



Office of the City Manager

Date: May 17, 2021  
To: Budget and Finance Policy Committee  
From: Dee Williams-Ridley, City Manager  
Submitted by: Henry Oyekanmi, Director, Finance  
Subject: FY 2021 - 2025 Revenue Projections

In preparation for the Budget adoption on June 29<sup>th</sup>, 2021, the Finance Department has prepared an updated projections of FY 2021 - 2025 General Fund revenues, based on actual cash receipts through March 31 (9 months of operations for FY 2021) and estimates for what will be collected in the final quarter of this fiscal year and for subsequent years. Finance will update projections every month after the close of each month until the FY 2022 budget is adopted, but we do not foresee any significant changes to what is presented here.

As the City begins to emerge from mandated business closures and capacity restrictions, we have more clarity about what the full impacts have been on revenues, and which trends may continue to be felt in the upcoming fiscal years.

The largest year-over-year decrease, in percentage terms, was from Transient Occupancy Tax on hotels and short-term rentals. Both were down over 70% from their FY 2019 peaks. While the return of in-person classes and other activities at UC will enable some recovery of these revenue streams, the continued use of virtual technologies and other adaptive practices necessitated by the pandemic may prevent a quick return to previous revenue levels.

Property Tax collections have remained strong, likely due to resilient income levels among many Berkeley property owners and the fact that property values have held firm.

The effects of the pandemic's impact on commercial activity are seen in our reduced Business License revenues for FY 2021. While final collections will exceed the amount budgeted, they will still be down by 25% from the prior year. Some of this decline is due to temporary closures or reduced operations by City businesses and it is anticipated they will recover once capacity and travel restrictions are fully lifted. There is a portion that we are aware is due to permanent closures of businesses that did not survive the pandemic, and it may take time for Business License revenues to return to pre-pandemic levels. Measure U1 (large landlord supplementary tax) revenues, is down approximately about 20% from pre-pandemic levels.

**General Fund Revenues FY 2021 through 2025**

**HISTORICAL AND PROJECTED GENERAL FUND REVENUES**

				Projected General Fund Revenue FY 2021 through FY 2025								
	FY 2018	FY 2019	FY 2020	FY 2021 Adopted	FY 2021 YTD Mar	FY 2021 Revised	Chg	%	FY 2022	FY 2023	FY 2024	FY 2025
<b>Undesignated Revenues</b>												
Secured Property Taxes	56,038,218	59,178,773	63,192,678	61,165,454	44,015,461	68,058,516	6,893,062	11.3%	70,780,857	73,258,187	75,822,223	78,476,001
Supplemental Taxes	2,237,649	2,174,903	2,334,597	1,260,000	855,050	2,000,000	740,000	58.7%	2,000,000	2,000,000	2,000,000	2,000,000
Unsecured Property Taxes	2,687,198	2,878,275	3,164,168	2,250,000	3,492,078	3,500,000	1,250,000	55.6%	2,625,000	2,625,000	2,625,000	2,625,000
Property Transfer Taxes	18,911,368	19,952,981	22,137,492	16,500,000	16,355,532	16,500,000	0	0.0%	12,500,000	12,500,000	12,500,000	12,500,000
Property Transfer Tax - Measure P		2,932,313	9,512,603	4,747,414	6,786,267	8,200,000	3,452,586	72.7%	7,000,000	7,000,000	7,000,000	7,000,000
Sales Taxes	17,435,591	18,663,550	17,557,539	15,786,200	12,097,591	15,985,141	198,941	1.3%	18,287,215	19,827,678	20,660,832	21,528,995
Soda Tax	1,457,003	1,547,349	1,331,313	970,794	731,711	970,794	0	0.0%	990,210	1,010,014	1,030,214	1,050,819
Utility Users Taxes	14,828,120	13,973,744	13,475,915	12,750,000	10,373,713	13,269,760	519,760	4.1%	13,000,000	13,000,000	13,000,000	13,000,000
Transient Occupancy Taxes(TOT)	7,807,273	7,995,188	6,387,495	5,070,000	1,550,242	2,070,000	(3,000,000)	-59.2%	2,173,500	2,282,175	2,396,284	2,516,098
Short-term Rentals	911,015	1,830,983	1,280,460	676,260	367,359	476,260	(200,000)	-29.6%	500,073	525,077	551,330	578,897
Business License Taxes	19,878,912	19,848,803	20,863,638	12,984,192	13,421,057	15,300,000	2,315,808	17.8%	16,065,000	16,868,250	17,711,663	18,597,246
Recreational Cannabis		1,168,794	1,446,655	1,300,000	1,173,584	1,500,000	200,000	15.4%	1,530,000	1,560,600	1,591,812	1,623,648
Measure U1	5,161,615	5,828,443	5,597,359	2,700,000	3,894,230	4,600,000	1,900,000	70.4%	4,692,000	4,785,840	4,881,557	4,979,188
Other Taxes		2,278,496	2,117,691	1,456,560	1,561,541	1,572,048	115,488	7.9%	1,603,489	1,635,559	1,668,270	1,701,635
Vehicle In Lieu Taxes	11,822,917	12,540,784	13,356,044	12,421,597	7,190,227	14,384,459	1,962,862	15.8%	14,959,837	15,483,432	16,025,352	16,586,239
Parking Fines - Regular Collections	6,608,001	6,002,211	3,897,580	5,049,000	2,721,104	3,549,000	(1,500,000)	-29.7%	3,726,450	3,912,773	4,108,411	4,313,832
Parking Fines - Booting Collections		211,913	8,685	0	0	0	0	0.0%	0	0	0	0
Moving Violations	188,443	177,824	209,894	190,000	79,471	130,000	(60,000)	-31.6%	132,600	135,252	137,957	140,716
Ambulance Fees	4,343,453	4,424,808	4,962,919	5,103,208	2,218,081	3,092,159	(2,011,049)	-39.4%	3,154,002	3,217,082	3,281,424	3,347,052
Interest Income	3,636,989	4,334,404	7,853,460	2,851,200	3,691,892	4,411,120	1,559,920	54.7%	4,411,120	4,411,120	4,411,120	4,411,120
Franchise Fees	2,009,931	1,821,316	1,839,102	1,551,696	540,563	1,581,650	29,954	1.9%	1,613,283	1,645,549	1,678,460	1,712,029
Other Revenues	10,736,326	8,116,908	8,065,884	6,246,348	7,900,032	8,600,000	2,353,652	37.7%	6,200,000	6,200,000	6,200,000	6,200,000
Indirect cost reimbursements	6,149,619	5,223,725	5,489,783	5,490,000	3,872,835	5,490,000	0	0.0%	5,490,000	5,490,000	5,490,000	5,490,000
Transfers	5,792,575	5,356,132	5,386,188	17,274,293	13,297,923	13,935,550	(3,338,743)	-19.3%	5,874,293	5,874,293	5,874,293	5,874,293
<b>Total Undesignated Revenues</b>	<b>198,642,216</b>	<b>208,462,620</b>	<b>221,469,143</b>	<b>195,794,216</b>	<b>158,187,544</b>	<b>209,176,457</b>	<b>13,382,241</b>	<b>6.8%</b>	<b>199,308,929</b>	<b>205,247,879</b>	<b>210,646,201</b>	<b>216,252,808</b>
<b>Designated Revenues</b>												
Prop. Transfer Taxes for capital improvements						3,500,000	3,500,000		7,500,000	7,500,000	7,500,000	7,500,000
<b>Total Designated Revenues</b>				<b>0</b>	<b>0</b>	<b>3,500,000</b>	<b>3,500,000</b>		<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>198,642,216</b>	<b>208,462,620</b>	<b>221,469,143</b>	<b>195,794,216</b>	<b>158,187,544</b>	<b>212,676,457</b>	<b>16,882,241</b>	<b>8.6%</b>	<b>206,808,929</b>	<b>212,747,879</b>	<b>218,146,201</b>	<b>223,752,808</b>

1. Secured Property Taxes- Projections based on actual or forecast increase in assessed values: FY 2021 7.70%; FY 2022 4.0%; FY 2023-FY 2030 3.5%. Conservatively assumes the real estate market will remain active through FY 2021, and then level off.
2. Unsecured Property Taxes, Supplemental Taxes, Utility Users Taxes, and Ambulance Fees-Historical revenues have been flat for several years, but assessed values increased in FY 2019-FY 2021. As a result of the COVID-19 pandemic, the Assessor is projecting a 25% decrease in assessed value of business personal property
3. Property Transfer Taxes- Projections assume a \$20.0 million level in FY 2021-25,
4. Sales Taxes- Projections are "the most likely outcome" each year up to FY 2030, as provided by MuniServices, the City's Sales Tax consultant that maintains the City's Sales Tax data base. The Consultant expects a strong rebound starting in FY 2022 and continuing through 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, 5% growth is projected through FY 2030. These projections do not include the projected impact of Pyramid Hotel scheduled to open in FY 2022.
6. Business License Taxes (excluding Cannabis Recreational)-Huge decline is expected in FY 2021 as a result of COVID-19; Thereafter, assumes a 5% growth rate from FY 2022-FY 2030.
7. Business License Taxes- Cannabis Recreational- Assumes a 5% 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 4.0%; FY 2023-FY 2030 3.5%.
9. Parking Fines- Ticket writing has been in a downward spiral for many years; Parking Fines declined sharply in FY 2021 as a result of the Shelter in Place Orders; the projections assume a slow comeback of 5% 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. 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.

### **Property Taxes**

The revenue projection for Real Property Tax revenue is primarily based on the annual County Assessor's Office estimate of assessed values, which is provided in June each year. The growth in assessed value and property tax delinquencies (which are very low in Berkeley) determine the Secured Property Taxes for each year. The difference between the estimate in June and the actual certification in August is generally small. We continue to assume an annual 3.5% increase in property valuations, as we do not expect impacts to valuations in the near term. Staff will closely monitor all economic activities that drive this revenue stream, including reports from the County when available and adjust as necessary. We had previously decreased our expected revenue by 6.5% for FY 2021 due to possible collection concerns, but actual revenues are maintaining growth in line with projected overall valuation increases. A resilient property sales market has further increased revenue, due to taxable valuation increases of transferred properties to market values.

### **Unsecured Property Taxes**

Factors that affect the revenue generated by taxes on personal property are business capital expenditures growth, and the collection rate. The growth in annual personal property tax revenues should generally be close to the growth in annual assessed values, except for significant changes in collection rates. In addition, prior years' personal property levies collected in the current year and refunds are included in the total and can cause significant variances. We now project FY 2021 revenue to be higher than originally budgeted, but still expect decreases in subsequent years, due to possible current year devaluations affecting future collections.

### **Property Transfer Taxes**

Because Property Transfer Tax is tied directly to all real property sales, it is a volatile revenue source, and difficult to predict more than one year at a time. Factors that affect the revenue generated by Transfer Taxes are the sale price of property and the frequency with which property is sold. These immediate factors are driven by the availability of mortgage loans, the level of long-term interest rates, the supply and demand for real estate in Berkeley, and general economic growth in the Bay Area. Staff analyze these factors and the recent property sales trends to project the revenue for the year. Property sales activity and property values have remained resilient through FY 2021, and we now project \$20.0M in base Transfer Tax revenue, as well as \$8.2M from Measure P (additional tax on high-value property transfers). This represents an 11% decrease from FY 2020.

### **Sales Taxes**

Sales Taxes are collected by the State, and remitted to the City one quarter in arrears. We project full FY 2021 revenue to be slightly higher than the adopted budget amount (\$16.0M vs. \$15.8M), based on estimates of activity in the City's business categories and YTD collections. The city's Sales Tax projections are the "most likely outcome" as provided by the MuniServices, the City's Sales Tax consultant that maintains the City's Sales Tax data base.

### **Business License Tax**

Business License Tax is due in February each year, based on the gross receipts from the previous calendar year. Consequently, most of this revenue is recorded in the third

quarter of the fiscal year. Some amounts, however, are received later due to late payments. Annual Business License Tax revenues are affected by: (a) the number of business renewals; (b) commercial and industrial growth rates; (c) attraction and loss of businesses; (d) economic growth in the Bay Area; (e) the results of Finance BLT collection activity; and (f) Finance Department audit programs.

Staff analyze these factors and recent revenue trends to project the BLT revenue for the year. Although we initially budgeted FY 2021 revenue to be down almost 40% compared with FY 2020 due to the effects of COVID-19 mandated closures, improving economic conditions in the latter part of the year, and the ability of many businesses to adapt to social distancing requirements allowed for greater than expected gross receipts by City businesses. We now project that total Business License revenue will be \$15.3M for FY 2021, down only 27% from FY 2020. Filings of Business License Tax returns were also down 15%, with only 10,979 businesses filing returns for the 12 months ending December, 2020, compared with 13,029 in the prior year. We cannot be sure at this point whether these are the result of permanently closed businesses or simply delayed filings due to temporary closure or financial hardship. We will continue to monitor delinquent filings and adjust future projections as necessary.

### **Transient Occupancy Tax**

Factors that affect the revenue generated by Transit Occupancy Taxes (TOT) are: the number of hotel rooms available for occupancy; their level of occupancy; and the average room rates charged. Economic cycles that impact personal or business discretionary spending also impact travel, and thus affect the number of occupied rooms in a particular economic cycle. The Adopted Budget TOT revenue forecast is based on projections for the 12 largest hotels (TOT = number of rooms times hotel's estimate of occupancy rate times average room rate).

Transient Occupancy Tax receipts have continued to be drastically reduced through FY 2021, due to travel restrictions and shelter-in-place orders, as well as the shift of a large portion of the University of California's classes to remote instruction. For FY 2021, due to potentially deteriorating economic conditions, event cancellations, and consumer concern regarding the safety of travel, we now project TOT revenues to be reduced by 75% compared with the last full pre-COVID-19 fiscal year (FY 2019).

### **Utility Users Tax**

The Utility Users Tax (UUT) revenues are affected by: (a) consumption/use of gas, electricity, telecommunication services, cable, and cellular; (b) regulatory actions, including deregulation and re-regulation; (c) PUC rate changes; (d) market forces; (e) evolution of technology; and (f) legislative actions at State and Federal levels. About 65% of UUT revenues were generated from gas and electric services and 35% from telecommunications each year.

Staff analyze these factors, data provided by PG&E and revenue trends to project the UUT revenue for the year.

## Long-Term Projections

	Projected General Fund Revenue FY 2021 through FY 2025				
	FY 2021 Revised	FY 2022	FY 2023	FY 2024	FY 2025
<b>Undesignated Revenues</b>					
Secured Property Taxes	68,058,516	70,780,857	73,258,187	75,822,223	78,476,001
Supplemental Taxes	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Unsecured Property Taxes	3,500,000	2,625,000	2,625,000	2,625,000	2,625,000
Property Transfer Taxes	16,500,000	12,500,000	12,500,000	12,500,000	12,500,000
Property Transfer Tax - Measure P	8,200,000	7,000,000	7,000,000	7,000,000	7,000,000
Sales Taxes	15,985,141	18,287,215	19,827,678	20,660,832	21,528,995
Soda Tax	970,794	990,210	1,010,014	1,030,214	1,050,819
Utility Users Taxes	13,269,760	13,000,000	13,000,000	13,000,000	13,000,000
Transient Occupancy Taxes(TOT)	2,070,000	2,173,500	2,282,175	2,396,284	2,516,098
Short-term Rentals	476,260	500,073	525,077	551,330	578,897
Business License Taxes	15,300,000	16,065,000	16,868,250	17,711,663	18,597,246
Recreational Cannabis	1,500,000	1,530,000	1,560,600	1,591,812	1,623,648
Measure U1	4,600,000	4,692,000	4,785,840	4,881,557	4,979,188
Other Taxes	1,572,048	1,603,489	1,635,559	1,668,270	1,701,635
Vehicle In Lieu Taxes	14,384,459	14,959,837	15,483,432	16,025,352	16,586,239
Parking Fines - Regular Collections	3,549,000	3,726,450	3,912,773	4,108,411	4,313,832
Parking Fines - Booting Collections	0	0	0	0	0
Moving Violations	130,000	132,600	135,252	137,957	140,716
Ambulance Fees	3,092,159	3,154,002	3,217,082	3,281,424	3,347,052
Interest Income	4,411,120	4,411,120	4,411,120	4,411,120	4,411,120
Franchise Fees	1,581,650	1,613,283	1,645,549	1,678,460	1,712,029
Other Revenues	8,600,000	6,200,000	6,200,000	6,200,000	6,200,000
Indirect cost reimbursements	5,490,000	5,490,000	5,490,000	5,490,000	5,490,000
Transfers	13,935,550	5,874,293	5,874,293	5,874,293	5,874,293
<b>Total Undesignated Revenues</b>	<b>209,176,457</b>	<b>199,308,929</b>	<b>205,247,879</b>	<b>210,646,201</b>	<b>216,252,808</b>
<b>Designated Revenues</b>					
Prop. Transfer Taxes for capital improvements	3,500,000	7,500,000	7,500,000	7,500,000	7,500,000
<b>Total Designated Revenues</b>	<b>3,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>212,676,457</b>	<b>206,808,929</b>	<b>212,747,879</b>	<b>218,146,201</b>	<b>223,752,808</b>

## Property Taxes

Given the continued strong collection rate, and the resilience of property values in the City, we forecast that we will return to the 3.5% annual growth rate that existed pre-pandemic.

### **Sales Taxes**

We project that the immense effects of COVID-19 on sales tax revenue in FY 2021 to be largely reversed in FY 2022, with revenue levels almost back to FY 2019 levels, and project growth to then level off to approximately 4% in FY 2024. There is still some potential risk that an overall slowdown in underlying economic recovery will be reflected in reduced growth in consumer spending and sales tax collections.

### **Business License Taxes**

We expect 5% growth in Business License Tax revenue from heavily impacted FY 2021 levels, as economic activity recovers from the recession caused by the pandemic. Long-term projections will be adjusted as the post-pandemic economic environment becomes clearer.

### **Transient Occupancy Tax**

With recovery of business at the City's hotels expected to lag behind general economic recovery, and relying on industry guidance regarding predicted occupancy levels, we are currently projecting only 5% annual growth from current revenue levels. We will continue to monitor the major hotels' projections of future occupancies and adjust long-term projections as necessary.

### **Utility Users Tax**

We expect UUT revenue to remain flat from FY 2022 through FY 2024.

### **Transfer Tax**

Given the continued strength in property values and in sales activity, we expect Transfer Tax revenues to remain at \$20M per year from FY 2022 – FY 2024. Similarly, we expect revenues from Measure P supplemental tax on high value property transfers to remain steady at the \$7M level, after falling from a peak of \$9.5M in FY 2020.

### **Conclusion**

We can be cautiously optimistic that our revenue levels are recovering as we exit the business and travel restrictions that came with the pandemic. It must be understood, that some of our revenue sources are tied to sectors of the local economy that may not experience immediate recovery, and others that may be permanently altered, as "temporary" adaptations necessary during the pandemic remain entrenched. These factors will not be fully tested until after mandated restrictions are fully lifted and citizens and consumers readjust to the post-pandemic landscape. In the short term, staff will continue to monitor the trend lines of these revenues and make the necessary adjustments needed as data are available.

### **Bases for Projecting Major General Fund Revenues:**

Following are the methodologies used by City Finance staff to determine the General Fund major revenue projections each year:

**Secured Property Taxes:** The revenue projection for Real Property Tax revenue is primarily based on the annual County Assessor's Office estimate of assessed values, which is provided in June each year. The growth in assessed value and property tax delinquencies (which are very low in Berkeley) determine the Secured Property Taxes for each year. The difference between the estimate in June and the actual certification in August is generally small.

**Property Transfer Taxes:** Because Property Transfer Tax is tied directly to all real property sales, it is a volatile revenue source, and difficult to predict more than one year at a time. Factors that affect the revenue generated by Transfer Taxes are the sale price of property and the frequency with which property is sold. These immediate factors are driven by the availability of mortgage loans, the level of long-term interest rates, the supply and demand for real estate in Berkeley, and general economic growth in the Bay Area. Staff analyze these factors and the recent property sales trends to project the revenue for the year.

**Vehicle in Lieu Taxes (VLF):** revenue projections are based on trend analysis, growth in assessed value and communications with the State Controller's Office staff about new vehicle sales and DMV administrative costs reported. VLF revenue is tied to the change in gross assessed values of taxable properties.

**Unsecured Property Taxes:** Factors that affect the revenue generated by taxes on personal property are business capital expenditures growth, and the collection rate. The growth in annual personal property tax revenues should generally be close to the growth in annual assessed values, except for significant changes in collection rates. In addition, prior years' personal property levies collected in the current year and refunds are included in the total and can cause significant variances.

**Sales Taxes:** Factors that affect the revenue generated by Sales Tax include:

- Overall economic growth in the Bay Area and competition from neighboring cities;
- Growth rate of specific dominant commercial/industrial sectors in Berkeley;
- Berkeley's business attraction/retention efforts, especially on retail establishments; and
- Catalog and Internet sales

The City contracts with a firm that specializes in sales tax consulting, monitoring of individual businesses, and projecting the revenues of individual businesses, and that firm projects the City's sales taxes each year.

**Business License Taxes (BLT):** Factors that affect the BLT revenue are:

- Number of business renewals;
- Commercial and industrial growth rates;
- Attraction/loss of businesses;
- Economic growth in the Bay Area; and
- Results of Finance BLT collection activity; and the City Auditor's and Finance Department audit programs.

Staff analyze these factors and recent revenue trends to project the BLT revenue for the year.

**Utility Users Taxes (UUT):** Some factors that affect the revenue generated by UUT are:

- Consumption/use of gas, electricity, telecommunication services, cable, and cellular;
- Regulatory actions, including deregulation and re-regulation;
- PUC rate changes;
- Market forces;
- Evolution of technology; and
- Legislative actions at State and Federal levels

About 65% of UUT revenues were generated from gas and electric services and 35% from telecommunications each year.

Staff analyze these factors, data provided by PG&E and revenue trends to project the UUT revenue for the year.

**Franchise Fees:**

Cable Franchise.

Prior to the passage of State Bill AB2987, Federal and State laws allowed cities to grant franchises to cable companies to use the public right-of-way (PROW) to install and provide video service. The cable company, in turn, applied for a permit to install the video facilities. The permit also allowed for maintenance work once the installation was complete. Under the current franchise agreement, the cable company pays Berkeley an annual franchise fee of 5% of gross revenues, in quarterly installments. In addition, they support the Public Access Channel programming (B-TV). The cable franchise expired on November 12, 2007. State Bill AB 2987 allows companies to apply for statewide cable television franchises, and the bill maintains the City's 5% franchise fee. In addition to the 5% franchise fee, the bill allows the City to receive an additional fee of 1% of the gross revenue for Public, Educational and Government (PEG) purposes.

Electric & Gas Franchises.

These franchise fees (ultimately paid by the consumer) are variable fees based on gross receipts for the sale of electricity or gas within the City, and is the greater of these two calculations:

1. Electric or Gas Franchise Ordinance: 2% of gross receipts attributable to miles of line operated; or
2. 1937 Act Computations: gross receipts within the City times 0.5%.

Electric/Gas franchise fees are paid annually to the General Fund. Electric and gas franchise payments are based on two methods of calculating gross receipts. The electric/gas company must complete both calculations, and the payment made is the greater amount. In addition, the PUC approved a franchise fee surcharge since PG&E no longer handles all energy service, in order to prevent cities from losing franchise revenue generated by third parties. The surcharge is an estimate of the amount of revenues generated by third parties multiplied by the franchise fee rate.

Staff analyze recent revenue trends and the reports provided by the utility companies and compared them to the UUT data for consistencies, in order to project the Franchise Fee revenues for the year.

**Transient Occupancy Taxes (TOT or Hotel Tax):** Factors that affect the revenue generated by TOT are: the number of hotel rooms available for occupancy; their level of occupancy; and the average room rates charged. Economic cycles that impact personal or business discretionary spending also impact travel, and thus affect the number of occupied rooms in a particular economic cycle.

The Adopted Budget TOT revenue forecast is based on projections for the 12 largest hotels (TOT = number of rooms times hotel's estimate of occupancy rate times average room rate).

**Interest Income:** The City employs a strict cash management program to ensure that all available funds are invested to earn the maximum yield consistent with safety and liquidity. Invested money is pooled and each of the funds receives interest income based on its share of monthly net cash balances. Short-term securities are purchased at a discount (the interest income earned by the City is the difference between the price paid by the City and the par value of the bonds). Long-term securities purchased by the City pay an interest coupon (generally semi-annually). Interest is allocated from the General Fund each month to other designated City funds, based on their net cash balances.

Interest Income projections are made by taking the existing investments and multiplying by the effective yield, and adding the calculation for estimated interest income on future investments (estimate of amounts to be invested in the various maturities, times the estimate of the applicable interest rate).

**Parking Fines:** Factors that affect the revenue generated by Parking Fines include:

- Amounts established for payment of parking tickets and related charges
- Number of working parking meters



- Collections using a professional collections agency and also registration holds with DMV and/or liens with the Franchise Tax Board.

Revenue projections are based on: an estimate of valid tickets issued times the average ticket price times the collection rate (including use of a collection agency, registration holds with DMV and/or liens with the Franchise Tax Board) minus Jail Construction Fund payments.

**Ambulance Fees:** By agreement with Alameda County, the City of Berkeley is the exclusive provider of all emergency ground ambulance service within the City limits. The contract began in July 1, 1999 and has been extended to June 30, 2024. The specific ambulance fee depends on the type of service delivered. Clients and clients' insurance companies are billed monthly by an outside agency (ADPI) that also maintains the City's accounts receivable subsidiary records. The Fire Department receives the remitted amounts and the revenues are credited to the General Fund.

Projections are based on trend analysis and discussions with Fire Department staff and their collection vendor for estimates of each type of service, and the total collections rate.