



Office of the City Manager

PUBLIC HEARING

May 26, 2015

To: Honorable Mayor and Members of the City Council

From:  Christine Daniel, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager

Subject: Fiscal Year 2016 and Fiscal Year 2017 Proposed Biennial Budget Hearing #2

RECOMMENDATION

Conduct a second public hearing on the FY 2016 and FY 2017 Proposed Biennial Budget.

CURRENT SITUATION AND ITS EFFECTS

No Council action is necessary. May 26, 2015, marks the second of two public hearings on the City's Proposed FY 2016 and FY 2017 Biennial Budget, which was presented to Council on May 12, 2015. Council will consider and take action on the proposed biennial budget on June 30, 2015. The FY 2016 City Wide Work Plan was also submitted for Council's review and consideration on May 12, 2015. Council will be asked to accept the FY 2016 Work Plan along with the adoption of the proposed biennial budget on June 30, 2015.

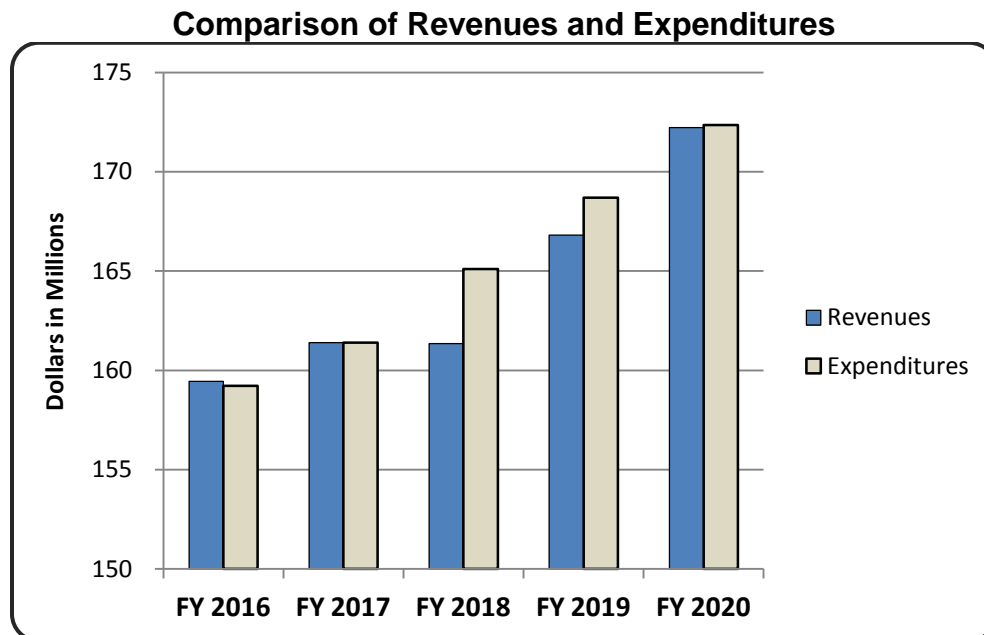
FY 2016 & FY 2017 Stability Budget

The Proposed FY 2016 and FY 2017 Biennial Budget is a stability budget, which means that our projected General Fund revenues are aligned with our expenditures. However, even though FY 2016 and FY 2017 budgets are balanced, we are still facing budgetary challenges in FY 2018, as we are projecting a contraction in our economically sensitive revenues in FY 2017.

Recessions are cyclical and have occurred on average every 6.5 years since 1928¹. Some revenues like the sales tax (monthly revenues, trued-up quarterly) reflect an immediate impact, while others like the property tax (with an annual lien date) have an effective one-year lag in recognizing economic impacts. Consistent with this cycle and revenue projections from consultants who are familiar with the City's historical revenue growth and economic conditions, the anticipated economic contraction in FY 2017 that will be realized in our economically sensitive revenues in FY 2018 are reflected in the chart below.

Five-Year Forecast of General Fund

¹ [February 24, 2015 Projections of Future Liabilities Report \(Attachment 6\)](http://www.cityofberkeley.info/Clerk/City_Council/2015/02_Feb/City_Council_02-24-2015_-_Special_Meeting_Annotated_Agenda.aspx)
http://www.cityofberkeley.info/Clerk/City_Council/2015/02_Feb/City_Council_02-24-2015_-_Special_Meeting_Annotated_Agenda.aspx



Additional Revenue

A direct impact on many of the tax funds is the annual growth tied to the Personnel Income Growth (PIG) and the Consumer Price Index (CPI). The proposed budget assumes a 2 percent annual growth rate. The actual PIG number is 3.82 percent. The actual CPI number was not available at the time this report was published². The established growth index for the Emergency Medical Services Tax (Paramedic Tax) is the April CPI. The Emergency Services for the Disabled Tax, the Library Tax, Parks Tax, and the Measure GG Fire Services and Disaster Preparedness Tax growth is either the higher of the PIG or the CPI.

Tax rates will be presented to Council for approval on June 9, 2015. In addition, City staff prepared several fee reports proposing changes to fees. These reports are included on tonight's agenda.

Referrals to the Budget Process

Council has referred a number of spending items to the budget process for consideration. The Council referrals total over \$3.8 million. Attachment 1 contains the current list of these referrals.

² The updated CPI will be provided as supplemental information to Council on May 26th.

GASB 68

As discussed at the [FY 2015 Proposed Budget Update](#)³ Work Session presented to Council on May 6, 2014, we want to remind Council of another change that is being imposed on the City's financial reporting of its pension obligations by the Governmental Accounting Standards Board (GASB). GASB is the organization that establishes generally accepted accounting principles for state and local governments in the United States. Statement No. 68 from GASB is the accounting standard governing a state or local governmental employer's accounting and financial reporting for pensions. It is effective the first fiscal year beginning after June 15, 2014. This means that the reporting required by GASB 68 will be included in the Consolidated Annual Financial Report (CAFR) for the current fiscal year, FY 2015, which began on July 1, 2014. The City Council will receive the FY 2015 CAFR in the fall of 2015. GASB indicated that its primary objective in establishing GASB 68 is to improve accounting and financial reporting for pensions by state and local governments.

Below are some of the major changes under GASB 68.

- ✓ **GASB changed its focus from budgeting to accounting.**
- ✓ **The pension liability will be reported on the financial statements (Statement of Net Assets), instead of only being reflected in the notes to financial statements.**
- ✓ **The pension plan assets will be calculated on a Market Value basis**
- ✓ **Under GASB 68, the discount rate may be lower than the expected rate of return on investments. A lower discount rate will increase the unfunded liability.**

GASB 68 requires reporting of pension liability differently than it has been reported in the past. State and local governments will be required to post their net pension liability – the difference between the projected benefit payments and the assets set aside to cover those payments – on the face of the financial statements instead of in the notes to the financial statements, where the information is currently reported. It is important to note that GASB 68 does not change the City's financial position, but it does change how the City's statement of net assets will be reported.

³ http://www.cityofberkeley.info/Clerk/City_Council/2014/05_May/City_Council_05-06-2014_-_Special_Meeting_Annotated_Agenda.aspx

Next Steps:

Council is asked to consider and ultimately adopt the proposed biennial budget on June 30, 2015. The proposed biennial budget includes the consideration of economic forecasts, the City's long term obligations, and rising costs. Staff is proposing a two year stability budget. However, even though FY 2016 and FY 2017 budgets are balanced, we are still facing budgetary challenges in FY 2018, as we are projecting a contraction in our economically sensitive revenues in FY 2017 that will be realized in FY 2018. The proposed budget reflects our continued commitment to stewarding the public's resources for their benefit and that of future generations.

The following are upcoming Council meetings during which budget information will be presented.

Date	Council Meeting
May 26	Budget Public Hearing #2
	Proposed Fee Increases
June 9	Council Recommendations on Budget
June 23	Council Discussion on Budget Recommendations
June 30	Adopt FY 2016 & FY 2017 Biennial Budget/FY 2016 Annual Appropriation Ordinance

ENVIRONMENTAL SUSTAINABILITY

Actions included in the budget will be developed and implemented in a manner that is consistent with the City's environmental sustainability goals and requirements.

CONTACT PERSON

Teresa Berkeley-Simmons, Budget Manager, City Manager's Office, 981-7000
Henry Oyekanmi, Acting Finance Director, Department of Finance 981-7300

Attachments:

- 1: Council Referrals to the budget Process
- 2: Public Hearing Notice

Summary of Council Referrals to the Budget Process

Attachment 1

Title and Item #	Council Date	Description (Purpose)	Amount	Referred by: Council Member Name
Installation of Automatic External Defibrillators (AEDs) in City Buildings Item #33¹	October 21, 2014	Review and consider implementation of a third party administered, citywide AED program. This program would be referred to the city's budget process for FY 2015 - FY 2016.	Option A: \$47,600 plus \$1,793 recurring; Option B: \$92,820 plus \$3,496 recurring	Worthington
Security Camera System for Berkeley Youth Alternatives Item #27²	November 18, 2014	Installing security cameras around their property to discourage graffiti and other illicit activities	\$3,000	Moore
K to College Service in Berkeley Item #28³	November 18, 2014	Fund underserved children with tangible resources they need to achieve	\$25,000 annually	Moore
Beacon Lights at Sacramento and Bancroft Item #21⁴	December 16, 2014	Improve pedestrian safety at Sacramento and Bancroft by installing beacon lights at the cross walks	\$50,000	Moore and Arreguin
The Berkeley Project Item #21⁵	January 27, 2015	Funds for service projects in Berkeley	\$30,000 annually	Worthington
Body Worn Cameras Item #23⁶	February 24, 2015	Implement body cameras for Berkeley Police	\$250,000 (initial purchase cost and license); \$102,400	Maio

¹ http://www.cityofberkeley.info/Clerk/City_Council/2014/10_Oct/Documents/2014-10-21_Item_33_Installation_of_Automatic_External.aspx

² [http://www.cityofberkeley.info/Clerk/City_Council/2014/11_Nov/Documents/2014-11-18_Item_27_Refer_\\$3,000_to_the_FY_2015-2016.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2014/11_Nov/Documents/2014-11-18_Item_27_Refer_$3,000_to_the_FY_2015-2016.aspx)

³ [http://www.cityofberkeley.info/Clerk/City_Council/2014/11_Nov/Documents/2014-11-18_Item_28_Refer_\\$25,000_to_the_FY_2015-2016.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2014/11_Nov/Documents/2014-11-18_Item_28_Refer_$25,000_to_the_FY_2015-2016.aspx)

⁴ [http://www.cityofberkeley.info/Clerk/City_Council/2014/12_Dec/Documents/2014-12-09_Item_21_Refer_\\$50,000.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2014/12_Dec/Documents/2014-12-09_Item_21_Refer_$50,000.aspx)

⁵ http://www.cityofberkeley.info/Clerk/City_Council/2015/01_Jan/Documents/2015-01-27_Item_21_Budget_Referral_for_Funding.aspx

⁶ http://www.cityofberkeley.info/Clerk/City_Council/2015/02_Feb/Documents/2015-02-24_Item_23_Police_and_Community.aspx

Summary of Council Referrals to the Budget Process

Attachment 1

Title and Item #	Council Date	Description (Purpose)	Amount	Referred by: Council Member Name
			recurring cost for storage and licensing	
Traffic Controls on University Avenue Item #9⁷	March 10, 2015	Traffic controls, such as pedestrian crossing light, on University Avenue from Martin Luther King, Jr. Way to California Street	\$50,000	Maio and Arreguin
Council Personnel Budget Item #10⁸	March 10, 2015	Increase salaries for 8 Council Office by \$10,000 each. Non-personnel budgets of these offices will be reduced by \$4,000 to cover portion of cost.*	\$48,000 for salaries plus \$32,074 for benefits annually for a total of \$80,074	Bates, Moore, Capitelli, and Droste
Berkeley's Community Commercial Sidewalks and Public Spaces Item #19⁹	March 17, 2015	Extending transition-aged youth shelter hours beyond winter months.	\$300,000 (estimated)	Maio and Arreguin
Telegraph Foot Patrol Item #19¹⁰	April 7, 2015	Establish a regular police foot patrol officer on Telegraph Avenue five days a week	\$193,994	Bates
Housing Support Stipends for Transition Age Youth, Ages 18-25 Item #28¹¹	April 7, 2015	Provide housing support stipends to transition age youth, ages 18-25.	\$125,000	Anderson

⁷ http://www.cityofberkeley.info/Clerk/City_Council/2015/03_Mar/Documents/2015-03-10_Item_09_Budget_Referral_Appropriate.aspx

⁸ [http://www.cityofberkeley.info/Clerk/City_Council/2015/03_Mar/Documents/2015-03-10_Item_10_Refer_\\$80,000.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2015/03_Mar/Documents/2015-03-10_Item_10_Refer_$80,000.aspx)

*Actual impact of the recommendation is \$80,074 (\$48,000 for salaries plus \$32,074 for benefits)

⁹ http://www.cityofberkeley.info/Clerk/City_Council/2015/03_Mar/Documents/2015-03-17_Item_19_Berkeley_s_Community.aspx

¹⁰ http://www.cityofberkeley.info/Clerk/City_Council/2015/04_Apr/Documents/2015-04-07_Item_19_Budget_Referral_Telegraph.aspx

¹¹ [http://www.cityofberkeley.info/Clerk/City_Council/2015/04_Apr/Documents/2015-04-07_Item_29_Refer_\\$125,000_to_the_FY_2015-2016.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2015/04_Apr/Documents/2015-04-07_Item_29_Refer_$125,000_to_the_FY_2015-2016.aspx)

Summary of Council Referrals to the Budget Process

Attachment 1

Title and Item #	Council Date	Description (Purpose)	Amount	Referred by: Council Member Name
Sunday Streets Item #31 ¹²	April 7, 2015	Cover City-related services, materials, permits and fees for two Sunday Streets events	\$30,000 each year	Capitelli
Housing Trust Fund Allocation Item #33 ¹³	April 7, 2015	\$1,000,000 to be allocated to the Housing Trust Fund	\$1,000,000	Worthington , Anderson, and Arreguin
Berkeley High School Bridge Program Item #17 ¹⁴	April 28, 2015	Support the Berkeley High School Bridge Program	\$54,000	Bates
Capital Improvements and Capacity Building for Kala Art Institute Item #21 ¹⁵	April 28, 2015	Facility improvements and capacity building for Kala Art Institute	\$200,000 (\$125,000 FY 2015; \$75,000 FY 2016)	Moore
2015 Community Resilience Challenge Item #40 ¹⁶	April 28, 2015	Endorsing and Co-Sponsoring the 2015 Community Resilience Challenge	\$1,000	Worthington
Phase II: Implementation of City of Berkeley: Review of Personnel Policies and Procedures Top-Line Report Item #15 ¹⁷	May 12, 2015	Implement the recommendations in the City of Berkeley: Review of Personnel Policies and Procedures Top-Line Report	Department Audits (\$45,000); Inventory of EEO Complaints (\$15,000); Whistle Blowing Policy (\$3,000);	Anderson and Moore

¹² http://www.cityofberkeley.info/Clerk/City_Council/2015/04_Apr/Documents/2015-04-07_Item_31_Budget_Referral_Annual_Grant_for_Sunday_Streets_Events.aspx

¹³ http://www.cityofberkeley.info/Clerk/City_Council/2015/04_Apr/Documents/2015-04-07_Item_33_Budget_Referral_Housing_Trust_Fund_Allocation.aspx

¹⁴ http://www.cityofberkeley.info/Clerk/City_Council/2015/04_Apr/Documents/2015-04-28_Item_17_Budget_Referral_Berkeley.aspx

¹⁵ [http://www.cityofberkeley.info/Clerk/City_Council/2015/04_Apr/Documents/2015-04-28_Item_21_Refer_\\$200,000.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2015/04_Apr/Documents/2015-04-28_Item_21_Refer_$200,000.aspx)

¹⁶ http://www.cityofberkeley.info/Clerk/City_Council/2015/04_Apr/Documents/2015-04-28_Item_40_Endorsing_and_Co-Sponsoring.aspx

¹⁷ http://www.cityofberkeley.info/Clerk/City_Council/2015/05_May/Documents/2015-05-12_Item_15_Budget_Referral_Phase_II.aspx

Summary of Council Referrals to the Budget Process

Attachment 1

Title and Item #	Council Date	Description (Purpose)	Amount	Referred by: Council Member Name
			Applicant and Employee Reporting (\$15,000); Nepotism Policy (\$2,500); Additional staffing needs of the Human Resources and EEO Departments (\$4,500); Improvements of Communication Methods (\$7,000); Revisions of the Personnel Rules (\$8,000)	
Recommendations from Sugar-Sweetened Beverage Panel of Experts Item #17 ¹⁸	May 12, 2015	1. Allocate \$500,000 from the General Fund Reserve to forward fund recommendations by the POE to healthy child/family community based programs. 2. Request that the POE recommend 50% of this amount (\$250,000) to be forwarded to the Berkeley Unified School District to ensure that total school site programming offered to students through the Cooking and Gardening	\$500,000	Capitelli and Maio

¹⁸ [http://www.cityofberkeley.info/Clerk/City_Council/2015/05_May/Documents/2015-05-12_Item_17_Allocate_\\$500,000.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2015/05_May/Documents/2015-05-12_Item_17_Allocate_$500,000.aspx)

Summary of Council Referrals to the Budget Process

Attachment 1

Title and Item #	Council Date	Description (Purpose)	Amount	Referred by: Council Member Name
		<p>Program for 2015-16 exceeds that which was supported by the District in 2014-15. 3. Request that the POE establish procedures which will result in recommendations to the council for the expenditure of the remaining funds. Such recommendations to be forwarded to council by October 1, 2015. 4. Funds to be repaid to the General Fund Reserve as revenues from Measure D are collected.</p>		
<p>Availability Study to Allow Affirmative Action in City Contracting Item #18¹⁹</p>	<p>May 12, 2015</p>	<p>An allocation to perform an Availability Study to analyze the City’s use of local, small emerging, minority and women business enterprises on City construction, architecture and engineering, professional services, and goods and other services contracts.</p>	<p>Estimated cost \$200,000 per January 22, 2013 Agenda Item #18</p>	<p>Worthington</p>

¹⁹ http://www.cityofberkeley.info/Clerk/City_Council/2015/05_May/Documents/2015-05-12_Item_18_Budget_Referral_Request.aspx

Summary of Council Referrals to the Budget Process Attachment 1

Title and Item #	Council Date	Description (Purpose)	Amount	Referred by: Council Member Name
New Mental Health Service Employees Item #19 ²⁰	May 12, 2015	Refer a new Mental Health Services employee and a Mobile Crisis Team to the 2015-16 budget to be the primary point of contact for mental health crises and emergencies and directing patients to mental health services.	One FTE Expansion: 138,107 (salary & benefits) + \$35,000 for car = \$173,107; Three FTE Expansion: \$414,321 (salaries & benefits) + \$35,000 for car = \$449,321	Worthington
Cesar Chavez Park Solar Calendar Item #20 ²¹	May 12, 2015	Allocate funds for Cesar Chavez Park Solar Calendar	\$50,000	Worthington
Total			\$3,890,105	

²⁰ http://www.cityofberkeley.info/Clerk/City_Council/2015/05_May/Documents/2015-05-12_Item_19_Budget_Referral_Proposal.aspx

²¹ http://www.cityofberkeley.info/Clerk/City_Council/2015/05_May/Documents/2015-05-12_Item_20_Budget_Referral_Cesar.aspx

**NOTICE OF PUBLIC HEARING
BERKELEY CITY COUNCIL**

**FISCAL YEAR 2016 & FY 2017 PROPOSED BIENNIAL BUDGET
HEARING #2**

TUESDAY, MAY 26, 2015 – 7:00 P.M.

The Berkeley City Council will conduct a second public hearing on May 26, 2015 at 7:00 p.m. in the Council Chambers, 2134 Martin Luther King, Jr. Way to discuss the Proposed FY 2016 & FY 2017 Biennial Budget

For further information, please contact Teresa Berkeley-Simmons, Budget Manager, 981-7000.

A copy of the agenda material for this hearing will be available on the City’s website at www.CityofBerkeley.info as of May 14, 2015.

Written comments should be mailed or delivered directly to the City Clerk Department, 2180 Milvia Street, Berkeley, CA 94704, in order to ensure delivery to all Councilmembers and inclusion in the agenda packet. Communications to the Berkeley City Council are public record and will become part of the City’s electronic records, which are accessible through the City’s website. **Please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to the City Council, will become part of the public record.** If you do not want your e-mail address or any other contact information to be made public, you may deliver communications via U.S. Postal Service or in person to the City Clerk. If you do not want your contact information included in the public record, please do not include that information in your communication. Please contact the City Clerk at 981-6900 or clerk@cityofberkeley.info for further information.

Posted: May 14, 2015

~~~~~

I hereby certify that the Notice for this Public Hearing of the Berkeley City Council was posted at the display case located near the walkway in front of Council Chambers, 2134 Martin Luther King Jr. Way, as well as on the City’s website, on May 14, 2015.

Mark Numainville, City Clerk

**COMMUNICATION ACCESS INFORMATION:**

To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at 981-6346(V) or 981-7075 (TDD) at least three business days before the meeting date. Captioning services are provided at the meeting, on B-TV, and on the Internet. In addition, assisted listening devices for the hearing impaired are available from the City Clerk prior to the meeting, and are to be returned before the end of the meeting.



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.

