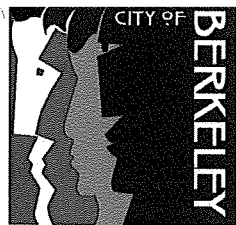


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Office of the Mayor

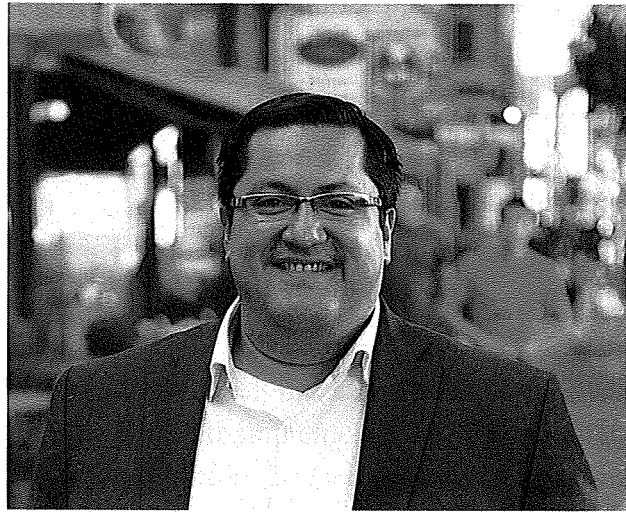
Supplemental Material: Item 54
FY 2018-2019 Budget

Mayor's Budget Message

June 13, 2017

Honorable Members of the City Council and
fellow Berkeley Residents,

I am honored to present my proposed supplemental budget recommendations for the City of Berkeley Fiscal Years 2018-19, which moves forward initiatives proposed by the City Council, as well as additional proposals that I hope to see implemented this year. In partnership with our outstanding City Manager Dee Williams-Ridley and the entire City Council, I am pleased we have arrived at a budget that is balanced, ensures long term fiscal sustainability and addresses important community priorities.



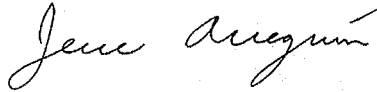
Since I took office last December, I have made tackling the City's homeless and affordable housing crises a top priority, reflecting the main concerns I heard from thousands of Berkeley residents over the course of the election. In this budget message, I highlight some of the phenomenal work in these areas that the city has accomplished, as well as upcoming initiatives.

In addition to our city budget providing for an increase in affordable housing and homeless initiatives, numerous other important priorities will be funded as well. Also included are investments to improve our aging infrastructure, new technology for a twenty-first century city, support for our arts, vital public safety programs, and implementation of Measure X1 to create public campaign financing. Our budget helps implement the city's Digital Strategic Plan, including planning for city-wide Wi-Fi, and to enhance long-term sustainability, we have adopted a General Fund Reserve Policy and created the largest rainy day fund ever. We are also working on solutions to address unfunded liabilities, initiating conversations with the University of California and Bayer over its future growth and mitigation, and we will soon establish a Council Budget Subcommittee to work closely with the City Manager in the preparation of future budgets.

Our budget is a reflection of our values and priorities. My budget recommendations help advance important Council and community priorities, and will ensure a more equitable and sustainable

city. For more specific information on my recommendations please read below.

I look forward to your input on these recommendations between now and budget adoption on June 27th. Thank you for the honor of serving as your Mayor.



Jesse Arreguin

Ending Homelessness

Addressing homelessness and the affordability crisis are my top priorities as Mayor. Since the election, the City has taken numerous bold steps to address these issues. In December, the City Council directed the activation of our Emergency Operations Center to address the winter shelter crisis. Our City Manager and City staff worked overtime to immediately double the number of shelter beds and warming centers. Thanks to their incredible efforts we provided shelter to hundreds of homeless individuals. In addition, the City Council has advanced a number of innovative proposals to address homelessness including Step-Up Housing, the Pathways Project, which would establish a Navigation Center and a Bridge Living Community, the acquisition of the Premier Cru property for shelter and housing, the creation of the Homeless Outreach and Treatment Team (HOTT), and anti-displacement programs. These programs build on the work done by staff to create the city's coordinated entry system and the array of social services offered to our homeless.

Despite years of effort to reduce homelessness, recent statistics show that Berkeley has close to 1,000 people living on our streets, the majority of whom are unsheltered. There is clearly more work to do.

Therefore, my budget recommendations propose \$100,000 for the creation of a new Flexible Housing Subsidy Pool to provide rapid re-housing resources for our homeless population.

With the recent passage of Measure U1 and Alameda County A1, Berkeley is uniquely positioned to leverage our local tax dollars to expand the amount of permanent supportive housing. BRIDGE/Berkeley Food and Housing Project Housing's Berkeley Way project is an exciting opportunity to expand access to shelter and housing for the homeless. The Council's efforts to prioritize permitting and commit funding will help make this vision a reality.

Ongoing Efforts and Upcoming Projects

BRIDGE/Berkeley Food and Housing's Berkeley Way project proposes to build a combination of emergency housing, transitional housing for homeless veterans and 142 permanent affordable housing units. The City Council has voted to make the Berkeley Way project a top priority and we are working to leverage the city's investment to gain seventeen million in state funds through the California Affordable Housing and Sustainable Communities program. City funding will also help the project gain funding through Alameda County Measure A1, federal low-income housing tax credits, and state tax credits.

To target the two-pronged problem of mental health and homelessness, a new 3-year HOTT has been launched with state funding, and included in the Fiscal Year 2018 budget. This new program will provide outreach and treatment for homeless individuals with serious mental health disorders, helping them to access crucial services and housing.

A New Path Forward

I am excited that the Berkeley City Council approved moving forward with the Pathways Project, a groundbreaking initiative that will establish and implement both short-term and long-term measures to address the homeless crisis in Berkeley. My budget recommendations propose \$250,000 in one-time capital funding to start implementation of this exciting project. The Pathways Project includes the creation of a STAbility, NavIgation and Respite (STAIR) Center, modeled on a similar center in San Francisco, and a village of small homes for more long-term housing, all anchored by the 1000 Person City Plan to address homelessness. The plan directs City staff to develop a comprehensive, innovative and meaningful plan to house and serve Berkeley's 1000 homeless, building on existing structures and services, and incorporating best practices to meet our goal of placing the homeless in secure housing. Along these lines, the "Step Up Housing" initiative aims to create 100 units of pre-fabricated, stackable micro-units for the homeless.

Taken together, we believe that Berkeley can have success in reducing the number of homeless people on our streets, and connecting people to housing, and hope for a better future.

Creating Affordable Housing and Preventing Displacement

This budget prioritizes housing affordability and addresses the issue through the implementation of short-term and long-term solutions. Given the unprecedented affordability crisis, I created a Housing Task Force to research and develop solutions. The Task Force developed a short-term Housing Action Plan based on review of 49 Council housing referrals, best practices in other cities, and new ideas to address affordability and displacement. On May 30, 2017, the Berkeley City Council voted unanimously to prioritize these recommendations. To implement the many

housing priorities identified by the City Council, the budget proposes the hiring of a Community Services Specialist III.

Solutions on the Table

The innovative Berkeley Way project will be the largest affordable housing development in the city's history. The project's 142 permanent affordable units includes 53 units for households earning under 30% of the Area Median Income. The permanent housing residents can have access to BRIDGE services such as onsite childcare, financial literacy, and health and wellness programs. The project has the potential of bringing \$17 million in state funding through cap and trade financing. The Berkeley Way project is an incredible opportunity to provide urgently-needed affordable housing for very-low and extremely-low income households.

Creating new housing is just one strategy to address this crisis. Also critical is stemming the tide of displacement to keep people housed and rapidly re-house the recent homeless. My budget recommendations would appropriate \$1 million dollars in funding for anti-displacement initiatives. This the largest investment the city has ever made and recognizes the severity of our housing crisis.

The City has also made a long-term investment with the acquisition of the old Premier Cru site on the 1000 block of University Avenue, located at the entrance to our city. The site is incredibly flexible - in the short-term it can provide emergency shelter, and in the long-term be adapted to affordable housing. Its proximity to business districts, medical services and schools will meet the needs of the diverse population it will serve now and permanently house in the future.

New Revenue Streams for Affordable Housing

Thanks to the voters of Berkeley, there are now more local resources to create permanent affordable housing than ever before. Berkeley Measure U1, Alameda County Measure A1 and additional revenues in the city's Housing Trust Fund provide millions of dollars for a variety of housing initiatives. With these funds we can assist non-profit developers to leverage state funding sources like State Low-Income Housing Tax Credits, and cap and trade funds.

While prioritizing for projects is an important part of addressing our housing crisis, we also must preserve existing housing and prevent displacement. Therefore, I am proposing that the City consider future funding of a Small Sites Program, which will allow non-profit developers to fund the acquisition and rehabilitation of properties under 25 units, to preserve long-term affordability.

A Safer Community

Streetlights and Crosswalks

Berkeley has the unfortunate distinction of having one of the highest pedestrian accident rates in the State of California. While the City has made many investments in street infrastructure projects, we must also invest in pedestrian safety – it is imperative to make our streets safe and walkable for our children and for all residents. Several intersections have been identified by Councilmembers as very dangerous and needing traffic calming measures. I am proposing that we implement these projects by prioritizing them in the Capital Improvement Plan. These proposals include: a pedestrian activated crosswalk on Sacramento at the North Berkeley BART Station; HAWK lights at Claremont and Russell; traffic calming in West Berkeley as proposed by Councilmember Davila; and implementation of a four-way stop at the intersection of California and Allston. I am also proposing that we increase funding to the Neighborhood Traffic Calming Budget by \$50,000 as proposed by Councilmember Wengraf.

In addition, as a result of the City's conversion of street lights to LEDs we have gained energy and monetary savings. The monetary savings from the LED program has resulted in five years of additional funding available to fund the replacement and installation of new street lights throughout the city.

Fire and Emergency Services

This year, the City is adding six new Firefighter/Paramedic positions, along with an another Fire Inspector and Fire and Life Safety Plans Examiner, changes that will allow the Department of Fire and Emergency Services to permanently operate a fourth ambulance. This will allow residents to be reached faster, and reduces Berkeley's need for mutual aid from other cities. This life-saving addition was introduced as a 6-month pilot program in March 2015 and has since been extended due to its success.

Police Department

For the first time ever, the new budget includes fully-funded body cameras for every Berkeley police officer. Body cameras are essential in strengthening the trust between police officers and the communities they serve and have been shown to decrease misconduct and use of force. A pilot program for body cameras was approved last year, and will now be incorporated into the police department's annual expenses. The goal is to encourage a mutual respect between police and Berkeley residents. In addition, the Police Department will add five new police officers.

Technology for the 21st Century

From high speed streaming to keeping up with news and personal updates on the go, there's never been a more exciting or crucial time to be connected online. The 21st century has brought Berkeley residents' demands and delights to the digital realm. Yet, technological advances are moving much more rapidly than the City's aging internet infrastructure can accommodate. The biennial budget will allow the City's Digital Strategic Plan (DSP) to progress as outlined in the DSP Implementation Roadmap. The DSP will seek to address the unique needs of the City, its residents and visitors, and the local business community. Specifically, the DSP promotes upgrading City-owned fiber-optic infrastructure, exploring public and private partnerships to implement public high-speed Wi-Fi, and carrying out a fiber Wi-Fi master plan to provide City-wide Wi-Fi.

Fiscal Sustainability

General Fund Reserves:

Thanks to the efforts of the City Council, City Manager and City Auditor, the proposed City budget includes the largest reserve fund in Berkeley's history, and places the city arguably in its strongest fiscal footing in decades. This budget makes great improvements to the City's fiscal health while simultaneously avoiding major cuts to social services. General Fund Reserve is to be increased substantially, from 8% to a minimum of 13.8%, achieved within my first 100 days as Mayor, despite more than a decade of discussions. This places Berkeley well on track to meet the City Auditor's recommended goal of a 16.7% reserve fund by the end of the 2020 fiscal year. We also created two new special reserve funds: the Stability Reserve, and the Catastrophic Reserve. This decision ends the co-mingling of special Reserve Funds with Berkeley's everyday spending accounts, a move which will help ensure that our financial reserves remain available for times of genuine crisis. The Stability Reserve safeguards essential City resources against the shock of an economic decline, while the Catastrophic Reserve helps mitigate the consequences of natural disasters.

Fiscal Responsibility and Transparency

In a national atmosphere of murky political dealings and alternative facts, I intend to create a Council Budget Subcommittee and a Mayor's Citizens Budget Committee in order to accomplish the twin goals of promoting public transparency and fiscal responsibility. Creation of a Council Budget Subcommittee will help the Councilmembers engage early on with City management in the crafting of the budget and will result in greater budget transparency. The Mayor's Citizens

Budget Committee will bring together residents with budget experience to assist the Council Subcommittee and the staff in improving the presentation of the budget, investigate new sources of revenue, evaluate City cost effectiveness, and address long-term unfunded liabilities. With the formation of these two groups, the breakdown of spending on City programs will be more clear on future budget reports and more accessible to the public.

Looking Ahead

With the establishment of a General Fund Reserve Policy and new investments in our infrastructure, the City is positioned for long-term sustainability. We are also looking ahead by initiating early conversations with Bayer and UC Berkeley regarding development agreements set to expire within the next five years. Initiating conversations will ensure a strong position for the city in future negotiations over mitigations. In this way, we will ensure that Berkeley will reap benefits, like improved infrastructure and facilities, without any of the previous complications. Planning ahead means a flourishing Berkeley both today and in the future.

Creating an Equitable City

Although Berkeley is a diverse and forward thinking city, there are major disparities in health, academic achievements, jobs and housing. Our city is committed to addressing the equity gap and bringing an equity lens to the funding decisions and policies made by our local government. To that end our staff is engaged in developing a comprehensive Equity Plan and through work on the 2020 Vision and public health initiatives we are working to address these disparities.

To create an equitable city, I am proposing that we commit up to \$100,000 in funding for the Berkeley Inclusion in Opportunity Index as proposed by Councilmember Bartlett, \$5,000 for the Berkeley Project which engages UC Berkeley students in community service opportunities, \$25,000 for SuppyBank.org for school supply kits for low-income youth, and \$75,000 for a feasibility study for the African American Holistic Resource Center.

I am also proposing \$50,000 in funding for legal defense in cases of immigration actions for our undocumented community, who are facing even great fear and pressure due to the new federal administration.

Reforming our Electoral Process

In order to promote fair elections, last November Berkeley voters passed Measure X1. For the first time in City history, the budget includes public financing for local candidates in order to reduce the influence of large donors on municipal elections. It establishes a Fair Election Fund, which will give candidates the option to receive matching campaign funds in proportion to the amount they raise privately. The measure is modeled after the successful matching funds

program operating in New York City and Los Angeles.

While the nation is reeling from the ramifications of decisions like *Citizens United* and the influx of corporate money in national politics, Berkeley is working to make politics more accessible to all Berkeley citizens. One of the important benefits of this is that it allows for a wider range of candidates, increasing racial and political diversity, as well as greater civic engagement in elections. The Berkeley Fair Elections Measure will provide an equal voice for residents and move our City towards greater representation for all.

Supporting our Arts Economy

It is my firm belief that public investments in the Arts and in economic development go hand in hand. In addition to fostering civic pride, a flourishing art scene will bring new visitors to our City and more revenue to local businesses. This year we seek to make small but important changes to the City's public arts funding, consistent with my twin goals of building a stronger local culture and economy.

First, my budget commendations propose creating new revenue streams which help provide the Public Arts with the funding they deserve. This budget proposes to increase Civic Arts Grants by \$140,000 which will channel more support to local artists and art groups through small grants. With additional resources the City can increase the number of arts grants and provide capital funds to help keep arts organizations in Berkeley.

Another significant reform will be made to the Percent for Public Art in Private Development program, with the goal of increasing Arts revenue. Under this new reform, developers have the choice of either paying a small 0.8% arts fee directly to the City, or pay a higher percentage and integrate public art into their projects. This creates an incentive for developers to pay the City fees, therefore channeling more arts funding to be used in the implementation of the new Arts and Culture Plan. Additionally, going forward, the Percent for Public Art policy will apply to the three remaining taller exceptions in the Commercial Downtown Mixed-Use District. This one-time requirement on the tallest buildings in Berkeley will yield an estimated \$1.5 million in new revenue for the Arts budget.

The city budget also funds a new administrative position, an Assistant Management Analyst within the Civic Arts Division. The City is adding this full-time arts position in order to facilitate the implementation of new initiatives and projects (such as those funded by the \$140,000 Civic Arts Grant).

A culturally vibrant Berkeley means an economically prosperous Berkeley, and I am proud to present a budget with such care given to both.

Building a Better Berkeley

In 2016, Berkeley voters determined that the City's aging infrastructure and facilities were in serious need of improvement, raising \$100,000,000 in bonds through Measure T1. Therefore, our city budget will direct the newly-approved Measure T1 bonds towards a series of major infrastructure investments. The Public Works Commission and Parks Commission will be making recommendations on how to best utilize these new funds to further improve the City's parks, public buildings and infrastructure.

My budget recommendations also propose that the City identify grant opportunities to initiate a planning process for the San Pablo corridor as recommended by Councilmembers Maio and Davila. San Pablo Avenue which connects residents from Richmond to Oakland is a regional transit hub as well as a Priority Development Area. Future planning for San Pablo can not only determine how to allow additional growth along the corridor but can leverage regional grant funding for housing and transportation improvements.

As recommended by Councilmember Davila, I am also proposing that staff identify opportunities to implement the "Equitable Planning & Development Proposal". This proposal aligns with existing staff efforts to improve customer service at the Permit Service Center and to streamline the permit process.

On January 24, 2017, the City Council passed a Short Term Rental (STR) Ordinance, which imposed a Transient Occupancy Tax (TOT) on hosts or hosting platforms that provide short-term rental services. This tax will finance City infrastructure costs and other public expenditures. The Revenue Development Specialist II (who receives a \$120,000 annual salary) will administer the TOT, and manage Business Licensing processes under the STR. The Specialist is also tasked with managing the City's medical marijuana program and administering the Sugar Sweetened Beverage Tax revenue. I will also soon be proposing a licensing framework for commercial cannabis operations as authorized under Proposition 64. Granting recreational cannabis licenses may result in \$1 million in additional tax revenue to the General Fund.

Currently, a committee is working with former Councilmember Gordon Wozniak to finalize the "Berkeley 2050" plan, a long-term public finance strategy for the City of Berkeley. Berkeley 2050 will outline the most viable path for the City towards meeting its unfunded liabilities and capital needs, while striving to avoid burdensome debt and/or tax increases.

Attachments:

Attachment A: Mayor's Supplemental Budget Recommendations

**Attachment A: Mayor's Supplemental Budget Recommendations
FY 2018/19**

TABLE 1: ON-GOING EXPENDITURES (FY18/19)

Item Title	Source of Revenue	Amount
Flexible Housing Subsidies Pool	General Fund	\$100,000
Increase Berkeley Projects Funding	Parks	\$5,000
Cesar Chavez Solar Calendar	Parks	\$25,000
Funding for Anti-Displacement Programs	U1	\$1,070,000
	On-Going FY2018/19 Subtotal	\$1,200,000

TABLE 2: ONE-TIME EXPENDITURES (FY18)

Item Title	Source of Revenue	Amount
Center for Independent Living	CDBG	\$70,000
Berkeley Inclusion in Opportunity Index	General Fund	\$100,000
Legal + Mental Health Support for Immigrants and Religious Communities	General Fund	\$50,000
Pathways Project Starting Capital	General Fund/Transfer Tax	\$250,000
South Berkeley Community Church	General Fund	\$14,000
SupplyBank.Org Expanded School Supply Distribution	General Fund	\$25,000
Feasibility Study and Impact Analysis for African American Holistic Resource Center	General Fund	\$75,000
Berkeley Civic Arts Program	General Fund	\$70,000
Berkeley Art Center	General Fund	\$11,000
Evaluation of Allston and California Stop Signs	Transportation/Public Works	\$8,000
Funding for Street Lighting	Transportation/Public Works	\$50,000
Hawk Light at Claremont Boulevard and Russell Street	Transportation/Public Works	\$50,000
Increase Funding for Neighborhood Traffic Calming	Transportation/Public Works	\$50,000
Pedestrian Activated Crosswalk at Sacramento Street and North Berkeley BART	Transportation/Public Works	\$80,000
Three Beacon Lights	Transportation/Public Works	\$75,000
	One Time FY2018 Subtotal	\$978,000

**Attachment A: Mayor's Supplemental Budget Recommendations
FY 2018/19**

TABLE 3: ITEMS TO PRIORITIZE FOR NOVEMBER CONSIDERATION

Item Title	Source of Revenue	Amount
Center for Independent Living	CDBG	\$70,000
Berkeley Age-Friendly Continuum	General Fund	20,000
Develop Plan For San Pablo Avenue	MTC/General Fund	\$100,000
Equitable Planning and Development	General Fund	\$100,000
Feasibility Study Affordable Housing Senior Development	General Fund	\$50,000
Small Sites	General Fund	TBD
Youth Listening Campaign and Citywide Master Plan	General Fund	\$30,000
Items to Prioritize for November Consideration FY 2018/19 Subtotal		370,000
TOTAL		\$2,548,000