, which Council adopted on June 30, 2020[1]. In June 2020, the City Council adopted a significant revision to the FY 2021 budget due to the loss of anticipated revenue from the COVID-19 pandemic. FY 2021 runs from July 1, 2020 through June 30, 2021.

As depicted in the table below, as of December 31, 2020, while General Fund revenues are on track to exceed initial estimates, General Fund expenses are also somewhat higher than anticipated.. Given these trends and the fiscal uncertainty attributed to the COVID-19 pandemic, Staff will carefully monitor revenues and expenses in the second half of FY 2021.

$'s in Millions

	Adjusted Budget	FY 2021 Mid-Year Actuals	% Received/ Expensed and Encumbered
Revenues	$195.8	$102.2	52%
Expenditures	($224.1)	($118.3)	53%
Carryover and Excess Equity	$ 29.4		
Balance	$ 1.1		

[1] https://www.cityofberkeley.info/Clerk/City_Council/2020/06_June/Documents/2020-06-30_Item_40_FY_2021_Mid-Biennial_Budget_pdf.aspx

The carryover and excess equity are carried forward from FY 2020. Additional information on the carryovers and excess equity allocation is discussed later in this report under the General Fund Expenditures section.

FY 2021 Mid-Year Summary

On November 17, 2020, Council was provided the [FY 2020 Year-End Results and FY 2021 First Quarter Budget Update] report. At the time, both the General Fund revenues and the General Fund expenditures were tracking within budget.

The chart below shows FY 2021 General Fund Revenues through the first six months and compares them to the first six months of FY 2020.

General Fund Revenues (Adopted and Year to Date Actual thru December 31)

Revenue Categories	FY 2021				FY 2020				Comparision FY21 vs FY 20	
	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	$61,165,454	$34,731,618	($26,433,836)	56.78%	$63,199,622	$32,175,526	($31,024,096)	50.91%	2,556,092	7.94%
Redemptions -Regular	534,512	432,291	(102,221)	80.88%	668,140	356,477	($311,663)	53.35%	75,814	21.27%
Supplemental Taxes	1,260,000	855,050	(404,950)	67.86%	1,400,000	808,127	($591,873)	57.72%	46,923	5.81%
Unsecured Property Taxes	2,250,000	2,995,351	745,351	133.13%	2,500,000	2,705,126	$205,126	108.21%	290,225	10.73%
Property Transfer Tax	16,500,000	10,665,913	(5,834,087)	64.64%	12,500,000	15,043,643	$2,543,643	120.35%	(4,377,730)	-29.10%
Property Transfer Tax-Measure P (New December 21, 2018)	4,747,414	4,254,324	(493,090)	89.61%	1,509,218	7,046,430	$5,537,212	466.89%	(2,792,106)	-39.62%
Sales Taxes	15,786,200	8,069,851	(7,716,349)	51.12%	18,238,000	9,430,533	($8,807,467)	51.71%	(1,360,682)	-14.43%
Soda Taxes	970,794	530,328	(440,466)	54.63%	1,459,057	765,628	($693,429)	52.47%	(235,300)	-30.73%
Utility Users Taxes	12,750,000	6,304,755	(6,445,245)	49.45%	15,000,000	6,327,260	($8,672,740)	42.18%	(22,505)	-0.36%
Transient Occupancy Taxes	5,070,000	1,084,961	(3,985,039)	21.40%	7,800,000	4,483,409	($3,316,591)	57.48%	(3,398,448)	-75.80%
Short-term Rentals	676,260	218,590	(457,670)	32.32%	1,020,000	867,507	($152,493)	1,020,000	(648,917)	-74.80%
Business License Tax	12,984,192	390,253	(12,593,939)	3.01%	19,584,000	1,166,980	($18,417,020)	5.96%	(776,727)	-66.56%
Recreational Cannabis	1,300,000	355,641	(944,359)	27.36%	510,000	702,857	$192,857	137.82%	(347,216)	-49.40%
U1 Revenues	2,700,000	53,389	(2,646,611)	1.98%	1,000,000	187,700	($812,300)	18.77%	(134,311)	-71.56%
Other Taxes	922,048	705,675	(216,373)	76.53%	1,116,860	769,335	($347,525)	68.88%	(63,660)	-8.27%
Vehicle In-Lieu Taxes	12,421,597	7,190,227	(5,231,370)	57.88%	13,333,826	6,678,022	($6,655,804)	50.08%	512,205	7.67%
Parking Fines-Regular Collections	5,049,000	1,714,828	(3,334,172)	33.96%	6,600,000	2,337,328	($4,262,672)	35.41%	(622,500)	-26.63%
Parking Fines-Booting Collections			0		200,000	8,685	($191,315)	4.34%	(8,685)	-100.00%
Moving Violations	190,000	42,277	(147,723)	22.25%	190,000	114,850	($75,150)	60.45%	(72,573)	-63.19%
Ambulance Fees	5,103,208	1,414,206	(3,689,002)	27.71%	4,200,000	2,392,802	($1,807,198)	56.97%	(978,596)	-40.90%
Interest Income	2,851,200	2,627,359	(223,841)	92.15%	3,500,000	3,019,829	($480,171)	86.28%	(392,470)	-13.00%
Franchise Fees	1,551,696	370,029	(1,181,667)	23.85%	2,068,928	421,414	($1,647,514)	20.37%	(51,385)	-12.19%
Other Revenue	6,246,348	5,631,071	(615,277)	90.15%	8,044,544	4,494,527	($3,550,017)	55.87%	1,136,544	25.29%
IDC Reimbursement	5,490,000	2,683,137	(2,806,863)	48.87%	6,100,000	2,525,542	($3,574,458)	41.40%	157,595	6.24%
Transfers	17,274,293	8,865,281	(8,409,012)	51.32%	5,266,688	2,633,344	($2,633,344)	50.00%	6,231,937	236.65%
			-				-		-	
Total Revenue:	$195,794,216	$102,186,405	-$93,607,811	52.19%	$197,008,883	$107,462,881	-$89,546,002	54.55%	($5,276,476)	-4.91%

Note: This statement is presented on a budgetary basis.

The Mid-year review generally focuses on the major revenue fluctuation and changes that have occurred that might result in significant changes in future projections. However, in light of the disruptions created by the COVID-19 pandemic, Staff believes it would be prudent, where possible, to indicate where revisions to revenue projections maybe needed based on mid-year trends and macro-economic indicators. Staff have identified this in the detailed discussions of the specific revenue streams below. Staff will continue to monitor the actual revenues received over the next two quarters and then provide revised projections as appropriate.

During the first six months of FY 2021, General Fund revenue and transfers decreased from the first half of FY 2020 by $5,276,476 or 4.91%, from $107,462,881 in the first half of FY 2020 to $102,186,405 during the first half of FY 2021. This is primarily due to decreases in the following:

- Property Transfer Tax - $4,377,730,
- Property Transfer Taxes- Measure P - $2,792,106,
- Sales Tax - $1,360,682,
- Transient Occupancy Taxes (TOT) decline of $3,398,448,
- Parking Fines - $622,500,
- Ambulance Fees - $978,596, and
- Interest Income - $392,470.

These decreases were partially offset by increases in the following:

- Transfers In of $6,231,937,
- Secured Property Tax - $2,556,092,
- Vehicle in Lieu Taxes - $512,205,
- Other Income - $1,136,544.

Based on results from the first six (6) months of the Fiscal Year, Staff is increasing the total projected General Fund revenues for FY 2021 by $9,056,121 or 4.6% to $204,850,337 from the $195,794,216 reflected in the Adopted Budget.

The following table summarizes the Adopted FY 2021 forecast and the Revised FY 2021 forecast.

FY 2021 Revenue Comparison			
	FY 2021 Adopted	FY 2021 Revised	Change
Undesignated Revenues			
Secured Property Taxes	61,165,455	68,058,514	6,893,059
Regular Redemptions	534,511		
Unsecured Property Taxes	2,250,000	3,000,000	750,000
Supplemental Taxes	1,260,000	2,000,000	740,000
Property Transfer Taxes	16,500,000	16,500,000	0
Sales Taxes	15,786,200	16,727,492	941,292
Soda Tax	970,794	970,794	0
Utility Users Taxes	12,750,000	12,750,000	0
Transient Occupancy Taxes(TOT)*	5,746,260	3,546,260	(2,200,000)
Business License Taxes**	14,284,192	14,284,192	0
Vehicle In Lieu Taxes	12,421,597	14,384,459	1,962,862
Other Taxes	922,048	1,456,560	534,512
Parking Fines	5,049,000	4,049,000	(1,000,000)
Moving Violations	190,000	190,000	0
Interest Income	2,851,200	4,051,200	1,200,000
Ambulance Fees	5,103,208	3,342,159	(1,761,049)
Franchise Fees	1,551,696	1,581,650	29,954
Indirect cost reimbursements	5,490,000	5,490,000	0
Transfers	17,274,293	17,274,293	0
Other Revenues	6,246,348	6,246,348	0
Total Undesignated Revenues	$188,346,802	$195,902,922	$8,090,631
*TOT for Short-Term Rentals	676,260	476,260	
**Business License Taxes for Cannabis Recreational	1,300,000	1,300,000	
Designated Revenues			
Prop. Transfer Taxes for capital improvements	0	0	
Prop. Transfer Taxes-Measure P	4,747,414	6,247,414	
Measure U1 for low income housing	2,700,000	2,700,000	
Total Designated Revenues			
TOTAL REVENUES AND TRANSFERS	**$195,794,216**	**$204,850,336**	**$9,056,120**

These projections will be reviewed and analyzed every quarter as more data is collected and revenue trends are determinable.

After the COVID-19 pandemic started and the shelter in place orders were implemented, the economic activities that drives some of the General Fund's major revenue streams caused a sharp decline in the growth rate for the first six months of FY 2021. However, some revenue streams were impacted differently than others.

Property Tax Revenue Streams:
Because of the way property taxes are assessed, due and paid, the major property tax revenue sectors were only mildly impacted or not impacted at all. For example:

For Secured Property Taxes in FY 2021, assessed values were determined and taxes were liened on January 1, 2020, before the start of the COVID-19 pandemic. Therefore, the taxes could only be significantly affected by a lower collection rate. (i.e., a higher level of taxpayers who are delinquent in paying the taxes).

In addition, assessed values for Unsecured Property Taxes were determined and taxes were liened on January 1, 2020, before the pandemic started; and, these taxes are due and primarily paid during the first quarter. Therefore, revenues in this tax category will be unaffected by the COVID-19 pandemic in FY 2021.

Revenue Streams Reliant Upon Business and Other Activity:
As a result of the initial shelter in place orders to close all non-essential businesses and the stops and starts since then, business-related activity declined sharply and resulted in significant negative impacts on the following revenue streams in the first six months of FY 2021 compared to the first six months of FY 2020:

- Transient Occupancy Taxes (TOT)- Decline of 75.8%;
- Short-Term Rentals – Decline of 74.8%
- Property Transfer Taxes- Decline of 29.1%;
- Measure P Property Transfer Taxes-Decline of 39.6%
- Parking fines – Decline of 26.6%;
- Sales Taxes -Decline of 14.4%;
- Ambulance fees -Decline of 40.9%; and
- Interest Income -Decline of 13.0%

Secured Property Tax (+$2,556,092 more than FY 2020 Actual). Increase projections by $6,893,062

During the first half of FY 2021, Secured Property Tax revenues totaled $34,731,618, which was $2,556,092 or 7.94% more than the $32,175,526 received for the same period in FY 2020. The Staff revenue projection reflected in the FY 2021 Adopted Budget assumes a 3.22% decline for the year, while the County's Certification of Assessed Valuation reflects growth of 7.70%. The receipts in the first half of FY 2021 are consistent with the County's Certification of Assessed Value growth of 7.70%.

Since assessed values for Secured Property Taxes were determined as of January 1, 2020, and they were liened as of that date, the only material factor that could impact Secured Property Tax revenues as a result of COVID-19 would be a significant increase in delinquent property taxes, resulting in a significant reduction in the collection rate, and Staff does not expect that to occur. As indicated in the table below, the collection rate for the City of Berkeley has been high and rising for many years. In addition, the COVID-19 pandemic had little, if any, impact on the second Secured Property Tax payment for FY 2020, which was due February 1, 2020 and was delinquent on April 10, 2020 (i.e., The total Secured Property Tax revenues in FY 2020 was the amount expected based on the actual growth in assessed value for FY 2020).

Percentage of Secured Property Tax Levy Collected Within the Fiscal Year of Levy
Fiscal Year Ended June 30

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
96.71%	**97.27%**	**97.47%**	**98.16%**	**98.57%**	**98.73%**	**98.58%**	**98.92%**	**98.89%**	**98.97%**

Staff is revising the FY 2021 projection to $68,058,516 from the $61,165,454 reflected in the FY 2021 Adopted Budget, consistent with the County's Certification of Assessed Value growth of 7.70%.

Unsecured Property Tax (+$290,225 more than FY 2020 Actual). Increase projections by $750,000

During the first half of FY 2021, Unsecured Property Tax revenues totaled $2,995,351, which was $290,225 or 10.73% more than the $2,705,126 received for the same period in FY 2020. The Staff revenue projection reflected in the FY 2021 Adopted Budget assumes a 15.2% decline for the year, versus the County's Certification of Assessed Valuation growth of 8.23%.

Since unsecured property taxes liened on January 1, 2020, were due July 1, 2020, and were mostly collected in the first half, these taxes do not appear to be impacted by COVID-19 in FY 2021. As a result, staff is increasing the projection from the $2,250,000 reflected in the Adopted Budget to $3,000,000.

Property Transfer Tax (-$4,377,730 less than FY 2020 Actual)

During the first half of FY 2021, Property Transfer Tax totaled $10,665,913, which was $4,377,730 or 29.1% less than the $15,043,643 received for the first half of FY 2020. The primary reasons for the $4,377,730 decrease in Property Transfer Tax were

- The FY 2020 total includes the sale of a small group of properties that resulted in huge Property Transfer Taxes in August 2019 and October 2019;
- The dollar value of property sales declined by 34.5% during the first half of FY 2021, as illustrated in the table below; and
- The number of property sales transactions declined by 25 or 5.1% during the first half of FY 2021, as illustrated in the table below.

In Millions $

Property Sales $	**July**	**Aug.**	**Sept.**	**Oct.**	**Nov.**	**Dec.**	**Total**
FY 2021	$ 74.0	$115.0	$106.4	$127.2	$139.1	$118.4	$ 680.1
FY 2020	113.4	234.1	112.8	317.2	119.5	142.0	1,039.0
Change	-39.4	-119.1	-6.4	-190.0	19.6	-23.6	-358.9
% Change	-34.7%	-50.9%	-5.7%	-59.9%	16.4%	-16.6%	34.5%

Transactions	**July**	**Aug.**	**Sept.**	**Oct.**	**Nov.**	**Dec.**	**Total**
FY 2021	50	82	73	89	91	85	470
FY 2020	86	86	84	68	85	86	495
Change	-36	-4	-11	21	6	-1	-25
% Change	-41.9%	-4.7%	-13.1%	-30.9%	7.1%	11.1%	-5.1%

Measure P Property Transfer Tax (-$2,792,106 less than FY 2020 Actual). Increase projections by $1,500,000

In addition, $4,254,324 in Measure P Property Transfer taxes (a tax which took effect on December 21, 2018) was collected during the first half of FY 2021 compared to $7,046,430 collected during the first half of FY 2020, a decline of $2,792,106 or 39.6%. The decline was for the same reasons identified for Property Transfer Taxes above. Staff is revising the projected amount for FY 2021 to $6,247,414.

Sales Tax (- $1,360,682 less than FY 2020 Actual). Increase projections by $941,292)

For the first half of FY 2021, Sales Tax revenue totaled $8,069,851, which is $1,360,682 or 14.43% less than the $9,430,533 received for the first half of FY 2020. Staff is revising the projection for Sales Taxes from the $15,786,200 reflected in the FY 2021 Adopted Budget to $16,727,492, based on the latest sales tax return and collection trends compiled by the City's Sales Tax Consultant:

FY 2020 Actual Revenues and FY 2021 Projected Revenues

Tax Quarter	FY2021 Projected	FY 2020 Actual	$ Change	% Change
Quarter:				
3rd Quarter	$ 4,058,762	$ 4,680,703	-$621,941	-13.29%
4th Quarter	4,787,297	4,764,553	+ 22,744	+ 0.48%
1st Quarter	4,562,188	5,067,679	-505,491	- 9.97%
2nd Quarter	3,319,245	3,063,078	+256,167	+ 8.36%
Total	$16,727,492	$17,576,013	-$848,521	-4.83%

Utility Users Taxes (- $22,506 less than FY 2020 Actual)

Utility Users Tax revenue for the first half of FY 2021 totaled $6,304,755, which is $22,506 or .36% less than the $6,327,260 received for the same period in FY 2020. This decline of $22,506 was primarily a result of a $208,686 increase in electric charges that were offset by declines in telephone charges ($12,899), cable charges ($90,565), and cellular charges ($152,578) as follows:

FY 2021 Actual First Half Revenues versus FY 2020 Actual First Half Revenues

	FY2021	FY 2020	$ Change	% Change
Telephone	$ 778,162	$ 765,263	$ 12,899	-1.69%
Cable	487,938	578,502	- 90,565	-15.66%
Cellular	518,275	670,853	-152,578	- 22.74%
Electric	3,655,820	3,447,134	208,686	6.05%
Gas	864,560	865,507	-948	-.11%
Total	$6,304,755	$6,327,260	-$ 22,506	-.36%

Staff expects Utility Users Tax revenue in FY 2021 to meet or slightly exceed the FY 2021 revenue projection of $12,750,000.

Transient Occupancy Tax (-$3,398,448 less than FY 2020 Actual). Lowering projections by $2,000,000

Transient Occupancy Tax (TOT) revenue for the first half of FY 2021 totaled $1,084,961, which is $3,398,448 or 75.8% less than the $4,483,409 received for the first half of FY 2020. The decrease in FY 2021 is primarily attributable to a decline of 77.0% at the five largest hotels in Berkeley during the first half of the fiscal year. The declines ranged from 50.3% to 97.4%. During FY 2020, there were remittances made by all five hotels for all six months. However, during FY 2021, in addition to remittances being significantly lower, there were months where there were no remittances or a small remittance for some of the hotels. Given the lack of activity at our hotels/motels, Staff is lowering the FY 2021 projection of $5,070,000 reflected in the Adopted Budget to $3,070,000.

Short-Term Rentals (-$648,917 less than FY 2020 Actual). Lowering projections by $200,000

Short-Term Rentals revenue for the first half of FY 2021 totaled $218,590, which is $648,917 or 74.8% less than the $867,507 received for the first half of FY 2020. This decline was consistent with the percentage decline in TOT for the period. Staff is lowering the FY 2021 projection of $676,260 in the FY 2021 Adopted Budget to $476,260.

Business License Taxes (-$776,727 less than FY 2020 Actual)

Business license Taxes (BLT) revenue for the first half of FY 2021 totaled $390,253, which is $776,727 or 66.6% less than the $1,166,980 received for the first half of FY 2020. BLT are not due yet, so it is too soon to gauge the effect COVID-19 has had on FY 2021 Business License Tax revenue.

Recreational Cannabis (-$347,216 less than FY 2020 Actual)

Recreational Cannabis revenue for the first half of FY 2021 totaled $355,641, which is $347,216 or 49.4% less than the $702,857 received in the first half of FY 2020. This decline is partially attributable to $160,250 of FY 2019 Recreational Cannabis revenues which were recorded in the first quarter of FY 2020. Recreational Cannabis taxes are not yet due, so it is too soon to gauge the effect COVID-19 has had on FY 2021 Recreational Cannabis.

U1 Revenues (-$134,311 less than FY 2020 Actual)

U1 revenues for the first half of FY 2021 totaled $53,389, which is $134,311 or 71.6% less than the $187,700 received in the first half of FY 2020. U1 revenues are not yet due, so it is too soon to gauge the effect COVID-19 has had on FY 2021 U1 revenues.

Vehicle In Lieu Taxes (+$512,205 more than FY 2020 Actual). Increase projections by $1,962,862

Vehicle in Lieu Taxes (VLF) received during the first half of FY 2021 totaled $7,190,227, which is $512,205 or 7.67% more than the total of $6,678,022 received for the same period in FY 2020. However, the Staff revenue projection reflected in the FY 2021 Adopted Budget assumes a 6.8% decline for the year, while the County's Certification of Assessed Valuation reflects growth of 7.70%.

Changes in VLF revenues are based on the growth in assessed values.

Since assessed values for VLF Taxes were determined as of January 1, 2020, and they were liened as of that date, the only material factor that could impact revenues as a result of COVID-19 would be a significant increase in delinquent property taxes, resulting in a significant reduction in the collection rate. Staff does not expect this to occur. As indicated in the table below, the collection rate for the City of Berkeley has been high and rising for many years. In addition, the COVID-19 pandemic had little, if any, impact on the second payment of Property Taxes for FY 2020, which was due February 1, 2020 and was delinquent on April 10, 2020.

Percentage of Secured Property Tax Levy Collected Within the Fiscal Year of Levy
Fiscal Year Ended June 30

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
96.71%	**97.27%**	**97.47%**	**98.16%**	**98.57%**	**98.73%**	**98.58%**	**98.92%**	**98.89%**	**98.97%**

Staff is revising the FY 2021 projection from $12,421,597 reflected in the Adopted Budget to $14,384,459, consistent with the County's Certification of Assessed Value growth of 7.70% for FY 2021.

Parking Fines (-$622,500 less than FY 2020 Actual). Lowering projections by $1,000,000

Parking Fines revenue for the first half of FY 2021 totaled $1,714,828, which is $622,500 or 26.6% less than the $2,337,328 received for the first half of FY 2020. The primary reason for the decline is the reduction in ticket writing, due to the shelter in place orders. From March 17, 2020 to approximately July 1, 2020, Parking Enforcement was directed to only enforce Street Sweeping violations, and violations that impacted safety or impeded access to essential services. In addition, during this period of time, the City Manager's Office informed customers that if the citation received for Street Sweeping represented a hardship during the shelter in place period that they could contact the City and one citation per household would be dismissed/voided. On July 1st. meters returned with a pay rate of 50 cents per hour, but parking was not in high demand due to the shelter in place orders. The Residential parking enforcement program did not begin again until October 1st. In addition, the Traffic and Parking Bureau was in quarantine from December 24th to January 7th.

During the first half of the fiscal year, ticket writing declined from 58,900 in the first half of FY 2020 to 55,824 in the first half of FY 2021, as follows:

	July	**August**	**Sept.**	**Oct.**	**Nov.**	**Dec.**	**Total**
FY 2020	8,640	9,888	9,122	9,431	10,667	11,152	58,900
FY 2021	6,810	7,744	9,093	12,519	10,357	9,301	55,824
Difference	-1,830	-2,144	-29	-3,088	-310	-1,851	-2,976
% Difference	-21.2%	-21.7%	-.3%	-32.7%	-2.9%	-16.6%	-5.1%

Staff has lowered the Parking Fines projection to $4,049,000 from the $5,049,000 reflected in the FY 2021 Adopted Budget.

Ambulance Fees (-$978,596 less than FY 2020 Actual). Lowering projections by $1,761,049

Revenue from Ambulance Fees for the first half of FY 2021 totaled $1,414,206, which is $978,596 or 40.9% less than the $2,392,802 received for the same period during FY 2020. Prior to the COVID-19 pandemic, the City's Ambulance Fees vendor was projecting 6,541 transports and $4,774,200 in Ambulance Fees revenues on a cash basis. Currently, they are projecting that transports and Ambulance Fees revenue for FY 2021 will decline to 4,579 transports and $3,342,159 in revenue.

As a result, Staff is lowering the FY 2021 projection from the $5,103,208 reflected in the Adopted Budget to $3,342,159.

Interest Income (-$392,470 less than FY 2020 Actual). Increase projections by $1,200,000

For the first half of FY 2021, interest income totaled $2,627,359, which is $392,470 or 13.0% less than the total of $3,019,829 received for the same period in FY 2020. This decrease is primarily attributable to a sharp drop in short-term and long-term interest rates, as a result of the Federal Reserve Board's (the Fed) vote on March 15, 2020 to cut interest rates back to zero, in order to mitigate the negative impact of the COVID-19 pandemic on the US economy. The Fed subsequently also announced that it expects to keep rates at this low level through FY 2023.

Primarily as a result of the Fed's actions, the net interest rate earned by the City dropped from a range of 1.97%-2.33% during the first half of FY 2020, to a range of 1.12%-1.17% during the first half of FY 2021, as follows:

Monthly Net Interest Rate Earned

FY	July	August	September	October	November	December
2020	2.33%	2.29%	2.23%	1.97%	2.25%	2.09%
2021	1.17%	1.13%	1.14%	1.12%	1.16%	1.14%

As a result of the sharp decline in the net interest rate being earned by the City, interest income in FY 2021 and beyond will be significantly lower than the total earned in FY 2020. Staff expected a sharp decline in interest rates. However, the impact thus far has not been as negative as anticipated, and Staff has increased the FY 2021 Interest Income projection to $4,051,200 from the $2,851,200 level reflected in the FY 2021 Adopted Budget (Down from the $6,696,279 received in FY 2020).

Franchise Fees (-$51,385 less than FY 2020 Actual). Increasing projections by $29,954

Franchise Fees for the first half of FY 2021 totaled $370,820, which is $51,385 or 12.2% less than the $421,414 received for the same period in FY 2020. Staff is slightly increasing the FY 2021 Franchise Fees revenues projection to $1,581,650 from the $1,551,696 reflected in the Adopted Budget (but down from the $1,839,102 received in FY 2020), based on the projected COVID-19 impact below:

Category	FY 2020 Actuals	Est. FY 2021 COVID Impact %	Est. FY 2021 COVID Impact $	FY 2021 Revised Projection
Cable	$ 791,663	-20%	-$158,333	$ 633,330
Electric	598,023	-5%	-29,901	568,122
Gas	422,442	-10%	-42,244	380,198
Total	$1,812,128	-13%	-$230,478	$1,581,650

Transfers (+$6,231,937 more than FY 2020 Actual)

Transfers from other funds for the first half of FY 2021 totaled $8,865,281 which is $6,231,937 or 236.7% more than the $2,633,344 received for the same period in FY 2020. This is primarily attributable to the transfer of $3,450,000 from the Stabilization Reserve Fund and the transfer of $2,250,000 from the Catastrophic Reserve Fund during the first half of FY 2021, to mitigate the negative impact of COVID-19. It should be noted that as part of the FY 2021 Adopted Budget, a total of $6,900,000 and $4,500,000 was authorized by City Council to be transferred from the Stabilization Reserve Fund and Catastrophic Reserve Fund to support General Fund operations in FY 2021.

Other Revenues (+$1,136,544 more than FY 2020 Actual)

Other Revenues 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 first half of FY 2021 totaled $5,631,071 which is $1,136,544 or 25.3% more than the $4,494,527 received for the first half of FY 2020, This increase resulted from the receipt of $1,513,511 received from the State (Cares Act Funds) and $936,500 from East Bay Community Foundation for the Berkeley Relief Fund, to finance grant payments to assist businesses and nonprofit organizations impacted by the COVID-19 pandemic. Even though the Other Revenue projections includes the implementation of the TNC tax that is effective January 1, 2021, the projection is unchanged as the $200,000 projected for the tax will be offset by the projected decrease in other revenues.

General Fund Expenditures

On January 19, 2021, the City Council approved General Fund recommended rollovers, carryovers, and adjustments totaling $29.4 million in the Amendment to the FY 2021 Annual Appropriations Ordinance [2](AAO).

The changes to the FY 2021 General Fund Budget from the AAO are shown below:

FY 2021 Adopted Budget	Encumbered Recommended	Unencumbered Recommended	Other Adjustments	FY 2021 Revised Budget
$ 194,718,710	$ 7,191,365	$ 4,702,740	$ 17,489,694	$ 224,102,509

The encumbered rollovers reflect contractual obligations entered into in FY 2020, which had not been paid as of June 30, 2020. Unencumbered carryovers are approved by Council for specific purposes that had not been completed by the end of FY 2020. Funding for these commitments is brought forward into the current fiscal year to provide for payment of these obligations. Adjustments are new allocations for projects and Council priorities as detailed in the AAO.

Included in the other adjustments of $17.5 million are Council authorized allocations for the following items:

1. $13,389,336 for the Mayor's Proposed Supplemental Recommendations for the Allocation of General Fund Excess Equity
2. $719,017 for a transfer to the Public Liability Fund for outside counsel, court costs, and claims and judgements in FY 2021
3. $411,270 for Wittman Enterprises LLC contract to provide emergency response billing, fire inspection billing, and related hardware, software, and program oversight
4. $406,952 for transfer of Excess Property Transfer Tax Revenue to the Workers' Compensation Fund to repay loan to purchase Premier Cru (University Center)
5. $360,437 for a survey of the Underground Utility District (UUD) No. 48 at Grizzly Peak
6. $234,881 for Measure JJ for the Mayor and Councilmember Salaries and Benefit increases approved by voters on November 3, 2020
7. $270,000 for contract with the National Institute for Criminal Justice Reform to Manage and Lead a Community Engagement Process to Develop a New Paradigm of Public Safety in Berkeley.

General Fund expenditures are tracking slightly over budget as of December 31, 2020 as shown in the chart below.

[2] https://www.cityofberkeley.info/Clerk/City_Council/2021/01_Jan/Documents/2021-01-19_Item_01_Ordinance_7748.aspx

Some departments that are tracking over 50 percent spent in personnel is due to staff time charged to the General Fund instead of to other funds. These departments will process personnel corrections to adjust labor charges from the General Fund to other funds. These corrections will be processed in the second half of FY 2021. Departments that are over 50 percent in non-personnel is due to encumbrances for contractual obligations entered into in FY 2021 in which payment might not be currently due as good or services might be in progress or not yet complete.

FY 2021 MID-YEAR GENERAL FUND EXPENDITURES (AS OF DECEMBER 31, 2020)							
DEPARTMENT	FY 2021 ADOPTED	FY 2021 REVISED*	YTD ACTUAL + ENCUMBRANCES	AVAILABLE BUDGET	% USED	PERSONNEL % USED	NON-PERSONNEL % USED
11 MAYOR AND COUNCIL	2,559,046	2,626,468	1,174,065.03	1,452,403	45%	45%	44%
12 CITY AUDITOR	2,657,863	2,640,324	1,204,953.27	1,435,371	46%	45%	49%
21 CITY MANAGER'S OFFICE	10,450,066	12,059,855	5,960,474.58	6,099,380	49%	47%	54%
31 CITY ATTORNEY	2,587,273	2,668,059	1,313,780.08	1,354,279	49%	51%	41%
32 CITY CLERK	2,338,047	3,149,587	1,471,479.11	1,678,108	47%	51%	43%
33 FINANCE	5,978,002	7,503,046	4,087,713.61	3,415,333	54%	51%	61%
34 HUMAN RESOURCES	2,280,207	2,910,875	1,297,727.30	1,613,148	45%	41%	51%
35 INFORMATION TECHNOLOGY	580,710	2,153,885	1,162,287.43	991,598	54%		54%
51 HEALTH, HSG & COMMUNITY SVC	14,850,382	26,346,918	18,152,732.41	8,194,186	69%	49%	82%
52 PARKS, RECREATION & WATERFR	6,831,086	7,746,386	3,566,581.29	4,179,804	46%	43%	51%
53 PLANNING & DEVELOPMENT	2,178,037	2,361,990	1,375,928.85	986,062	58%	55%	66%
54 PUBLIC WORKS	4,408,589	6,688,258	3,162,558.33	3,525,700	47%	48%	47%
71 POLICE	65,460,524	64,843,729	37,976,902.73	26,866,826	59%	57%	70%
72 FIRE & EMERGENCY SERVICES	32,272,610	36,964,113	20,836,524.83	16,127,589	56%	54%	63%
99 NON DEPARTMENTAL	39,286,268	41,691,072	15,540,911.71	26,150,160	37%	100%	37%
Grand Total	**194,718,710**	**222,354,566**	**118,284,621**	**104,069,945**	**53%**	**54%**	**53%**

FY 2021 Revised does not reflect as of December 31, 2020 all Council approved allocations included in the FY 2021 AAO #1.

Some of the significant overages in departments that need further explanation are the following:

- Health, Housing & Community Services (HHCS): In the first 6 months of FY 2021, HHCS has encumbered and spent almost $9.4 million in General Fund community agency contract funds. The department also had $1.1 million in FY 2020 Measure U1 Funds loan encumbrances that were carried over to FY 2021. These two items along with other regular expenditures led to General Fund Non-Personnel expenditures being at 82 percent spent through the first six months.

- Police: Through December 2020, Police overtime is $3,459,236. This represents about 2/3 of what has been allocated to the department after adjusting for the $3.5 million allocated to the department in December 2020 but excluding the $1.0 million set aside in reserves. A portion of overtime reserves (approximately

$180,000) has been allocated to enable the downtown bike patrol team to operate 7 days/week. The Department's use of overtime is due to a number of factors including, but not limited to, mutual aid requests, reimbursable overtime requested by third-parties, COVID-19, and training. Staff is monitoring Police Department expenditures and working with the Department on these to develop strategies to ensure that Police Department expenditures are consistent with appropriated funds.

- Fire: Fire Department overtime is anticipated to exceed budgeted amounts due a number of factors such as observing COVID-19 isolation and quarantine protocols, being deployed to multiple wildfires, and staffing up for red-flag events, the vaccination clinic, and COVID-19 testing sites. Offsetting the increase in overtime are reimbursement requests for the wildfires totaling $640,554.

Staff is carefully monitoring the FY 2021 General Fund budget to make sure the City stays within budget and is also watching to make sure that savings realized as part of the adopted budget deferrals for FY 2021 are met by the end of the year.

Additional information regarding General Fund revenues and expenditures will be presented in May with the FY 2022 Proposed Budget. Final FY 2021 year-end General Fund revenues and expenditures information will be included in the **FY 2021 Year-End Report and FY 2022 First Quarter Update** that will be presented to Council in November 2021.

All Funds Expenditures

The General Fund comprises 30.1 percent of the total adjusted budget. The rest of the budget consists of various Special Funds. Special Funds are collected for a specific purpose; therefore, are not discretionary. Only costs associated with the Special Fund activity may be charged to a Special Fund. Included in the FY 2021 Mid-Year All Fund Expenditures by Department chart below are both the General Fund expenditures to date and the Special Funds expenditures to date. On an All Funds basis, the City is tracking over budget as of December 31, 2020 as can be seen in the following chart:

FY 2021 MID-YEAR ALL FUNDS EXPENDITURES (AS OF DECEMBER 31, 2020)					
DEPARTMENT	FY 2021 ADOPTED	FY 2021 REVISED	YTD ACTUAL + ENCUMBRANCES	AVAILABLE BUDGET	% USED
11 MAYOR AND COUNCIL	2,559,046	2,641,468	1,174,065	1,467,403	44%
12 CITY AUDITOR	2,786,499	2,768,960	1,260,217	1,508,743	46%
13 RENT STABILIZATION BOARD	6,646,209	6,772,560	3,592,645	3,179,915	53%
21 CITY MANAGER'S OFFICE	13,515,943	15,666,114	7,570,305	8,095,809	48%
22 BERKELEY PUBLIC LIBRARY	21,846,159	25,044,555	12,822,260	12,222,295	51%
31 CITY ATTORNEY	4,509,824	6,159,772	3,399,452	2,760,320	55%
32 CITY CLERK	2,839,880	3,651,420	1,783,808	1,867,612	49%
33 FINANCE	8,555,177	10,088,120	4,806,945	5,281,175	48%
34 HUMAN RESOURCES	4,072,239	4,815,202	2,208,374	2,606,828	46%
35 INFORMATION TECHNOLOGY	20,647,410	27,513,549	11,909,300	15,604,249	43%
51 HEALTH, HSG & COMMUNITY SVC	53,834,105	116,663,573	64,341,785	52,321,788	55%
52 PARKS, RECREATION & WATERFR	32,561,123	83,753,434	42,819,299	40,934,134	51%
53 PLANNING & DEVELOPMENT	25,022,338	27,284,553	11,836,192	15,448,361	43%
54 PUBLIC WORKS	138,631,154	207,439,781	106,212,507	101,227,274	51%
71 POLICE	70,325,114	69,882,747	40,415,183	29,467,564	58%
72 FIRE & EMERGENCY SERVICES	41,254,373	47,812,600	27,138,762	20,673,838	57%
99 NON DEPARTMENTAL	83,711,926	86,480,963	41,146,263	45,334,699	48%
Grand Total	**533,318,519**	**744,439,372**	**384,437,364**	**360,002,008**	**52%**

Health, Housing, & Community Services, Parks, Recreation & Waterfront, and Public Works carried over funds for projects and grants started in FY 2020. These departments also appropriated new grant funds that support programs and services as well as special funds for capital improvements. Details of these carryover requests can be found in the December 15, 2020, Amendment to the FY 2020 Annual Appropriations Ordinance[3] (AAO) discussed earlier in this report.

The following key special funds need further discussions regarding their current status:

Marina Fund

The Marina Fund is experiencing revenue shortages in lease revenues and berth rentals revenues in FY 2021 and is still facing exhausting all reserves by the end of FY 2022. A detailed presentation on the fund and potential solutions to address the deficit were included in an update on the Berkeley Marina Area Specific Plan that was presented to Council on February 16, 2021[4]

[3] https://www.cityofberkeley.info/Clerk/City_Council/2020/12_Dec/Documents/2020-12-15_Item_43_Amendment__FY_2021_Annual.aspx

[4] https://www.cityofberkeley.info/Clerk/City_Council/2021/02_Feb/Documents/2021-02-16_WS_Item_02_Berkeley_Marina_Area_Specific_Plan_pdf.aspx

Permit Service Center Fund

The Permit Service Center Fund began FY 2021 with a fund balance of approximately $14.75 million. Due to the COVID-19 pandemic, the Planning Department staff is concerned about a potential slowdown in development activity that could result in the need to rely on reserves to sustain operations. A detailed presentation on the fund was presented to the Budget & Finance Policy Committee on February 25, 2021[5].

Parking Meter Fund

Due to the pandemic related revenue loss to the parking program, a General Fund allocation of $3.2 million was approved by the Council on December 15, 2020 to cover some FY 2021 operational costs. In addition to that, the Parking Meter Fund utilized a significant amount of its reserves thereby depleting resources that had been set aside for future capital replacement. As a result of these balancing measures, the Parking Meter Fund will need an allocation of $3,355,000 over the next two fiscal years (FY 2022 – FY 2023) to fund the replacement of the elevator at the Telegraph/Channing Garage and to upgrade and replace parking meters.

Public Liability Fund

The Public Liability Fund pays for all of the City's legal costs including costs for outside counsel and claims and judgements paid out by the City. The fund also pays for 75 percent of a Deputy City Attorney III position, 75 percent of a Senior Legal Secretary position, and 100 percent of another Senior Legal Secretary position in the City Attorney's Office. The fund is supported by an annual transfer from the General Fund of approximately $1.7 million.

The City's legal costs have been steadily increasing over the last several years. Council allocated an additional General Fund allocation of $719,017 in the First Amendment to the FY 2021 Annual Appropriations Ordinance to the Public Liability Fund to cover additional legal costs in FY 2021. Recent award settlements and additional legal costs may require additional funds in FY 2021 or a possible increase in the General Fund transfer amount in FY 2022. Staff is working with the City Attorney's Office to determine how much and the timing of when the funds may be needed.

5
https://www.cityofberkeley.info/uploadedFiles/Clerk/Item%204%202.25.21%20PSC%20Fund%20Status%20Update%20for%20Budget%20and%20Finance%20Committee.pdf

Next Steps:
Staff is currently in the process of preparing the FY 2022 Budget approved which will be presented to Council on May 11, 2021.

The table below outlines key Council meeting dates at which budget information will be provided.

FY 2022 Budget Calendar	
Date	**Action/Topic**
March 16, 2021	• FY 2021 Mid-Year Update & Projections of Future Liabilities Report (includes preliminary budget challenges)
April 27, 2021	• Public Hearing on CDBG & ESG Annual Action Plan and proposed funding allocations to community agencies
May 11, 2021	• FY 2022 Proposed Budget Presentation • Public Hearing #1: Budget • Proposed Fee Increases • FY 2021 Annual Appropriations Ordinance Amendment #2
May 25, 2021	• Public Hearing #2: Budget
June 1, 2021	• Council recommendations on budget due to the City Manager
June 15, 2021	• Council discussion on budget recommendations
June 29, 2021	• Adopt FY 2022 Proposed Budget Update & FY 2022 Annual Appropriations Ordinance

The FY 2021 Mid-Year Budget Update is a Strategic Plan Priority, advancing our goal to provide an efficient and financially-healthy City government.

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
Rama Murty, Acting Budget Manager, City Manager's Office, 981-7000
Henry Oyekanmi, Finance Director, Department of Finance, 981-7300

Homeless Services Panel of Experts

ACTION CALENDAR
October 29, 2019

To: Honorable Mayor and Members of the City Council

From: Homeless Services Panel of Experts

Submitted by: Katharine Gale, Chairperson

Subject: Recommendations for Allocation of FY19/20 Measure P Funds

RECOMMENDATION

Approve recommendations for the allocation of FY19/20 General Funds at least commensurate with resources accrued to date from the passage of Measure P. Refer to the City Manager to produce data regarding the percentage of those transported with County Emergency Mental Health Transport who are homeless, and other sources that could be used to cover this cost.

SUMMARY

The Homeless Services Panel of Experts recommends that the City allocate general funds to a variety of critical activities including permanent housing, shelter, supportive services and other program types to address the current crisis of homelessness in Berkeley. The recommended priority order, percentages, types of activities and subpopulation considerations are included as Attachment 1 to this report.

FISCAL IMPACTS OF RECOMMENDATION

Recommendations covered by this report allocate general fund resources for homeless housing and services in an undetermined amount to be at least commensurate with those raised to date under the transfer tax authorized under Measure P (minus those previously allocated by Council).

CURRENT SITUATION AND ITS EFFECTS

Homeless is increasing in the City of Berkeley and throughout the Bay Area. Between 2017 and 2019 homelessness in Berkeley at a point-in-time has risen by 13%, affecting more than 1,100 people on any given night. Recognizing the need for additional housing and services and for humane measures to address the impacts of homelessness, the Voters of Berkeley passed Measure P in November 2018 which collects a specified transfer tax with the intention to use these additional funds to address homelessness in the City of Berkeley.

Measure P established a Homeless Services Panel of Experts to advise the City Council. The Panel consists of nine members with a deep level of expertise in areas relevant to homelessness, including persons with extensive professional and/or lived experience with homelessness. The Panel began meeting in May 2019. Katharine Gale and Yesica Prado are the elected chair and vice-chair of the Panel.

Addressing homelessness is a Strategic Plan Priority Project, advancing the City's goal to create affordable housing and supportive services for our most vulnerable community members.

<u>Process</u>
This report provides the Panel's first recommendations for initial investments from General Funds to increase and improve housing and services to address homelessness in Berkeley. In order to develop these recommendations, the Panel first adopted a Purpose Statement (attached). The Panel reviewed all of the referrals made to us since the Measure's passage in light of our adopted statement. This included the funding requests and referrals included in the January 2019 Measure P Informational report to Council as well as additional referrals, formal and informal, sent to the Panel since that time. We also considered information we were presented by City staff regarding current City of Berkeley investments, local and regional strategies, the 2019 Point-in-Time Count, and the 1,000 Person Plan.

A Mission and Budget Subcommittee of the Panel meet and categorized the referrals we received by areas of investment (permanent housing, shelter, etc.) and proposed initial percentages to each area, as well as a process to determine the final recommendations. The full Panel reviewed the investment areas, added additional activities/program types to the areas, prioritized the program types within each area, and made recommended adjustments to the percentages, resulting in the recommended allocations attached to this report. Our recommendation regarding shelter and temporary accommodations includes the potential to use funds to support sanctioned encampments if approved by a Council policy and we encourage the City to give consideration to this approach.

The Panel also adopted subpopulation priorities within the key investment areas of permanent housing subsidies, and flexible housing subsidies. These include establishing a $500,000 set-aside for permanent housing subsidies for homeless families with children. This also includes a recommended 20% set-aside for families and transition-age youth in flexible housing subsidies, using the McKinney-Vento (i.e. Berkeley Unified School Districts) definition of homelessness, though not limited to families with school-age children.

As stated above, the actual amount of funding to be allocated has yet to be determined. The agreed upon order of priority and percentages is included as Attachment 1. The Panels' priorities within each area are expressed in the order of activities. We recommend that higher ranked activities be given a greater priority for resources, but we recognize that some activities we have recommended may be funded using other resources at the City's disposal. Activities left out of our table, such as Public Works street cleaning, and general street outreach, were not recommended for funding from Measure P at this time.

Objection to Full Funding for Emergency Mental Health Transport
The Panel notes that the amount available for us to allocate was reduced by nearly $1.5 million in FY19/20 based on commitments recommended previously by the City Manager for City staff and for Mental Health Emergency Transport. We understand that FY19/20 funding is already committed but we wish to express our strong objection to the pre-allocation of $2.4 million in FY20/21 Measure P-generated funding to fully cover these transportation costs. Measure P was passed by the voters of Berkeley to address the crisis of homelessness; while some people who experience homelessness may require emergency mental health transportation, this service is not limited to people who are homeless and was not budgeted with consideration that most people who will be transported will be people who are housed. In addition, this service does not result in greater housing or shelter for people who are homeless and we believe is not consistent with the purpose of Measure P. ***We recommend the Council refer to the City Manager to produce information regarding the percentage of those transported who are homeless and other potential sources to cover this expense.*** We hope to make recommendations for next year's investments with consideration to this.

Next Steps
The HSPE recognizes that it was established not only to make recommendations about investment amounts but also to advise on methods and practices. A companion letter will be sent to Council to accompany this report with additional recommendations and considerations for how to ensure Berkeley's programming is consistent with best practices.

Future work of the Panel will include developing an Action Plan for the coming year, and coordinating with Measure O to plan for future developments. Future work may include recommendations regarding establishing a goal of ending family homelessness or other City-wide goals.

BACKGROUND
Measure P was passed by the voters of Berkeley in 2018. The Homeless Services Panel of Experts began meeting in May of 2019. To guide our work, in August 2019 we have adopted a Statement of Purpose. This Statement is provided as Attachment 2 to this report and is a guide to the recommendations made in this Report.

At their September 4, 2019 regular meeting, the Homeless Services Panel of Experts took the following action regarding these recommendations:

Action: M/S/C Sutton/Trotz to adopt Budget A as amended:
(i) Re-prioritize item #2 (Permanent Housing) as item #1 (and vice-versa), and within the Permanent Housing category:
   a. Replace "permanent supportive housing" with "permanent housing";

b. Strike the language under “Additional considerations”;
c. Add “establish a minimum set-aside of $500,000 for homeless families in this category”; Note that Transition-Age Youth should be included in funding for adults.

(ii) Remove the recommended dollar amounts in each funding category, replacing them with percentage allocations, and change the allocations to each category as follows:
a. #1 – Permanent Housing: 30%
b. #2--Shelter and Temporary Accommodations: 30%
c. #3--Immediate Street Conditions and Hygiene: 14%
d. #4--Supportive Services: 14%
e. #5--Short/Medium Term Housing Subsidies: 10%
f. #6--Infrastructure: 2%.

(iii) Within Category #2 (Shelter and Temporary Accommodations),
a. Add “City should ensure there is a focus on families living on the street”;
b. Remove “Support sanctioned encampments” as a specific line-item, and instead add reference to sanctioned encampments as a possible modality in line-item #1 (Expand shelter capacity), with the language “if the City should adopt such a policy”;
c. Add language in the report to reflect that City should study the potential for sanctioned encampments as a form of shelter expansion and if it adopts such a policy these funds could be used to support that modality.

(iv) Within Category #3 (Immediate Street Conditions and Hygiene):
a. Add “storage units” to the “lockers” item;
b. Add “including for encampments” to the “Toilets and Hygiene Stations” item.

(v) Within Category #5 (Short/Medium Term Housing Subsidies), remove the language on additional considerations and replace with:
a. Establish a 20% set-aside for families and youth (including transition-aged youth).
b. Use the McKinney-Vento definition of “homelessness” as an eligibility criterion, without limiting to BUSD-enrolled households to ensure coverage of families with children under school age.

Vote: *Ayes:* Carrasco, cheema, Gale, Jordan, Metz, Patil, Prado, Sutton, Trotz.
Noes: None. *Abstain:* None. *Absent*: None.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental costs or opportunities associated with these recommendations; the determination regarding how to invest in shelter expansion activities may require environmental consideration.

RATIONALE FOR RECOMMENDATION

The exact amount of funds that will be generated by Measure P are unknown at this time, and additional State and local funds may become available to the City to cover similar cost areas to address homelessness as those recommended by the Panel. Thus, the Panel is recommending key categories for investment, relative priorities expressed as percentages, and priorities within each of these areas. City staff and Council are encouraged to uses these recommendations to determine the specific investments within each area.

ALTERNATIVE ACTIONS CONSIDERED

The HSPE considered various options for allocating resources to families and Transition Age Youth (TAY) including allocating resources based on each population's percentages in the Point in Time (PIT) count, establishing a specific priority for unsheltered families, and adopting a significant percentage of housing resources for families. The HSPE ultimately adopted and recommends a specific set-aside in the first allocation of at least $500,000 of funding for permanent housing for families and a 20% percent set-aside in flexible subsidies for families and transition age youth.

CITY MANAGER

See Companion Report.

CONTACT PERSON

Peter Radu, Homeless Services Coordinator and Secretary to the Homeless Services Panel of Experts, HHCS, (510) 981-5435.

Attachments:
1: Recommendations for First Year Measure P Allocations - By Category and Activity
2: Homeless Services Panel of Experts Statement of Purpose

ATTACHMENT 1:
Recommendations for General Fund Allocations Associated with Measure P - By Category and Activity

Because the total amount of funding available is unknown, recommendations are based on a percentage of funding to each category. Within investment areas, activities are listed in the order they were prioritized and we generally recommend higher priority be given to these activities over those that are listed further down in higher priority categories. Additional considerations and recommendations include subpopulation priorities and service types considered within each activity.

<table>
<tr><th>Investment Area and Sub-Category Activities listed in Priority Order</th><th>Percent</th><th>Additional Considerations/ Recommendations</th></tr>
<tr><td>1. PERMANENT HOUSING

Permanent Housing Subsidies and Services</td><td>30%</td><td>Establish a minimum set-aside of $500,000 for homeless families in this category. Transition-age youth should be included in funding for Adults.</td></tr>
<tr><td>2. SHELTER & TEMPORARY ACCOMMODATIONS
1. Expand Shelter Capacity

2. Invest in improving existing shelter capacity</td><td>30%</td><td>1. Adding new sheltering capacity may include the development of dedicated RV parking, use of tiny houses, or other means to increase shelter capacity. If the City should adopt a policy approving sanctioned encampments then this use would also be included. City should ensure there is a focus on meeting needs of any families living on the street.

2. Increase services and housing connections in existing shelters so that they are able to function as Navigation Centers.</td></tr>
<tr><td>3. IMMEDIATE STREET CONDITIONS & HYGIENE
1. Toilets and Hygiene Stations, including for encampments

2. Lockers and Storage Units</td><td>14%</td><td>Note: These funds were not recommended for general clean-up and other Public Works functions and should be spent on activities that directly benefit homeless people.</td></tr>
</table>

Investment Area and Sub-Category Activities listed in Priority Order	Percent	Additional Considerations/ Recommendations
4. SUPPORTIVE SERVICES 1. Health Care services 2. Employment and Income Development Activities 3. Substance Use Treatment	14%	1. Health care services dedicated to people experiencing homelessness which may include street medicine. 2. Activities may include job development and support as well as benefits advocacy and other services to improve incomes. 3. Substance use treatment services dedicated for persons who are experiencing homelessness.
5. FLEXIBLE HOUSING SUBSIDIES Flexible housing subsidies may include prevention, diversion and/or rapid resolution support.	10%	Establish a 20% set-aside for homeless families and transition-age youth, using the McKinney-Vento definition of homelessness.
6. INFRASTRUCTURE 1. Training ~80% 2. Evaluation ~20%	2%	1. Use resources in this category for training for Berkeley community-based organizations working with people who are homeless. 2. Use resources in this category to ensure that the experiences of service users are captured and considered in performance evaluation.
TOTAL	**100%**	

ATTACHMENT 2:
Homeless Services Panel of Experts Mission/Purpose Statement
(adopted August 14, 2019)

The Voters of Berkeley passed Measure P to generate additional General Funds to use to address the crisis of homelessness. The Homeless Services Panel of Experts created by the Measure was established to "make recommendations on how and to what extent the City should establish and/or fund programs to end or prevent homelessness in Berkeley and provide humane services and support."

We understand the current crisis of homelessness requires investments in prevention, health services and permanent housing which we know to be the solution to homelessness, as well as in shelters, supports and other temporary measures that get people immediately out of the elements. We will seek to strike a balance between these needs in our recommendations.

We will consider currently unmet needs, gaps and opportunities, best practices and currently available data on outcomes. We will make recommendations for increased local investment, including program types, target populations and geographic areas as appropriate. We will seek to consider the best use of these investments in the context of other available Federal, State and local funding. In general, we will not make recommendations on the specific agencies to receive funding, nor run our own proposal process, recognizing this as a role for staff and the Council. We will request updates on the performance of Measure P investments and the homeless service system overall, including the experience of service users, and use this information to inform future recommendations and provide oversight.

We recognize that homelessness is a regional issue and requires a regional approach, including recognizing that people from Berkeley may live in other places and remain connected to Berkeley services.

To ensure Measure P funding recommendations further efforts to create more housing for people experiencing homelessness in Berkeley, we will coordinate with the Measure O panel to ensure that very low cost housing is connected to services and operating support so that it can successfully targeted to people who are homeless.

We will meet as needed to fulfill this Mission, and to make recommendations to the City Council at least annually.