



**BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE
SPECIAL MEETING**

**Monday, May 11, 2020
10:00 AM**

Committee Members:

Mayor Jesse Arreguin, Councilmembers Cheryl Davila and Lori Droste
Alternate: Councilmember Kate Harrison

**PUBLIC ADVISORY: THIS MEETING WILL BE CONDUCTED EXCLUSIVELY THROUGH
VIDEOCONFERENCE AND TELECONFERENCE**

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, this meeting of the City Council Budget & Finance Committee will be conducted exclusively through teleconference and Zoom videoconference. Please be advised that pursuant to the Executive 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.

To access the meeting remotely using the internet: Join from a PC, Mac, iPad, iPhone, or Android device: Use URL - <https://us02web.zoom.us/j/85761580384>. 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 on the screen.

To join by phone: Dial **1-669-900-9128** and Enter Meeting ID: **857 6158 0384**. If you wish to comment during the public comment portion of the agenda, press *9 and wait to be recognized by the Chair.

Written communications submitted by mail or e-mail to the Budget & Finance Committee by 5:00 p.m. the Friday before the Committee meeting will be distributed to the members of the Committee in advance of the meeting and retained as part of the official record. City offices are currently closed and cannot accept written communications in person.

AGENDA

Roll Call

Public Comment on Non-Agenda Matters

Minutes for Approval

Draft minutes for the Committee's consideration and approval.

1. Minutes - May 4, 2020

Committee Action Items

The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker. Speakers are permitted to yield their time to one other speaker, however no one speaker shall have more than four minutes.

Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.

2. Auditor Recommendation to Determine Purpose, Time Frame, and Amount Before Using Reserves

From: City Auditor

Contact: Jenny Wong, Auditor, (510) 981-6750

3. Budget Timeline

From: City Manager

Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

4. Center Street Parking Revenue Bonds

From: City Manager

Contact: Henry Oyekanmi, Finance, (510) 981-7300

5. Fiscal Year 2021 Budget Update *(Item contains supplemental material from Mayor Arreguin)*

From: City Manager

Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

Unscheduled Items

These items are not scheduled for discussion or action at this meeting. The Committee may schedule these items to the Action Calendar of a future Committee meeting.

- 6. Open West Campus Pool and Martin Luther King Jr. Pool (King pool) to implement the City of Berkeley Shower Program at these locations, and provide the ability for our community to shower during the COVID 19 Pandemic**
(Item contains revised materials)
From: Councilmember Davila (Author)
Referred: March 30, 2020
Due: September 27, 2020
Recommendation: Direct the City Manager to open the West Campus Pool and Martin Luther King Jr. Middle School (King pool) Pool to implement the City of Berkeley Shower Program at these locations. Opening the West Campus Pool and Martin Luther King Jr. Middle School (King pool) pool will provide the ability for our community to shower during the COVID 19 Pandemic, a humane action required during this crisis.
Financial Implications: \$270,100
Contact: Cheryl Davila, Councilmember, District 2, (510) 981-7120
- 7. Housing Trust Fund Resources**
From: City Manager
Contact: Lisa Warhuus, Housing and Community Services, (510) 981-5400
- 8. Homeless Services Report**
From: City Manager
Contact: Dave White, City Manager's Office, (510) 981-7000
- 9. Review of Council's Fiscal Policies**
From: City Manager
Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

Items for Future Agendas

- **Discussion of items to be added to future agendas**

Adjournment

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*Written communications addressed to the Budget & Finance Committee and submitted to the City Clerk Department will be distributed to the Committee prior to the meeting.*

*This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953. Members of the City Council who are not members of the standing committee may attend a standing committee meeting even if it results in a quorum being present, provided that the non-members only act as observers and do not participate in the meeting. If only one member of the Council who is not a member of the committee is present for the meeting, the member may participate in the meeting because less than a quorum of the full Council is present. Any member of the public may attend this meeting. Questions regarding this matter may be addressed to Mark Numainville, City Clerk, (510) 981-6900.*



**COMMUNICATION 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 (510) 981-6418 (V) or (510) 981-6347 (TDD) at least three business days before the meeting date. Attendees at public meetings are reminded that other attendees may be sensitive to various scents, whether natural or manufactured, in products and materials. Please help the City respect these needs.

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I hereby certify that the agenda for this meeting of the Standing Committee of the Berkeley City Council was posted at the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way, as well as on the City's website, on May 8, 2020.

A handwritten signature in black ink that reads "Mark Numainville".

Mark Numainville, City Clerk

Communications

Communications submitted to City Council Policy Committees are on file in the City Clerk Department at 2180 Milvia Street, 1st Floor, Berkeley, CA.

**BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE
SPECIAL MEETING MINUTES**

**Monday, May 4, 2020
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AGENDA

Roll Call: 10:00 a.m. All present.

Public Comment on Non-Agenda Matters: 1 speaker

Minutes for Approval

Draft minutes for the Committee's consideration and approval.

1. Minutes - April 27, 2020

Action: M/S/C (Davila/Arreguin) to approve the minutes of April 27, 2020.

Vote: All Ayes.

Committee Action Items

The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker.

Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.

2. FY2021 Budget Update *(Item contains supplemental material from Mayor Arreguin)*

From: City Manager

Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

3. Strategic Plan Quarterly Report

From: City Manager

Contact: Dee Williams-Ridley, City Manager, (510) 981-7000

4. Proposed Budget & Finance Committee Priorities

From: City Manager

Contact: Dee Williams-Ridley, City Manager, (510) 981-7000

Action: Items 2-4 were presented together. 4 speakers. Presentation made and discussion held.

5. Measure P Revenues and Allocations

From: City Manager

Contact: Dave White, City Manager's Office, (510) 981-7000

Action: 1 speaker. Presentation made and discussion held.

Unscheduled Items

These items are not scheduled for discussion or action at this meeting. The Committee may schedule these items to the Action Calendar of a future Committee meeting.

6. **Open West Campus Pool and Martin Luther King Jr. Pool (King pool) to implement the City of Berkeley Shower Program at these locations, and provide the ability for our community to shower during the COVID 19 Pandemic**
(Item contains revised materials)
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Referred: March 30, 2020
Due: September 27, 2020
Recommendation: Direct the City Manager to open the West Campus Pool and Martin Luther King Jr. Middle School (King pool) Pool to implement the City of Berkeley Shower Program at these locations. Opening the West Campus Pool and Martin Luther King Jr. Middle School (King pool) pool will provide the ability for our community to shower during the COVID 19 Pandemic, a humane action required during this crisis.
Financial Implications: \$270,100
Contact: Cheryl Davila, Councilmember, District 2, (510) 981-7120
7. **Housing Trust Fund Resources**
From: City Manager
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8. **Homeless Services Report**
From: City Manager
Contact: Dave White, City Manager's Office, (510) 981-7000
9. **Review of Council's Fiscal Policies**
From: City Manager
Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

Items for Future Agendas

- **Discussion of items to be added to future agendas**

Adjournment

Action: M/S/C (Droste/Davila) to adjourn the meeting.

Vote: All Ayes.

Adjourned at 12:23 p.m.

I hereby certify that this is a true and correct record of the Budget & Finance Committee meeting held on May 4, 2020.

April Richardson, Assistant City Clerk

Communications

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To: Budget and Finance Policy Committee
From: Jenny Wong, City Auditor *JW*
Date: May 11, 2020
Subject: Recommendation to Determine Purpose, Time Frame, and Amount Before Using Reserves

Recommendation

As the City considers using reserve funds as part of a comprehensive strategy to mitigate revenue loss due to the COVID-19 pandemic, I recommend that the Reserves Use Policy be amended to state that when using reserves, the City should specify: 1) the specific purpose for the use of reserve funds, 2) the time frame in which the reserve funds can be used, and 3) how much will be used during that time frame.

Background

On April 27, 2020, I presented to the Budget and Policy Committee a report my office issued about navigating the impacts of the COVID-19 pandemic on Berkeley's finances. In that report, we stated that the economic and financial impacts of the pandemic would be significant and could last for several years. In that same meeting, the Budget Manager reported that Berkeley could face a general fund shortfall of about \$25 million in fiscal year 2021 due to the pandemic.


Considering the severity of the public health risk and financial impact, it makes sense for Council to consider drawing down its Catastrophic Reserve and/or Stability Reserve funds as part of a comprehensive strategy to mitigate revenue loss and continue to provide vital services.

Rationale for Recommendation

Our report on COVID-19 financial impacts on the budget recommended taking a long-term view and having a plan with specific goals if the City uses reserves. Committing to define the purpose, time frame, and amount before using reserve funds will help ensure accountability and transparency in the City's use of these funds by setting clear expectations with the public. These parameters may need some flexibility to allow the

City to be responsive to the ever-changing situation, but should also provide some assurance that Council is being strategic in directing the use of reserve funds.

Cc: Dee Williams-Ridley, City Manager
Mark Numainville, City Clerk




No Material
Available for
this Item

There is no material for this item.

City Clerk Department
2180 Milvia Street
Berkeley, CA 94704
(510) 981-6900

The City of Berkeley Budget & Finance Policy Committee Webpage:
https://www.cityofberkeley.info/Clerk/Home/Policy_Committee_Budget_Finance.aspx



No Material
Available for
this Item

There is no material for this item.

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Office of the City Manager

Date: May 4, 2020
 To: Budget & Finance Policy Committee
 From: Dee Williams-Ridley, City Manager
 Submitted by: Teresa Berkeley-Simmons, Budget Manager
 Subject: Fiscal Year 2021 Budget Update

The City Council adopted the FY 2020 and FY 2021 Biennial Budget (Biennial Budget) and the FY 2020 and FY 2021 Capital Improvement Program Budget (CIP Budget) on June 25, 2019. The Biennial Budget was a 2-year balanced budget. The Proclamation of Local Emergency for purposes of responding to COVID-19 was issued on March 3, 2020. This event is unprecedented and we have no historical experience to use as a base to pull from or to plan. Developing policies to deal with this event are ongoing.

The most important problem facing the City at the moment is getting the COVID-19 pandemic under control as quickly as possible. But the consequences, when all is said and done, will extend into other government services, as we manage City services with diminished resources.

The City has numerous revenue streams that depend on economic activities and the “Shelter in Place” order practically stopped most economic activity. This has had immediate impact in the current fiscal year, and will continue into FY 2021, as those revenue streams that trail consumer and retail activity feel the brunt of this cessation. Federal direct aid to municipalities for general shortfalls is limited to cities with populations over 500,000, and direct aid to states is not mandated to be distributed to local jurisdictions. There are federal programs to reimburse local jurisdictions for expenditures directly related to addressing COVID-19, but these programs do nothing to offset the loss of revenues caused by the shelter in place order, nor the impacts of a potential general economic downturn.

The Budget & Finance Policy Committee (Policy Committee) met on April 27, 2020, and were provided an overview of the fiscal challenges the City faces as a result of the pandemic. In FY 2021 the General Fund is facing a \$25.5 million shortfall.

**FY 2021
 General Fund Budget Update**
(dollars in millions)

FY 2021 Adopted		FY 2021 Updated (COVID-19)	
Revenues	Expenditures	Revenues	Expenditures
\$201.7	\$201.7	\$177.1	\$202.6 ¹

General Fund Revenues Updated Projections

On April 27, the Policy Committee requested staff to provide an updated 5- year General Fund revenue projection. The Policy Committee also asked staff to include the assumptions utilized to create the projection and the effects of the current crisis on fiscal years 2020-2024. This information is provided in Attachment A.

It should be noted that these assumptions are made using current available information, and our projection is a snapshot as of the March 31, accounting period close. The projection will be updated on a monthly basis, as actual revenues are realized and recorded. The City records revenues on a cash basis, and the actuals presented reflect funds received as of March 31.

Other General Fund Revenue Streams

Revenues from the base Transfer Tax, Measure P Transfer Tax, and the U1 Supplemental Business License Tax have contributed surpluses in FY 2020 to offset shortfalls in other taxes. Those surpluses cannot be assured in future years, especially if broader economic conditions worsen. We should be conservative in our outlook, so that we can continue to provide essential services to citizens, no matter what economic conditions we face. A detailed discussion of Measure P General Fund revenues and expenditures is included on today’s agenda.

FY 2021 Target Deferrals

The City must adopt a balanced budget. As a result of whirlwind declines in the City’s General Fund revenue streams, we are facing a \$25.5M General Fund shortfall in FY 2021. In order to resolve this General Fund shortfall, we are requiring departments to provide tiered General Fund expenditure deferrals or 1-time reductions of 10%, 12% and 15%. The chart below translates the target deferrals into dollars.

¹ Includes funding allocations for the following: Solano Avenue Revitalization \$300,000, Wildfire Mitigation (Fire) \$334,000, and Community Service Specialist II (CMO – Communications) \$160,000. In FY 2020 these appropriations were redirected to the EOC for the immediate response to COVID-19.

Department	FY 2021 Revised Baseline Budget	FY 2021 Internal Service Costs	FY 2021 Adjusted Budget*	10% Deferral	12% Deferral	15% Deferral
City Auditor	2,657,863	227,099	2,430,764	243,076	291,692	364,615
City Attorney	3,039,583	218,523	2,821,060	282,106	338,527	423,159
City Clerk	2,849,880	182,225	2,667,655	266,766	320,119	400,148
City Manager	7,481,872	605,555	6,876,317	687,632	825,158	1,031,448
Finance	7,172,555	771,001	6,401,554	640,155	768,186	960,233
Fire	35,795,902	2,841,265	32,954,637	3,295,464	3,954,556	4,943,196
Health, Housing, & Community Services	17,701,995	3,013,721	14,688,274	1,468,827	1,762,593	2,203,241
Human Resources	2,635,819	265,070	2,370,749	237,075	284,490	355,612
Information Technology	580,710	-	580,710			
Office of Economic Development	2,959,800	73,306	2,886,494	288,649	346,379	432,974
Parks Rec & Waterfront	6,943,078	851,031	6,092,047	609,205	731,046	913,807
Planning	2,534,191	400,284	2,133,907	213,391	256,069	320,086
Police	73,986,482	4,135,383	69,851,099	6,985,110	8,382,132	10,477,665
PRC	788,001	161,898	626,103	62,610	75,132	93,915
Public Works	4,408,589	890,461	3,518,128	351,813	422,175	527,719
TOTAL	171,536,320	14,636,822	156,899,498	15,631,879	18,758,255	23,447,818
**FY 2021 Adjusted Budget = FY 2021 Revised Budget - FY 2021 Internal Services						
Internal Service Costs include the following:						
Facilities Maintenance						
IT Cost Allocation						
Mail Services						
Vehicle Maintenance						
Vehicle Replacement						

Not included in the target deferrals in the chart above are the internal services funds, transfers supporting special funds, and allocations to community agencies. These items will be reviewed individually based on funding needs. Department directors are in the process of submitting their proposed General Fund expenditure target deferrals for preliminary review by the City Manager.

Budget Strategies Principles

It is important departments develop thoughtful ideas for deferrals that are realistic and result in minimum negative impact to services and operations. Below are the Budget Strategies Principles that staff is using to guide us as we work to right size the FY 2021 Budget.

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

In addition, on February 27, 2020, the Policy Committee discussed, reviewed, and approved the following two budget fiscal policies to be submitted to the City Council for approval.

1. Funding the 115 Pension Trust
 - a. Raise the Property Transfer Tax baseline from \$12.5 million to \$15 million. The additional \$2.5 million will be allocated to the 115 Pension Trust.
 - b. Property Transfer Tax in excess of \$15 million will be treated as one-time revenue to be used for the City's capital infrastructure needs. However,

revenue generated from Measure P is excluded (exempt) from this transfer.

- c. Savings generated by pre-funding CalPERS will be contributed to the 115 Pension Trust. On an annual basis, staff will analyze the impact of pre-funding CalPERS. If the analysis determines that pre-funding CalPERS will result in budgetary savings, the net savings will be contributed to the 115 Pension Trust.
 - d. Refer to the City Manager to explore including interest above the baseline budget as an additional revenue source.
2. Short-Term Rental General Fund Revenue
The Committee discussed and approved for the Council's consideration the following priorities for the short-term rental revenue as part of the budget process.
- a. Sufficiently fund the implementation and enforcement of the short-term rental program;
 - b. Keep the \$500,000 baseline for the arts grants program.

Both of these fiscal policies were approved by the Policy Committee to be submitted to the Council for adoption and immediate implementation in FY 2021 prior to the COVID-19 pandemic. Now that the fiscal impacts of the pandemic are being revealed the City Council might want to discuss not only adopting these policies but the timing of implementing these policies if adopted. The Council should note that the \$500,000 allocation to the arts grants program is included in the FY 2021 General Fund baseline budget of \$202.6 million.

Hiring Freeze

As a cost-savings measure to efficiently utilize organizational resources, there is a freeze on citywide hiring, effective immediately. During this period, Department Heads are asked to suspend any and all hiring activities. As we begin to assess the pandemic's impact on our community, strategic steps are being made to manage our resources. Recognizing the magnitude of challenges ahead, including the great stress on our limited resources, the City's focus is the continuity of essential functions.

The City recognizes this hiring freeze policy will create hardships across the organization. To minimize this impact, Department Heads may request exceptions, which will be considered on a case-by-case basis by the City Manager. The limited exceptions will focus on preserving critical organizational functions to protect the general welfare and safety of our constituents and employees, remain compliant, and minimize risk exposure. Additional details of the hiring freeze including frequently asked questions can be found in Attachment B: Guidelines for Citywide Hiring Freeze.

We must ensure that we have adequate flexibility to continue to effectively respond to the COVID-19 pandemic, which includes challenges that are unplanned but will continue to be revealed as we move through FY 2021.

General Fund Reserves

The General Fund Reserve is distinctly separate from the General Fund Balance (Excess Equity). On January 24, 2017, the City Council established [Resolution No. 67,821](#) – N.S., a policy for the General Fund Reserves. On February 13, 2018, the City Council adopted Resolution 68,332 -N.S., which established the criteria for the usage of the General Fund Reserves (Attachment C).² The General Fund reserves are comprised of two elements: a Stability Reserve and a Catastrophic Reserve.

The Stability Reserve was established to mitigate the loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls. Fifty-five percent of the General Fund Reserve is allocated to the Stability Reserve.

The Catastrophic Reserve was established to sustain the General Fund operations in the case of a public emergency such as a natural disaster or other catastrophic event. The Catastrophic Reserve may be used to respond to extreme onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. Forty-five percent of the General Fund Reserve is allocated to the Catastrophic Reserve.

When the Council adopted the General Fund Reserve Policy the target level established for the Reserve was a minimum of 13.8% of Adopted General Fund Revenues with an intermediate goal of a minimum of 16.7% by the end of Fiscal Year 2020, if financially feasible. In addition, the Council adopted a long-term goal of 30% of General Fund revenues, to be achieved within no more than 10 years (FY2027). The Council demonstrated their commitment to these goals in the policy by assigning 50% of the General Fund Excess Equity above the first \$1 million to be allocated to the General Fund Reserves. Additional Excess Equity may be allocated to the General Fund Reserves by a majority vote of the Council. The chart below illustrates the FY 2019 allocation of the \$1.16 million distributed to the General Fund Reserves, resulting in a total General Fund Reserves level of 17.43%³.

² <https://www.cityofberkeley.info/recordsonline/export/17153922.pdf>

³ Based on the FY 2020 Adopted General Fund Revenues of \$197.0 million.

General Fund Reserves	Stability Reserve	Catastrophic Reserve	Reserve %
Beginning Cash Balance - Reserves	\$ 20.25	\$ 16.39	
FY 2019 Allocation to Reserves	\$ 0.64	\$ 0.52	
% Allocation	55%	45%	
Reserve Balance	\$ 20.89	\$ 16.91	
Reserved for Camps Fund - Tuolumne Cam	-	\$ (3.30)	
Ending Cash Balance - Reserves	\$ 20.89	\$ 13.61	17.43%

We do not know what long-term impacts of the loss of jobs and reduction in property sales and other business activity will have on the City, but it will be significant and it will be negative. We must be strategic with our use of the General Fund Reserves. The General Fund Reserves is the safety net that might need to sustain the City for years to come.

Special Funds

Staff provided projections for the special funds managed in their department. Most of the funds appear to be sustainable through FY 2021. However, there have been fiscal impacts to some of the special funds that are still unknown. For example, the Parking Meter Fund has experienced a significant revenue decline as the meter rates have been reduced to zero, so we are not generating any on-street revenue from parking. The Off-Street Parking Fund also experienced significant revenue declines. Although street garages are open there is not much demand. Parking fines are down as there continues to be limited enforcement. The Zero Waste fund will also be impacted as we work with businesses to either temporarily suspend or reduce solid waste service. With the adoption of the FY 2020 & FY 2021 Biennial Budget, Council approved a \$1.9 million allocation to the Marina Fund from excess equity generated in FY 2020. However, as excess equity might not be actualized this allocation might need to be reconsidered.

Departments are working diligently to determine fiscal impacts to the various special funds. These challenges along with proposed solutions will be presented to the Policy Committee and the City Council as we move through the FY 2021 budget development process.

FY 2021 Budget Development Process

One of the Budget Strategies Principles noted above is to be data-driven and transparent. Staff will work collaboratively with the Policy Committee and the City Council with on-going communications and updates.

Our plan is to propose an FY 2021 Updated Budget that is balanced. The proposed budget will focus on the public health and safety functions, as well as preserving essential municipal services to the maximum extent possible. In so doing, the City will make every effort to avoid service and workforce reductions. Council will be challenged to make some very difficult decisions. However, as additional revenue is realized staff will return to the Policy Committee and the City Council regularly to discuss allocating revenues to priorities that were previously deferred in order to balance the FY 2021 budget.

Conclusion:

The effects of this pandemic are unknown but will likely be felt for years to come. Therefore, as a City, we should be conservative in our outlook and approach. As additional revenues are generated, priority operational needs will be reassessed for funding. Our goal is to ensure that the budget continues to demonstrate our commitment to stewarding the public's resources for their benefit and that of future generations.

Attachments:

- A: FY 2020 - 2024 Revenue Projections
- B: Guidelines for Citywide Hiring Freeze (April 27, 2020)
- C: General Fund Reserves Resolutions 67.821-N.S. (Policy) and 68.332-N.S. (Usage Criteria)



Office of the City Manager

Attachment A

Date: May 4, 2020
To: Budget and Finance Policy Committee
From: Dee Williams-Ridley, City Manager
Submitted by: Henry Oyekanmi, Director, Finance
Subject: FY 2020 - 2024 Revenue Projections

Presented here is an updated 5 year revenue projection, in response to the Budget and Finance Policy Committee questions from April 27, 2020. The committee requested the assumptions utilized to create the projection and the effects of the current crisis on fiscal years 2020-2024. It should be noted that these assumptions are made using current available information, and our projection is a snapshot as of the March 31 accounting period close. The projection will be updated on a monthly basis, as actual revenues are realized and recorded. The City records revenues on a cash basis, and the actuals presented below thus reflect funds received as of March 31.

As the longer-term impacts of COVID-19 on the local economy become more apparent, we will be able to make more certain predictions about the effects on City revenues. The Commerce Department on Wednesday, April 29 reported that the national economy shrank by -4.8% in the first calendar quarter (Jan-Mar) of 2020, and that the second quarter is expected to be much worse. As we learn more about how the overall economic impacts will apply specifically to the City of Berkeley, we will refine our projections, so that management and Council can make informed policy decisions.

General Fund Revenues FY 2020 and 2021
HISTORICAL AND PROJECTED GENERAL FUND REVENUES

					Projected General Fund Revenue FY 2020 and FY 2021								
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	20 YTD MAR	FY 2020 Rev	Chg	%	FY 2021	FY 2021 Rev	Chg	%
Undesignated Revenues													
Secured Property Taxes	48,046,765	51,474,746	56,038,218	59,178,773	63,199,622	40,758,347	56,835,096	(6,364,526)	-10%	65,417,599	58,875,839	(6,541,760)	-10%
Supplemental Taxes	1,469,993	1,874,630	2,237,649	2,174,903	1,400,000	808,127	1,281,625	(118,375)	-8%	1,400,000	1,260,000	(140,000)	-10%
Unsecured Property Taxes	2,661,235	2,568,891	2,687,198	2,878,275	2,500,000	3,189,177	3,189,177	689,177	28%	2,500,000	2,250,000	(250,000)	-10%
Property Transfer Taxes	17,452,190	17,151,793	18,911,368	19,952,981	12,500,000	15,904,620	17,404,620	4,904,620	39%	12,500,000	12,500,000	0	0%
Property Transfer Tax - Measure P				2,932,313	1,509,218	7,429,885	7,929,885	6,420,667	425%	2,716,796	4,747,414	2,030,618	75%
Sales Taxes	15,944,001	20,105,287	17,435,591	18,663,550	18,238,000	14,496,962	15,502,300	(2,735,700)	-15%	18,572,000	15,786,200	(2,785,800)	-15%
Soda Tax	1,712,892	1,550,222	1,457,003	1,547,349	1,459,057	1,097,768	1,329,377	(129,680)	-9%	1,429,876	970,794	(459,082)	-32%
Utility Users Taxes	14,211,318	15,109,305	14,828,120	13,973,744	15,000,000	10,579,868	13,672,814	(1,327,186)	-9%	15,000,000	12,750,000	(2,250,000)	-15%
Transient Occupancy Taxes(TOT)	7,813,366	7,810,884	7,807,273	7,995,188	7,800,000	5,665,433	6,000,000	(1,800,000)	-23%	7,800,000	5,070,000	(2,730,000)	-35%
Short-term Rentals			911,015	1,830,983	1,020,000	1,268,938	1,321,581	301,581	30%	1,040,400	676,260	(364,140)	-35%
Business License Taxes	18,089,403	18,829,739	19,878,912	19,848,803	19,584,000	15,727,782	17,727,782	(1,856,218)	-9%	19,975,680	12,984,192	(6,991,488)	-35%
Recreational Cannabis				1,168,794	510,000	1,363,366	1,563,366	1,053,366	207%	520,200	1,300,000	779,800	150%
Measure U1			5,161,615	5,828,443	1,000,000	3,453,815	3,600,000	2,600,000	260%	1,000,000	2,700,000	1,700,000	170%
Other Taxes				2,278,496	1,785,000	1,685,464	1,885,464	100,464	6%	1,820,700	1,456,560	(364,140)	-20%
Vehicle In Lieu Taxes	10,308,802	10,994,452	11,822,917	12,540,784	13,333,826	6,678,022	12,000,444	(1,333,383)	-10%	13,801,774	12,421,597	(1,380,177)	-10%
Parking Fines - Regular Collections	6,134,785	6,120,474	6,608,001	6,002,211	6,600,000	4,080,123	4,080,123	(2,519,877)	-38%	6,600,000	5,049,000	(1,551,000)	-24%
Parking Fines - Booting Collections				211,913	200,000	8,685	8,685	(191,315)	-96%	190,000	0	(190,000)	-100%
Moving Violations	252,752	232,523	188,443	177,824	190,000	149,210	149,210	(40,790)	-21%	190,000	190,000	0	0%
Ambulance Fees	4,102,074	4,183,673	4,343,453	4,424,808	4,200,000	3,776,353	4,971,889	771,889	18%	4,200,000	5,103,208	903,208	22%
Interest Income	2,465,654	2,385,492	3,636,989	4,334,404	3,500,000	4,669,116	4,669,116	1,169,116	33%	3,500,000	2,800,000	(700,000)	-20%
Franchise Fees	1,916,975	1,988,589	2,009,931	1,821,316	2,068,928	620,888	1,779,320	(289,608)	-14%	2,110,307	1,551,696	(558,610)	-26%
Other Revenues	10,544,787	9,414,370	10,736,326	8,116,908	8,044,544	6,591,941	7,091,941	(952,603)	-12%	8,784,991	7,027,993	(1,756,998)	-20%
Indirect cost reimbursements	4,298,457	4,855,213	6,149,619	5,223,725	6,100,000	4,005,719	5,583,934	(516,066)	-8%	6,100,000	5,490,000	(610,000)	-10%
Transfers	4,515,979	4,562,675	5,792,575	5,356,132	5,266,688	4,039,641	4,819,367	(447,321)	-8%	4,562,675	4,106,408	(456,268)	-10%
Total Undesignated Revenues	171,941,428	181,212,958	198,642,216	208,462,620	197,008,884	158,049,250	194,397,116	(2,611,767)	-1.3%	201,732,998	177,067,160	(24,665,838)	-12%
Designated Revenues													
Prop. Transfer Taxes for capital improvements					4,500,000	4,500,000	4,500,000	0	0%	4,500,000	3,928,465	(571,535)	-13%
Total Designated Revenues					4,500,000	4,500,000	4,500,000	0	0%	4,500,000	3,928,465	(571,535)	-13%
TOTAL REVENUES AND TRANSFERS	171,941,428	181,212,958	198,642,216	208,462,620	201,508,884	162,549,250	198,897,116	(2,611,767)	-1.3%	206,232,998	180,995,625	(25,237,373)	-12%

1. Secured Property Taxes- Assumes an additional 10% of uncollectable amounts due (on top of 5% previous reserve) for FY 2020 and FY 2021, due to concerns over property owners ability to remit. FY 2021 valuations assumed to increase by 3.5%, resulting in a net change of 6.5% from FY 2020 to FY 2021.
2. Supplemental Taxes- Historical revenues have been flat for several years, and were expected to remain so. For FY 2020, we are now projecting to collect only 80% of the remaining budgeted amount for the last quarter, and project a 10% decline in revenue for FY 2021.
3. Unsecured Property Taxes- FY 2020 actuals as of March 2020 are presumed to be the full amount that will be received for all of FY 2020. FY 2021 expected to drop back to the original \$2.5M, less a 10% reserve for uncollectable accounts.
4. Property Transfer Taxes- FY 2020 based on actual collected amount through March 2020, plus an additional \$1.5M expected during the final quarter. The baseline \$12.5M is projected to be realized in FY 2021, while the excess will only be approximately \$3.9M. Very volatile revenue stream.
5. Property Transfer Tax - Measure P- included \$1.6M from multiple exceptionally high-value property sales in FY 2020. FY 2021 expected to be down 25% from FY 2020 level.
6. Sales Taxes- Projections based on economic activity of the city's various business categories. FY 2020 was lowered 15% based on shelter-in-place closures and CDTFA deferral program. For FY 2021 -15% due to shelter-in-place reductions in business activity in Q1 (three month lag in remittances), and possible lingering economic effects through the remainder of FY 2021.
7. Soda Taxes- This revenue source was always expected to decline. Revised 2020 down 10% and 2021 down 30% due to shelter-in-place closings and the fact that the main consumers (students) are gone due to school and university campus closures.
8. Utility Users Tax- Due to commercial customers reduction in utility usage, FY 2020 projected to be down by 9%. Expect FY 2021 to be down 15% due to continued closures, possible permanent business closures and declines in energy usage.
9. Transient Occupancy Taxes- FY 2020 based on actuals as of March 2020, plus an additional \$0.3M for the final quarter, due to travel restrictions associated with COVID-19. FY 2021 reduced by 35% due to potentially deteriorating economic conditions, event cancellations, and consumer concern regarding the safety of travel.
10. Short-term Rentals- FY 2020 actuals were trending more than 150% of original projection, but sharp decline predicted in final quarter due to COVID-19 movement restrictions. FY 2021 revised to 30% below 19/20 average due to expectation of depressed demand.
11. Business License Taxes (excluding Cannabis Recreational)- FY 2020 projection revised based on actuals received through March 2020, plus an additional \$2.0M in expected collections. FY 2021 revised to drop 35% from original projections due to temporarily or permanently closed businesses, resulting from COVID-19.
12. Business License Taxes- Cannabis Recreational- Assumes a 2% annual growth rate.
13. Enhanced Business License Taxes (Measure U1)- FY 2020 vastly outpaced original projections. For FY 2021, expect 25% decrease due to general economic decline, inability of tenants to pay rent, and potential for UC closure to affect off-campus housing demand.
14. Vehicle In Lieu Taxes- Based on real property valuations. Assumes an additional 10% of uncollectable amounts due (on top of 5% previous reserve) for FY 2020 and FY 2021, due to concerns over property owners ability to remit. FY 2021 valuations assumed to increase by 3.5%, resulting in a net change of 6.5% from FY 2020 to FY 2021.
15. Parking Fines- Ticket writing has been decreasing for many years. Revised FY 2020 reduced by 80% of remaining unrealized budgeted revenue amount as of the end of March 2020 (annualized decrease of 38%), due to decreased auto usage. FY 2021 revised to -25% from 2020 original projection.
16. Ambulance Fees- Fire Department expect increased services in FY 2020 and FY 2021.
17. Interest Income- Fed continues to lower interest rates. Revised 2020 projection based on higher actuals through March 2020. 2021 revised down 10% because of continued lowering of rates, combined with City's hesitancy to buy longer-term investments, due to uncertainty regarding liquidity needs in addressing COVID-19.
18. Franchise Fees- Initial projections of 2% annual growth revised down 14% for FY 2020, and 26% for FY 2021, due to decreased commercial usage.
19. 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. Revised FY 2020 down 8% and FY 2021 down 10%.

Property Taxes

We have decreased our expected Property Tax revenue by 10% in FY 2020 and FY 2021 to account for anticipated additional uncollectable amounts due from property owners. We maintain our assumption of a 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 make adjustments as necessary.

Sales Taxes

Sales Taxes are collected by the State, and remitted to the City quarterly. Sales Tax revenue is assumed to be down 15% in the current and next fiscal year, based on estimates of activity in the City's business categories, and have been revised downward due to closures affecting retail sales and the potential impact of a deferral program being considered by the California Department of Tax and Fee Administration (CDTFA). While most of the impact of the closures will affect FY 2021 due to the 3 month lag in remittances to the City, businesses taking advantage of the deferral program could shift some remaining FY 2020 revenues into FY 2021. This revenue stream will be monitored closely on a quarterly basis as remittances are received and projection assumptions changes.

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. After an analysis of payments received to date, we expect an additional \$2.0M to be recorded during the remainder of FY 2020. This is a 9% reduction from previous (pre-COVID-19) estimates. Mandated closures and the broader economy will affect FY 2021 revenues significantly and all assumptions will be reviewed regularly and adjustments made appropriately.

Transient Occupancy Tax

We are projecting an additional \$0.3M in Transient Occupancy Tax (Hotel Tax) during the remainder of FY 2020, due to COVID-19 travel restrictions. This is \$1.8M less than we originally anticipated for this fiscal year. For FY 2021, due to potentially deteriorating economic conditions, event cancellations, and consumer concern regarding the safety of travel, TOT revenues are projected to reduce by 35% from pre-COVID-19 estimates. These estimates will be augmented as we receive projections from the Hotels about their occupancy and revenue expectations.

Utility Users Tax

Utility Users Tax is paid by residential and commercial customers, based on their usage of several categories of utilities. Roughly 70% of the UUT revenue is generated from utility usage by commercial and industrial customers, and we project an 50% decline in this portion for the duration of FY 2020, due to mandated closures of businesses. This amounts to a 9% annualized reduction in overall UUT revenue. As any recovery in usage will be gradual, we are projecting a 15% reduction from previous estimates in FY 2021.

Long-Term Projections

PROJECTED GENERAL FUND REVENUES, 2020-2024

	FY 2020 Rev	FY 2021 Rev	FY 2022	FY 2023	FY 2024
Undesignated Revenues					
Secured Property Taxes	56,835,096	58,875,839	60,053,356	61,254,423	62,479,511
Supplemental Taxes	1,281,625	1,260,000	1,285,200	1,310,904	1,337,122
Unsecured Property Taxes	3,189,177	2,250,000	2,295,000	2,340,900	2,387,718
Property Transfer Taxes	17,404,620	12,500,000	12,500,000	12,500,000	12,500,000
Property Transfer Tax - Measure P	7,929,885	4,747,414	3,000,000	3,060,000	3,121,200
Sales Taxes	15,502,300	15,786,200	16,101,924	16,423,962	16,752,442
Soda Tax	1,329,377	970,794	1,401,278	1,373,252	1,345,787
Utility Users Taxes	13,672,814	12,750,000	13,005,000	13,265,100	13,530,402
Transient Occupancy Taxes(TOT)	6,000,000	5,070,000	4,968,600	5,067,972	5,169,331
Short-term Rentals	1,321,581	676,260	662,735	675,989	689,509
Business License Taxes	17,727,782	12,984,192	13,243,876	13,508,753	13,778,928
Recreational Cannabis	1,563,366	1,300,000	1,326,000	1,352,520	1,379,570
Measure U1	3,600,000	2,700,000	2,754,000	2,809,080	2,865,262
Other Taxes	1,885,464	1,456,560	1,427,429	1,398,880	1,370,903
Vehicle In Lieu Taxes	12,000,444	12,421,597	12,670,029	12,923,429	13,181,898
Parking Fines - Regular Collections	4,080,123	5,049,000	4,948,020	4,849,060	4,752,078
Parking Fines - Booting Collections	8,685	0	90,000	100,000	102,000
Moving Violations	149,210	190,000	170,000	173,400	176,868
Ambulance Fees	4,971,889	5,103,208	4,200,000	4,200,000	4,200,000
Interest Income	4,669,116	2,800,000	2,600,000	2,500,000	2,500,000
Franchise Fees	1,779,320	1,551,696	1,520,662	1,490,249	1,460,444
Other Revenues	7,091,941	7,027,993	6,676,593	6,476,295	6,346,769
Indirect cost reimbursements	5,583,934	5,490,000	5,200,000	5,304,000	5,410,080
Transfers	4,819,367	4,106,408	4,188,536	4,272,306	4,357,752
Total Undesignated Revenues	194,397,116	177,067,160	176,288,237	178,630,476	181,195,576
Designated Revenues					
Prop. Transfer Taxes for capital imp	4,500,000	3,928,465	3,000,000	3,060,000	3,121,200
Total Designated Revenues	4,500,000	3,928,465	3,000,000	3,060,000	3,121,200
TOTAL REVENUES AND TRANSFERS	198,897,116	180,995,625	179,288,237	181,690,476	184,316,776

Property Taxes

Considering the extended impact of the current crisis on overall economic growth, and the expected slow pace of the subsequent recovery, we have lowered our forecasted increases in Property Tax revenue for FY 2022 to FY 2024 from 3.5% per year to 2.0%, calculated from the lowered expected FY 2021 baseline.

Sales Taxes

Due to the expected extreme impact on FY 2021, we are revising our expected growth in Sales Taxes to 2% from 1% for FY 2022 to FY 2024. While this still amounts to significant reductions in the total revenue expected in these years from previous estimates, we are including some recovery in these years, in addition to nominal year-over-year growth rate.

Business License Taxes

We expect 2% growth in Business License Tax revenue in FY 2022 to FY 2024 from the heavily impacted revised estimates for FY 2021.

Transient Occupancy Tax

With recovery of business at the City's hotels expected to lag behind general economic recovery, we expect a further decline in Hotel Tax revenues of 2% in FY 2022, and then for those revenues to turn upward, increasing by 2% in FY 2023 and FY 2024.

Utility Users Tax

We expect 2% annual growth in UUT for FY 2022 through FY 2024, from revised FY 2021 estimates.

Transfer Tax

Due to potential impact on sales transactions and decreased valuations of transferred properties, we expect overall base transfer tax (including amounts available to transfer to capital improvement projects) to be reduced to \$15.5M in FY 2022, and then grow 2% annually in FY 2023 and FY 2024. Similarly, we expect Measure P revenues to go down to \$3.0M in FY 2022, and then increase by the same 2% factor in FY 2023 and FY 2024.

Conclusion

It is clear that the COVID-19 emergency will have significant impacts on City revenues. It is certain that those impacts will outlast the current restrictions related to the shelter-in-place orders issued by local health authorities. Based on our analysis of payments received to date and current economic conditions, as well as current economic forecasts, we have provided General Fund revenue projections to enable this committee and Council to make appropriate decisions in the current fiscal climate. However, the economic situation is in constant flux. Predictions about the future are changing as the balance between public safety and restoring economic activity is managed by local, state, and national policymakers. We will continue to revise our assumptions as we get more current information so that the committee can have the most up to date information for its deliberations.



Guidelines for Citywide Hiring Freeze

April 27, 2020

As a cost-savings measure to efficiently utilize organizational resources, there is a freeze on citywide hiring, effective immediately. During this period, Department Heads are asked to suspend any and all hiring activities.

BACKGROUND

The City of Berkeley is assessing impacts of the COVID-19 pandemic. As we begin to assess the pandemic's impact on our community, strategic steps are being made to manage our resources. Recognizing the magnitude of challenges ahead, including the great stress on our limited resources, the City's focus is the continuity of essential functions.

The City recognizes this hiring freeze policy will create hardships across the organization. To minimize this impact, Department Heads may request exceptions, which will be considered on a case-by-case basis by the City Manager. The limited exceptions will focus on preserving critical organizational functions to protect the general welfare and safety of our constituents and employees, remain compliant, and minimize risk exposure.

EXCEPTION PROCESS

A Supervisor or Manager must use NeoGov's requisition process to initiate an exception request. The request must include the following:

1) Rationale

Request must demonstrate this position fills essential functions. Factors include:

- The position is necessary to protect public health and safety
- The position performs a mandated function or essential municipal service
- The position is necessary to respond to the COVID-19 pandemic
- The position is the only classification that performs a particular function and there is no other way to perform the function

2) Funding Source

Request must detail the specific funding / budget for the position, such as:

- General Fund
- Special Fund or Enterprise Fund such as:
 - Gas Tax
 - Marina
 - Parking (Off Street and/or On Street)
 - Permit Service Center
 - Sewer
 - Zero Waste
- Grant Fund

3) Impact

Request must document the impact to the general welfare and safety of the City and any organizational risk if left unfilled; including, but not limited to essential service disruption, compliance hazards, potential incurred liability, and/or financial impacts.

FREQUENTLY ASKED QUESTIONS

Q: How does the Hiring Freeze work?

A: The Hiring Freeze means that, except for limited exceptions as listed above, no new positions may be posted and no offers may be made for existing approved requisitions or positions that are currently posted, without an exception approved by the City Manager.

Q: Can I request an exception to the Hiring Freeze?

A: Yes. There may be some circumstances where a position must be filled. The Hiring Freeze will be overseen by the City Manager and exceptions will be granted on a case-by-case basis, when it can be demonstrated that:

- Not filling the position would result in a significant impact on public health and safety, business disruption, significant compliance risk, result in liability being incurred, or significant loss in revenue; or
- The job is mission-critical, essential to business operations, or necessary to respond to the COVID-19 pandemic; and no qualified current staff is available to take on additional duties on an interim basis.

Q: What is the process to request an exception to the hiring freeze?

A: To request an exception using a NEW requisition, the Hiring Manager / Department must use the existing NeoGov requisition process as outlined below.

To request an exception using an EXISTING requisition, exception criteria as listed above, must be included in the documentation. For current recruitments or positions in which conditional offers have been extended, Hiring Freeze exception requests must be submitted to a Deputy City Manager or City Manager. Departments will continue to follow the existing requisition process.

At any step of the approval process, the requisition can be approved, placed on hold, or denied. Requisitions containing insufficient information or denied in the Budget Approval Queue or Step 4 will not move forward. There are five steps in the existing requisition process:

Step	Owner	Action Needed	Important Notes
1	Hiring Manager	Initiates request	Must include rationale, funding, and impact as outlined above.
2	Department Head	Approves the requisition	
3	HR Transactions	Confirms if vacancy exists; and reviews requisition for key criteria	Returns to Department if incomplete or no vacancy.
4	Budget	Confirms funding; and Approve or Deny the requisition	Approves or Denies the exception request
5	HR Director	Moves the approved requisition forward	

Q: I have work that needs to be done, but it does not qualify for an exception. What are my options?

A: If you have a vacant position, you can conduct an “internal only” recruitment if you obtain approval from the City Manager. Departments will continue to follow the standard recruitment processes, including postings that should be listed in Berkeley Matters. There is no guarantee that an exception will be granted.

Q: What about active hiring processes?

A: All open positions currently in recruitment that do not have an offer extended or accepted are currently suspended and subject to review. Any previously scheduled interviews prior to April 27, 2020 can continue while an exception is being requested. However, there is no guarantee that an exception will be granted.

Q: Does this Hiring Freeze apply to temporary, provisional or part-time hires?

A: Yes. All temporary, provisional or part-time hires (renewals, extensions, and new positions) requested on April 27, 2020 or later must go through the exceptions process previously outlined. If using an existing requisition, it must be updated to include required rationale and budget information or it will be denied.

Q: What if an offer has already been extended?

A: Conditional offers may be rescinded and will be assessed on a case-by-case basis. All confirmed employment offers extended to and accepted by candidates will be honored and the candidate will be hired; however, start dates can be negotiated.

RESOLUTION NO. 67,821-N.S.

ESTABLISHING THE CITY COUNCIL'S POLICY FOR THE GENERAL FUND RESERVES

WHEREAS, the General Fund Reserves ensure the City's ability to maintain vital services to the community during times of economic uncertainty; and

WHEREAS, the City is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, and floods; and

WHEREAS, the prior General Fund Reserve level of 8% is not consistent with GFOA's best practice recommended minimum General Fund Reserve level of 16.7%; and

WHEREAS, specific portions of the reserve should be designated for catastrophic and stabilization purposes and should be reported separately from the General Fund Balance; and

WHEREAS, the use and replenishment of the General Fund Reserves should be defined.

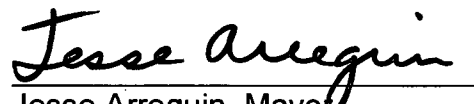
NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the attached exhibit titled General Fund Reserve Policy is hereby adopted.

The foregoing Resolution was adopted by the Berkeley City Council on January 24, 2017 by the following vote:

Ayes: Bartlett, Davila, Droste, Hahn, Maio, Wengraf, Worthington and Arreguin.

Noes: None.

Absent: None.


Jesse Arreguin, Mayor

Attest: 
Mark Numainville, City Clerk

City of Berkeley General Fund Reserve Policy

Policy

The General Fund is the City's primary operating fund. It is not connected to any one revenue source and may be used at the City's discretion. The General Fund is the operation fund that pays for general services provided by the City as well as public safety and capital improvements. The General Fund accounts for all general revenues and expenditures of the City related to the delivery of the City's general services not specifically collected or levied for other City funds.

The City of Berkeley is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, floods, and economic volatility. A key attribute of a financially stable organization is appropriate reserves. Strong reserves position an organization to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies such as natural disasters and other catastrophic events. Establishing an adequate General Fund reserve policy allows the City to mitigate current and future financial risks resulting from economic instability or catastrophic loss.

Functions of Reserves: Stability and Catastrophic

The City of Berkeley will establish and maintain an adequate General Fund Reserve ("Reserve") to prepare for the impact of economic cycles and catastrophic events and assure fluctuations in revenue do not impede the City's ability to meet expenditure obligations. When revenues fail to meet the City's normal operating requirements, or the need for disbursements temporarily exceeds receipts, General Fund reserves, upon a two-thirds vote of the City Council, may be used in accordance with the standards set forth herein.

The Reserve shall be comprised of two elements: a Stability Reserve and a Catastrophic Reserve. The Reserve shall not be used for ongoing or new programs or services.

A Stability Reserve will be maintained to mitigate loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls, and not to serve as a funding source for new programs or projects.

A Catastrophic Reserve will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other

catastrophic event. The Catastrophic Reserve will be used to respond to extreme, onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. The Catastrophic Reserve will not be accessed to meet operational shortfalls or to fund new programs or projects.

Funding and Functions that are NOT Part of the General Fund Reserves

Not included in the General Fund Reserves are funds that are set aside for a specific purpose. This would include restricted, committed, and assigned funds.

- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action by the City Council.
- Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Target Reserve Levels

The General Fund Reserve consists of the total of the Stability Reserve and the Catastrophic Reserve. 55% of the Reserve shall be allocated to the Stability Reserve and 45% to the Catastrophic Reserve.

Effective immediately, the target level for the Reserve shall be a minimum of 13.8% of 2017 Adopted General Fund Revenues with an Intermediate Goal of a minimum of 16.7% by the end of Fiscal Year 2020, if financially feasible.

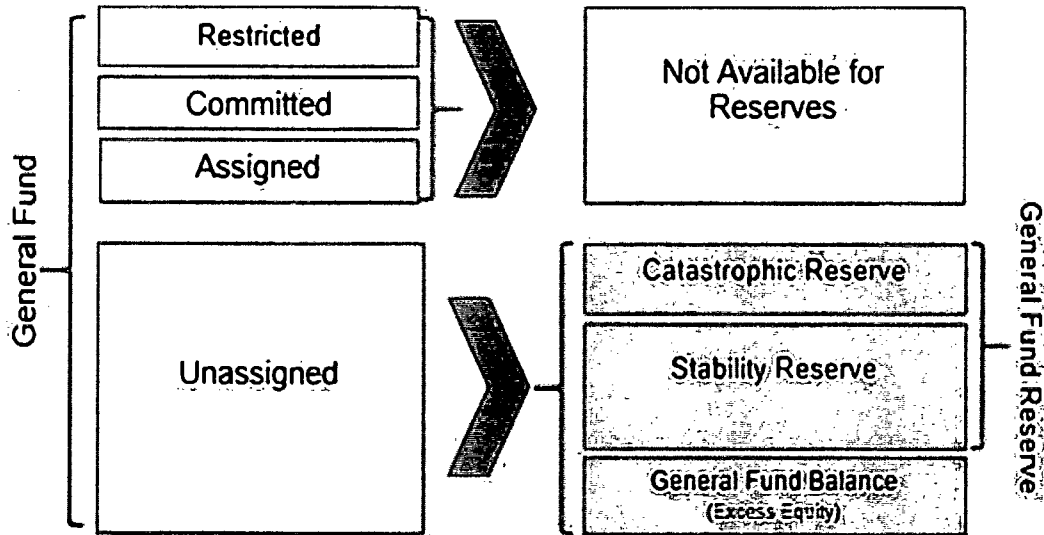
The Council hereby adopts a Long Term Goal of a Reserve of a minimum of 30% of General Fund Revenues, to be achieved within no more than 10 years. Based on a risk assessment (according to best practices), to be updated at least every five years, the Council may consider increasing or lowering the General Fund Reserve level.

Starting in Fiscal Year 2018, to achieve the City's Intermediate and Long Term Reserve Goals, 50% of Excess Equity above the first \$1M shall be allocated to Reserves. Additional Excess Equity may be allocated to Reserves by a majority vote of the City Council.

Methodology to Meet Reserve Levels

The General Fund Reserve is separate from the General Fund Balance. The sum of the Stability Reserve and the Catastrophic Reserve and the amount determined to be

Excess Equity is deemed to be General Fund Unassigned Fund Balance. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The following graphic shows the relation between these funds as well as other restricted, committed, and assigned general fund monies.



Excess Equity is most commonly a non-recurring source of revenue and shall only be used for one-time, nonrecurring expenditure needs of the City. Excess Equity should be reported separately from the General Fund Reserves .

Attaining the Long Term Goal of 30% Reserves is important to the long-term financial health and stability of the City

Replenishment of the General Fund Reserves

The City Manager shall recommend a replenishment schedule for all monies proposed for appropriation from the General Fund Reserves. The replenishment schedule shall be adopted simultaneous with the appropriation to withdraw Reserve funds or, if infeasible due to emergency circumstances, no more than 3 months from the date of the withdrawal appropriation. Repayment shall begin no more than 5 years from the date of withdrawal and be completed within 10 years from the date of withdrawal.

While staff envisions that, in most cases, repayment will start as soon as possible, the repayment guidelines are meant to reflect a commitment to maintain a sufficient Reserve, while also recognizing that a use of Reserve funds may occur during an economic downturn and it may be necessary to postpone repayment while the economy improves.

RESOLUTION NO. 68,332-N.S.

ESTABLISHING THE CITY COUNCIL'S POLICY FOR THE GENERAL FUND RESERVES

WHEREAS, the General Fund Reserves ensure the City's ability to maintain vital services to the community during times of economic uncertainty; and

WHEREAS, the City is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, and floods; and

WHEREAS, the current General Fund Reserve level of 13.8% is not consistent with GFOA's best practice recommended minimum General Fund Reserve level of 16.7%; and

WHEREAS, specific portions of the reserve should be designated for catastrophic and stabilization purposes and should be reported separately from the General Fund Balance; and

WHEREAS, the use and replenishment of the General Fund Reserves should be defined.

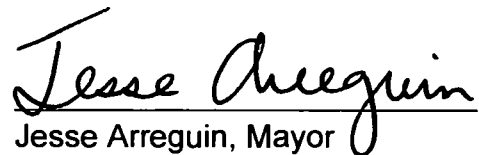
NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the attached exhibit titled General Fund Reserve Policy is hereby adopted.

The foregoing Resolution was adopted by the Berkeley City Council on February 13, 2018 by the following vote:

Ayes: Bartlett, Davila, Droste, Hahn, Harrison, Maio, Wengraf, Worthington and Arreguin.

Noes: None.

Absent: None.


Jesse Arreguin, Mayor

Attest: 
Mark Numairville, City Clerk

City of Berkeley General Fund Reserve Policy

Policy

The General Fund is the City's primary operating fund. It is not connected to any one revenue source and may be used at the City's discretion. The General Fund is the operation fund that pays for general services provided by the City as well as public safety and capital improvements. The General Fund accounts for all general revenues and expenditures of the City related to the delivery of the City's general services not specifically collected or levied for other City funds.

The City of Berkeley is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, floods, and economic volatility. A key attribute of a financially stable organization is appropriate reserves. Strong reserves position an organization to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies such as natural disasters and other catastrophic events. Establishing an adequate General Fund reserve policy allows the City to mitigate current and future financial risks resulting from economic instability or catastrophic loss.

Functions of Reserves: Stability and Catastrophic

The City of Berkeley will establish and maintain an adequate General Fund Reserve ("Reserve") to prepare for the impact of economic cycles and catastrophic events and assure fluctuations in revenue do not impede the City's ability to meet expenditure obligations. When revenues fail to meet the City's normal operating requirements, or the need for disbursements temporarily exceeds receipts, General Fund reserves, upon a two-thirds vote of the City Council, may be used in accordance with the standards set forth herein.

The Reserve shall be comprised of two elements: a Stability Reserve and a Catastrophic Reserve. The Reserve shall not be used for ongoing or new programs or services.

A **Stability Reserve** will be maintained to mitigate loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls, and not to serve as a funding source for new programs or projects.

A **Catastrophic Reserve** will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other catastrophic event. The Catastrophic Reserve will be used to respond to extreme, onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. The Catastrophic Reserve will not be accessed to meet operational shortfalls or to fund new programs or projects.

Funding and Functions that are NOT Part of the General Fund Reserves

Not included in the General Fund Reserves are funds that are set aside for a specific purpose. This would include restricted, committed, and assigned funds.

- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action by the City Council.
- Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Target Reserve Levels

The General Fund Reserve consists of the total of the Stability Reserve and the Catastrophic Reserve. 55% of the Reserve shall be allocated to the Stability Reserve and 45% to the Catastrophic Reserve.

Effective immediately, the target level for the Reserve shall be a minimum of 13.8% of 2017 Adopted General Fund Revenues with an Intermediate Goal of a minimum of 16.7% by the end of Fiscal Year 2020, if financially feasible. The Council hereby adopts a Long Term Goal of a Reserve of a minimum of 30% of General Fund Revenues, to be achieved within no more than 10 years. Based on a risk assessment (according to best practices), to be updated at least every five years, the Council may consider increasing or lowering the General Fund Reserve level.

Starting in Fiscal Year 2018, to achieve the City's Intermediate and Long Term Reserve Goals, 50% of Excess Equity above the first \$1 M shall be allocated to Reserves. Additional Excess Equity may be allocated to Reserves by a majority vote of the City Council.

Methodology to Meet Reserve Levels

The General Fund Reserve is separate from the General Fund Balance. The sum of the Stability Reserve and the Catastrophic Reserve and the amount determined to be Excess Equity is deemed to be General Fund Unassigned Fund Balance. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The following graphic shows the relation between these funds as well as other restricted, committed, and assigned general fund monies.

Excess Equity is most commonly a non-recurring source of revenue and shall only be used for one-time, nonrecurring expenditure needs of the City. Excess Equity should be reported separately from the General Fund Reserves.

Attaining the Long Term Goal of 30% Reserves is important to the long-term financial health and stability of the City.

Replenishment of the General Fund Reserves

The City Manager shall recommend a replenishment schedule for all monies proposed for appropriation from the General Fund Reserves. The replenishment schedule shall be adopted simultaneous with the appropriation to withdraw Reserve funds or, if infeasible due to emergency circumstances, no more than 3 months from the date of the withdrawal appropriation. Repayment shall begin no more than 5 years from the date of withdrawal and be completed within 10 years from the date of withdrawal.

While staff envisions that, in most cases, repayment will start as soon as possible, the repayment guidelines are meant to reflect a commitment to maintain a sufficient Reserve, while also recognizing that a use of Reserve funds may occur during an economic downturn and it may be necessary to postpone repayment while the economy improves.

Usage of the General Fund Stability Reserve

The General Fund Stability Reserve shall only be drawn upon if all of the following criteria are met:

1. City revenues are insufficient to meet normal operating expenses.
2. A hiring freeze has been implemented, with exceptions only for designated positions as appropriate to maintain essential and core services to the public that support public health, safety, and welfare. Essential services will be determined at the time of fiscal emergency with a recommendation from the City Manager to be approved by City Council.
3. User fees and services charges are being fully utilized for those services for which they were collected.
4. A declaration of fiscal emergency is made by ordinance before drawing on the reserves. Fiscal emergency is defined as the following:
 - a. When general revenues increase less than 3% from the prior fiscal year
 - b. When the City needs to mitigate State or Federal budget actions that may reduce revenue or increase expenditures.
 - c. When the City must absorb liability settlements in excess of available resources in the City's litigation designation

The General Fund Stability Reserve shall only be used in the following manner:

1. Stability Reserve funds shall be prioritized to preserve essential services and necessary staffing levels determined at the time of the fiscal emergency with a recommendation from the City Manager to be approved by the City Council.
2. All other reasonable and available expenditure reduction measures shall have been considered by the City Manager and the City Council before using one-time funding to support operational positions.
3. Operational positions shall not receive Stability Reserve funds for longer than two years except in extreme conditions.

For any draw-down of Stability Reserve funds, Council shall adopt a plan to repay the dollar amount of the drawdown within three months of the withdrawal. Restoration of Reserves begins within 24 months after first use. A timeline for full reimbursement must be included in the repayment plan.



Office of the Mayor

May 4, 2020

To: Members of the City Council Budget and Finance Committee

From: Mayor Jesse Arreguín

Subject: Initial Questions and Comments on the City Manager's FY 2021 Budget Update

I would like to thank the City Manager and Budget Manager for their presentation to the Budget Committee last Monday of the Fiscal Year 2021 Budget Update, providing revenue and expense projections for FY 2021, which reflect assumed impacts of the COVID-19 pandemic on city revenues. In addition, I want to thank the City Manager for the initial recommendations she has presented for how to close an estimated \$25.5 million shortfall while avoiding layoffs and prioritizing essential services. Over the next two months we face very difficult decisions in challenging and constantly evolving times. Thank you once again to the City Manager and entire City team for the incredible job in responding to this public health emergency.

In reviewing the "FY 2021 Budget Update" document provided to the Committee and in my discussions with members of the Mayor's Budget Advisory Committee and staff, I have developed a list of initial questions and comments on the budget proposal which I would like to share in order to gain additional information and inform discussion.

This memorandum is being provided to the Budget and Finance Committee, City Manager, Budget Manager, and Finance Staff in order to guide future budget conversations in the weeks ahead.

Overall Comments

- What larger cost centers could result in bigger savings?
- Please consider larger revenue reductions in Sales Tax, TOT, Business License and parking related revenues to prepare for a worst case scenario and discuss some ideas for budget balancing in that situation.
- Please consider all federal and state grants, financing options, and philanthropic opportunities that currently exist or become available to help fill in for unreimbursed COVID-19 expenses and other social services.
- How much will be needed ongoing in costs for our response to COVID-19? Please add a line item for COVID-19 unreimbursed expenses so these costs are transparent and easily identified.
- How are departmental deferrals being prioritized? What underlying goals are guiding which programs or services are discontinued?

Questions

Revenue Assumptions

1. For your FY 2021 projections, are you only assuming 6 months of COVID-19 impacts or a year of reductions? Need to assume a longer period of economic downturn which will result in revenue reductions.
2. When does staff anticipate that we will get back to a pre-COVID-19 economic level? How long is that anticipated to take?
3. Has a lag in revenue reporting due to the COVID-19 Shelter in Place order been accommodated in these updated projections?
4. What are the underlying assumptions for your projected revenue reductions, including the time frame of those reductions for each line item?
5. Distinguish between budget issues (both revenues and expenditures) and cash flow issues. They are both real, but different kinds of issues.
6. How many expense categories were falling below expectations prior to COVID-19? (e.g. vehicle in-lieu, parking fines, business license taxes)
7. What are the long-term impacts of COVID-19 that we should we anticipate and at what level? (e.g. FY 2022 and beyond).
8. What impact would a 15%-20% reduction in population count due to an incomplete federal Census count impact federal grant funding for the next 10 years? How does this affect the underlying assumptions for FY 21 and beyond?

General Fund vs. Restricted funds

1. Restricted cuts are not required unless Restricted revenues see reductions
 - If these funds are considered in “across the board” cuts, how does that impact current assumptions?
 - Consider actual impact on unrestricted and restricted revenues/expenses instead of an “across the board” decrease in expenses
2. What is total amount of General Fund revenues currently transferred to cover Restricted funds?
 - How would freezing these transfers impact restricted fund spending?
3. What are the impacts on General Fund revenues that are generated through voter-approved general tax measures (Measure D Soda Tax, Measure U1 and Measure P)?

Salary Savings

1. Based on conversations with budget experts, across the board cuts or reductions are not very feasible to implement since a majority of General Fund spending is for public safety which is difficult to reduce. This results in disproportionate reductions in other departments. In addition, the ability to make cuts depends greatly in funding source and spending requirements. Should look at big-ticket ways to achieve cost savings.
2. Why propose just 10%, 12% and 15% deferrals? If the impacts of COVID on the city budget are greater should model other scenarios.
3. How would projected cost savings (10%, 15%, 20% etc.) be impacted if public safety expenses, including hazard mitigations (e.g. vegetation management) were maintained at existing levels?
4. Can some General Funded staff be transferred to Restricted/Enterprise programs (within rules of the Restricted funds)

5. What is estimated salary savings based on current unfilled positions? Are there revenues available in FY 20 from unfilled positions that can be programed to close the deficit?

Property Tax

1. Can you explain why you are assuming that property tax revenues would decline? Is this due to property owners not paying or deferring their property taxes due to economic hardship or in protest?
2. What is the source of the revenue reduction for property taxes in FY 2020/21?
3. Has the Finance Department reached out to the County Tax Collector to see whether there was a significant decrease in the second property tax payments due in April?

Sales Tax

1. What are the underlying assumptions behind the projected reduction in Sales Tax in FY 21?
2. Has consideration been given to arts venue closures throughout 2020 and perhaps First Quarter 2021?
3. Given that food service and bars represent approximately 25% of Berkeley sales tax revenues, can look at what a greater than 25% reduction in revenues would look like? There are resulting reductions in sales taxes in retail, gasoline purchases and other business sectors.
4. Can you model several worst case scenarios if Shelter in Place restrictions are extended or reinstited due to a second wave of infections?

Utility Users Tax

1. Why would there be a reduction in Utility Users Tax? In actuality, shouldn't these revenues should increase with people being home?
2. Is the anticipated reduction based on closure of businesses? If so what is the projected rate and number of business closures?

Transient Occupancy Tax

1. What are the underlying assumptions behind the projected 35% reduction?
2. Can you project a potential 75% decrease in FY 21 TOT receipts if there are further Shelter in Place restrictions, or there is a resulting decrease in tourism?

Parking Citations

1. What are the underlying assumptions behind the projected 24% reduction?
2. Can you project a potential 75% decrease in parking citation revenue to account for a worst case scenario if there are further Shelter in Place restrictions, or if residents voluntarily choose to shelter at home?

Parking Meters Revenues

1. Can you point to where parking meter revenue is included in the revenue report?
2. Can you project a potential 50% decrease in parking meter revenues to account for a worst case scenario if there are further Shelter in Place restrictions?

3. What impact will this decrease in revenue have in making debt payments for the construction of the Center Street Garage?
4. What are some possible strategies to cover the debt service and the operational costs of the parking enforcement program?

Business License Taxes

1. What are the underlying assumptions behind the projected 35% reduction?
2. Can you provide a breakdown of the categories, numbers of businesses, and percentage of all licensees of business license holders (food service, manufacturing, retail, rental property etc.)
3. When are business license taxes due payable to the city?
4. Has there been a consideration of further decreases in business license revenues if there are continued Shelter in Place restrictions or if the UC campus decides to not allow in-person instructions?

Other Revenues

1. What sources are included in "Other Revenues"?
2. What other revenues that come from County (Measure B/BB) sales tax could be expected to decline and under what category do they fall?



Cheryl Davila
Councilmember
District 2

CONSENT CALENDAR

April 14, 2020

To: Honorable Mayor and Members of the City Council

From: Councilmember Cheryl Davila

Subject: Open Pathways (including laundry services), West Campus Pool and Martin Luther King Jr. Pool (King pool) to implement the City of Berkeley Shower Program at these locations and provide the ability for our community to shower during the COVID 19 pandemic.

~~Subject: Open West Campus Pool and Martin Luther King Jr. Pool (King pool) to implement the City of Berkeley Shower Program at these locations, and provide the ability for our community to shower during the COVID 19 Pandemic.~~

RECOMMENDATION

Direct the City Manager to open the Pathways (including laundry services), West Campus Pool and Martin Luther King Jr. Middle School (King pool) Pool to implement the City of Berkeley Shower Program at these locations. Opening these locations will provide the ability for our community to shower during the COVID 19 Pandemic, a humane action required during this crisis.

~~Direct the City Manager to open the West Campus Pool and Martin Luther King Jr. Middle School (King pool) Pool to implement the City of Berkeley Shower Program at these locations. Opening the West Campus Pool and Martin Luther King Jr. Middle School (King pool) pool will provide the ability for our community to shower during the COVID 19 Pandemic, a humane action required during this crisis.~~

FINANCIAL IMPLICATIONS

To operate a year-round shower program that duplicates the program at the Willard Pool would cost to establish a shower program would be approximately \$270,100 plus for the two locations.

~~To operate a year-round shower program that duplicates the program at the Willard Pool would cost to establish a shower program would be approximately \$270,100 for both locations.~~

BACKGROUND

Berkeley, now impacted by the COVID19 pandemic crisis, a housing affordability crisis, and a homelessness crisis. COVID 19 requires one to have good personal hygiene and washing one's

hands multiple times during the day for 20+ seconds, wiping surfaces, and enhanced cleanliness. Currently, there are no shower programs in West or South Berkeley where there are high concentrations of our curbside communities who do not have access to showers. The contract with Project WeHope / Dignity on Wheels that provides homeless individual access to clean showers, laundry service and bathroom facilities is pending. Therefore, Project WeHope / Dignity on Wheels is not available at this time. We are in a pandemic which requires ways for our community to be cleaner to prevent further community spread transmissions.

~~The Coronavirus or COVID 19 pandemic requires cleanliness, washing our hands, often for twenty seconds or longer, washing our face, etc. Currently, there is no shower program in West or South Berkeley where there are high concentrations of our curbside communities who do not have access to showers. The contract with Project WeHope / Dignity on Wheels that provides homeless individual access to clean showers, laundry service and bathroom facilities is pending. Therefore, Project WeHope / Dignity on Wheels is not available at this time. We are in a pandemic which requires ways for our community to be cleaner to prevent further community transmissions.~~

The Willard Shower program is operated by the Parks, Recreation and Waterfront Department (PRW) at the Willard Recreation Administration office, 2701 Telegraph Avenue. The Telegraph location is not convenient for the curbside community in West and South Berkeley. Pathways, West Campus Pool and the Martin Luther King Jr. Middle School pool will enable the curbside community in West and South Berkeley access to showers closer to their location.

~~The Willard Shower program is operated by the Parks, Recreation and Waterfront Department (PRW) at the Willard Recreation Administration office, 2701 Telegraph Avenue. The Telegraph location is not convenient for the curbside community in West and South Berkeley. West Campus Pool and the Martin Luther King Jr. Middle School pool will enable the curbside community in West and South Berkeley access to showers closer to their location.~~

Pathways should open their showers and laundry facilities to be utilized, as well during the COVID 19 pandemic.

In January 2018, the City Council considered Council Item¹⁴. "Open the West Campus Pool All Year Round and Start the Shower Program at the West Campus Pool". Months later, the City Manager provided a response ² to the City Council in June 2018, where it identified the cost to establish a shower program similar to the Willard Shower Program at West Campus pool. The COVID 19 Pandemic is upon us we must do all that we can to mitigate the dire consequences. We need to ensure that the shower program is also accessible and equitable to all residents.

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ENVIRONMENTAL SUSTAINABILITY

Access to the West Campus pool and Martin Luther King Jr. Middle School Pool is an important part of a healthy living lifestyle for the residents in West, South and all of Berkeley.

REFERENCES

1. Open the West Campus Pool All Year Round and Start the Shower Program at the West Campus Pool
2. https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Shower%20Referral%20Response%20061218.pdf

CONTACT PERSON

Cheryl Davila
Councilmember District 2
510.981.7120
cdavila@cityofberkeley.info

ATTACHMENTS:

1. Resolution

CONTACT PERSON

Cheryl Davila
Councilmember District 2
510.981.7120, cdavila@cityofberkeley.info

RESOLUTION NO. ##,###-N.S.

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF BERKELEY DIRECTING THE CITY MANAGER TO OPEN PATHWAYS (INCLUDING LAUNDRY SERVICES), WEST CAMPUS POOL AND MARTIN LUTHER KING JR. POOL (KING POOL) TO IMPLEMENT THE CITY OF BERKELEY SHOWER PROGRAM AT THESE LOCATIONS, AND PROVIDE THE ABILITY FOR OUR COMMUNITY TO SHOWER DURING THE COVID 19 PANDEMIC, A HUMANE ACTION REQUIRED DURING THIS CRISIS.

~~A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF BERKELEY DIRECTING THE CITY MANAGER TO OPEN THE WEST CAMPUS POOL AND MARTIN LUTHER KING JR. MIDDLE SCHOOL POOL TO IMPLEMENT THE CITY OF BERKELEY SHOWER PROGRAM AT THESE LOCATIONS, AND PROVIDING THE ABILITY FOR OUR COMMUNITY TO SHOWER DURING THE COVID 19 PANDEMIC, A HUMANE ACTION REQUIRED DURING THIS CRISIS.~~

WHEREAS, Berkeley, now impacted by the COVID19 pandemic crisis, a housing affordability crisis, and a homelessness crisis; and

WHEREAS, the Coronavirus or COVID 19 pandemic requires cleanliness, washing our hands, often for twenty seconds or longer, washing our face, etc.; and

~~WHEREAS, The Coronavirus or COVID 19 pandemic requires cleanliness, washing our hands, often for twenty seconds or longer, washing our face, etc., and~~

WHEREAS, there is no shower program in West or South Berkeley where there are high concentrations of our curbside communities who do not have access to showers; and

~~WHEREAS, There is no shower program in West or South Berkeley where there are high concentrations of our curbside communities who do not have access to showers and,~~

WHEREAS, The Telegraph location is not convenient for the curbside community in West and South Berkeley. West Campus Pool and the Martin Luther King Jr. Middle School pool will enable the curbside community in West and South Berkeley access to showers closer to their location; and

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~~enable the curbside community in West and South Berkeley access to showers closer to their location, and,~~

WHEREAS, In January 2018, the City Council considered Council Item: “Open the West Campus Pool All Year Round and Start the Shower Program at the West Campus Pool”.

WHEREAS, The COVID 19 Pandemic is upon us we must do all that we can to mitigate the dire consequences. We need to ensure that the shower program is also accessible and equitable to all residents; and

~~WHEREAS, The COVID 19 Pandemic is upon us we must do all that we can to mitigate the dire consequences. We need to ensure that the shower program is also accessible and equitable to all residents.~~

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley, hereby directs the City Manager to open the Pathways, West Campus Pool and Martin Luther King Jr. Middle School (King pool) Pool to implement the City of Berkeley Shower Program at these locations. Opening these locations will provide the ability for our community to shower during the COVID 19 Pandemic, a humane action required during this crisis.

~~NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley, hereby directs the City Manager to open the West Campus Pool and Martin Luther King Jr Middle School (King pool) Pool to implement the City of Berkeley Shower Program at these locations. Opening the West Campus Pool and Martin Luther King Jr. Middle School (King Pool) pool will the ability for our community to shower during the COVID 19 Pandemic, a humane action required during this crisis.~~



Cheryl Davila
Councilmember
District 2

CONSENT CALENDAR

April 14, 2020

To: Honorable Mayor and Members of the City Council

From: Councilmember Cheryl Davila

Subject: Open West Campus Pool and Martin Luther King Jr. Pool (King pool) to implement the City of Berkeley Shower Program at these locations, and provide the ability for our community to shower during the COVID 19 Pandemic.

RECOMMENDATION

Direct the City Manager to open the West Campus Pool and Martin Luther King Jr. Middle School (King pool) Pool to implement the City of Berkeley Shower Program at these locations. Opening the West Campus Pool and Martin Luther King Jr. Middle School (King pool) pool will provide the ability for our community to shower during the COVID 19 Pandemic, a humane action required during this crisis.

FINANCIAL IMPLICATIONS

To operate a year-round shower program that duplicates the program at the Willard Pool would cost to establish a shower program would be approximately \$270,100 for both locations.-

BACKGROUND

The Coronavirus or COVID 19 pandemic requires cleanliness, washing our hands, often for twenty seconds or longer, washing our face, etc. Currently, there is no shower program in West or South Berkeley where there are high concentrations of our curbside communities who do not have access to showers. The contract with Project WeHope / Dignity on Wheels that provides homeless individual access to clean showers, laundry service and bathroom facilities is pending. Therefore, Project WeHope / Dignity on Wheels is not available at this time. We are in a pandemic which requires ways for our community to be cleaner to prevent further community transmissions.

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ENVIRONMENTAL SUSTAINABILITY

Access to the West Campus pool and Martin Luther King Jr. Middle School Pool is an important part of a healthy living lifestyle for the residents in West, South and all of Berkeley.

REFERENCES

1. Open the West Campus Pool All Year Round and Start the Shower Program at the West Campus Pool
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_General/Shower%20Referral%20Response%20061218.pdf](https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Shower%20Referral%20Response%20061218.pdf)

CONTACT PERSON

Cheryl Davila
Councilmember District 2
510.981.7120
cdavila@cityofberkeley.info

RESOLUTION NO. ##,###-N.S.

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF BERKELEY DIRECTING THE CITY MANAGER TO OPEN THE WEST CAMPUS POOL AND MARTIN LUTHER KING JR. MIDDLE SCHOOL POOL TO IMPLEMENT THE CITY OF BERKELEY SHOWER PROGRAM AT THESE LOCATIONS, AND PROVIDING THE ABILITY FOR OUR COMMUNITY TO

Page 8 of 8
SHOWER DURING THE COVID 19 PANDEMIC, A HUMANE ACTION REQUIRED DURING THIS CRISIS.

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Health Housing and
Community Services Department
Office of the Director

MEMORANDUM

To: David White, Deputy City Manager

From: Kelly Wallace, Interim Director

Date: March 3, 2020

Subject: **City of Berkeley Housing Trust Fund Resources**

The purpose of this memo is to provide an overview of the City's Housing Trust Fund (HTF), the current balance of HTF program funds, and an overview of how HTF funds can be used.

The City of Berkeley created its HTF program in 1990¹. Berkeley's HTF pools funds for affordable housing development and predevelopment costs from a variety of sources with different requirements, and makes them available through one single application process to local developers. The purpose of the HTF is to develop and preserve long-term below market rate housing for low, very low, and extremely-low income households in order to maintain and enhance the ethnic and economic diversity of the City.

Revenues for the HTF come from the following sources:

- Federal HOME Partnership for Investment Program (HOME Program) annual allocations;
- Allocated Community Development Block Grant (CDBG) funds;
- Housing fees provided by development projects, demolitions and condominium conversions;
- Proceeds obtained from the sale of City-owned residential properties;
- Payments of interest and principal due to the City from borrowers of previous HTF loans;
- Funds from other sources authorized by the City Council and the voters.

Under the HTF Guidelines, the Housing Advisory Commission advises Council on HTF allocations. HTF proceeds are awarded to eligible projects as loans that must be repaid on favorable terms.

¹ <http://www.ci.berkeley.ca.us/ContentDisplay.aspx?id=6532>

Total Housing Trust Fund Resources

While the “Housing Trust Fund” name may imply that all funds are pooled together in a single fund code for accounting purposes, the City maintains each source separately. The balance of funds available for the HTF program as of this writing on March 3, 2020 is \$6,704,128.

Table 1. Housing Trust Fund Available Balance 3/3/2020	
Source of Funds	Amount
HOME (310)	\$0
Housing Mitigation Fee (Commercial) (331)	\$1,084,680
Inclusionary In Lieu Fee (122)	\$329,778
Condo Conversion Fee (123)	\$1,109,459
Housing Mitigation Fee (Residential) (120)	\$4,180,210
HTF Total	\$6,704,128

Housing Trust Fund Mitigation Fee Revenue

The majority of the funding now available for allocation in the HTF came from fees, and has accrued over time. Fee income is variable with the market and the timing difficult to predict precisely because it depends on individual development project timelines.

Table 2 provides an overview of the total HTF fees collected over time. The vast majority of the AHMF have been collected in the past year. The first AHMF was collected in 2015 with a payment of \$280,000 for the Aquatic at 800 University then \$1.58M for the Varsity on Durant. Over the next three years, \$2.9 million in AHMF were collected. Since January 2019, over \$7.8 million in AHMF have been collected.

Table 2. Housing Trust Fund Fees Collected Over Time		
Fee Program and Fund Code	First Year	Total Received
Inclusionary Housing Fund (254)	FY 2006	\$1,533,441
Condo Conversion Fund (258)	FY 2009	\$2,960,826
Affordable Housing Mitigation Fee (249)	FY 2015	\$12,604,968
Housing Mitigation Fee on Commercial Development (250)	FY 1992	\$4,486,275
Total		\$21,585,510

Housing Mitigation Fee (Commercial)

In 1993, the City established a housing linkage fee on commercial development, designed to mitigate the need for affordable housing it creates. On June 3, 2014 Council adopted Resolution 66,617 N.S. which updated this fee which applies to all new commercial construction in which the net additional, newly constructed gross floor area is over 7,500 square feet. Most commercial new construction projects in the City are below this threshold. Applicants may either 1) create one unit of housing either on site or off site within the City of Berkeley (with an average size of two bedrooms) affordable to households whose income is at or below 30% of the area median income, or 2) pay an equivalent In-Lieu Impact Fee according to a schedule. None of these funds can be used for administration.

Inclusionary In Lieu Fee [BMC 23C.12](#)

In 1986 the City adopted an Inclusionary Housing Ordinance (IHO), which required, among other things, that a percentage of all new residential rental units in projects of 5 or more units be provided at below market rates for the life of the project. The IHO only includes an in-lieu fee option for ownership units, not for rental, although it does allow for fractional unit fees for rental. A 2009 decision of the California Court of Appeal (Palmer/Sixth Street Properties v. City of Los Angeles (2009) 175 Cal. App. 4th 1396) held that the City may not require rents to be limited in rental projects unless it provides assistance to the rental project, thus invalidating the City's IHO requirements for rental projects. The City still enforces the IHO for ownership projects, but this year's Bloom project is the first new condo development since 2007. 100% of the fee must be deposited in the City's HTF; none of these funds can be used for administration.

Condominium Conversion Fee [BMC 21.28.070](#)

The Condominium Conversion Ordinance allows property owners to convert rental units to ownership units subject to certain requirements and payment of an Affordable Housing Mitigation Fee (AHMF). This fee shares a name with—but is different from—the AHMF for new construction market-rate housing in BMC 22.20.065. The ordinance went through a period of frequent revisions so previously converted properties were subject to a variety of requirements. Currently, the fee is based on the appraised value or sales price of the unit and is 4% for properties with two units and 8% for properties with three or more units. Not more than 10% of revenues can be used for HTF program delivery. Not more than 10% of revenues can be used for HTF program and project monitoring and enforcement. Not less than 80% of revenues must be placed into the City of Berkeley HTF to finance activities described as eligible in the City of Berkeley HTF Program Guidelines.

Affordable Housing Mitigation Fee (Residential)


<http://www.ci.berkeley.ca.us/ContentDisplay.aspx?id=74682>

In 2010, as a result of the Palmer court decision, the City replaced its IHO requirements for rental housing with the Affordable Housing Mitigation Fee (AHMF). Developments are subject to whichever requirement was in place at the time they obtained a Use Permit. Together these requirements are referred to as the City's Below Market Rate (BMR) program.

The AHMF requires new market rate developments to provide affordable housing units equal in number to 20% of the market rate units, or to pay a fee per market rate unit, or provide a combination of units and fee. Effective July 1, 2018, the AHMF is \$37,962 per new unit of rental housing, payable at the issuance of Certificate of Occupancy. If the AHMF is paid in its entirety no later than issuance of the building permit, the fee is \$34,884 per new unit of rental housing. Resolution 68,074-N.S. established the fee and the method to adjust the fee every other year. In most cases, developers choosing to provide units on site in lieu of paying the fee also receive credit under the state Density Bonus law, allowing them to increase the number of market rate units produced. Ten percent of the funds can be used for program delivery.

HOME Investment Partnership Program

Historically, the most consistent source of funds in the HTF has been HOME funds. From FY 2000 through FY 2012, the City received an average of nearly \$1.3M in HOME funds annually. The HOME allocation peaked in FY 2005 when the City received \$1.5M. In FY 2013, however, the allocation was cut by over one-half and has remained near this level ever since. The City's FY2020 allocation of HOME funds is \$737,273. Ninety percent of this allocation is placed in the HTF and ten percent is used for program delivery costs. HOME funds come with many federal requirements, including onerous commitment deadlines and required scopes of work, that make administering decreasing funds increasingly challenging. For at least five years each federal budget process has involved proposals to greatly reduce or eliminate HOME, though City of Berkeley HOME funding has not changed appreciably.



No Material
Available for
this Item

There is no material for this item.

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The City of Berkeley Budget & Finance Policy Committee Webpage:

https://www.cityofberkeley.info/Clerk/Home/Policy_Committee_Budget_Finance.aspx

Council's Fiscal Policies

The fiscal policies adopted by the Council include:

- ❖ Focusing on the long-term fiscal health of the City by adopting a two-year budget and conducting multi-year planning;
- ❖ Building a prudent reserve;
- ❖ Developing long-term strategies to reduce unfunded liabilities;
- ❖ Controlling labor costs while minimizing layoffs;
- ❖ Allocating one-time revenue for one-time expenses;
- ❖ Requiring enterprise and grant funds to balance and new programs to pay for themselves; and
- ❖ Any new expenditure requires new revenue or expenditure reductions.
- ❖ Transfer Tax in excess of \$12.5 million will be treated as one-time revenue to be used for the City's capital infrastructure needs (Fund 501).
- ❖ 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 (Fund 731).
- ❖ Starting in FY 2019, staff costs as approved by the City Council that exceed the enforcement fees and penalties shall be appropriated from the short term rental taxes collected pursuant to BMC Section 23C.22.050, Section H, with the primary allocation of the rental tax to the purposes listed below:
 - Two thirds (66.7%) allocated to the Affordable Housing Trust Fund.
 - One third (33.3%) allocated to the Civic Arts Grant Fund.

Proposed new policy:

- ❖ Funding the 115 Pension Trust

Additional Information

At the meeting on January 23, 2020, the Committee stated it will continue to review and revise specific policies and added the following items to future agendas:

1. Transfer tax revenue policy amendment for Measure P
2. Provide more flexible language in policy that new programs need to pay for themselves
3. Change CIP to longer-term (possibly 5 years)
4. Short-term rental distribution – no longer use percentages for distribution; set priorities and prioritize programs
5. Community agency funding process overview – what role can the Budget & Finance committee play in this process?
6. 115 Pension Trust funding

