



Office of the City Manager

CONSENT CALENDAR
September 15, 2020

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Teresa Berkeley-Simmons, Budget Manager
 Subject: Measure T1 Loan

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to loan \$600,000 from the Parks Tax Fund and \$600,000 from the Measure BB – Local Streets & Roads Fund to the Measure T1 Fund for a total of \$1.2 million in FY 2021 to complete Phase 1 projects.

FISCAL IMPACTS OF RECOMMENDATION

The resolution approves a loan of \$1.2 million in FY 2021 to the Measure T1 Fund with \$600,000 coming from the Parks Tax Fund and \$600,000 from the Measure BB – Local Streets & Roads Fund. The loan funds in the Parks Tax Fund and Measure BB – Local Streets & Roads Fund will be appropriated as part of the First Amendment to the FY 2021 Annual Appropriations Ordinance. A rescheduled acceleration of the Phase 2 bond sale from November 2021 to late spring of 2021 will allow these funds to be reimbursed within the same fiscal year (bond offering will be conditioned on the market dynamics at that time and will follow the city's debt policy).

CURRENT SITUATION AND ITS EFFECTS

The cost to complete all Phase 1 T1 projects is approximately \$41.8 million. The City's T1 cash on hand is \$36.685 million, which includes \$35 million in bonds sold and \$1.685 million of estimated earned interest. This leaves an estimated funding gap of \$5.115 million. In March 2019, Council authorized \$5.3 million from the General Fund in FY 2021 to cover the gap and complete the Phase 1 projects.

With the advent of COVID-19 pandemic emergency, the City faced a \$28 million FY 2021 General Fund budget shortfall that would eventually increase to \$39 million after adding other necessary funding allocations. With the budget shortfall and the need for \$5.3 million to be used for FY 2021 operational needs, staff had to develop alternative strategies to fund Phase 1 projects without drawing on the additional General Fund allocation. These strategies included delaying selected Phase 1 projects, borrowing funding from Parks, Recreation & Waterfront ("PRW") Department and Public Works ("PW") Department special funds to be reimbursed by the Phase 2 bond sale, and accelerating the Phase 2 public process and bond sale.

On December 13, 2016, Council approved Resolution 67,681-N.S. authorizing the City to use bond proceeds to reimburse project expenditures that occurred prior to the bond sale. The Resolution did not limit this to the General Fund, but applies to any funding source for T1 project costs.

Excluding Grove Park and Marina Streets project costs in FY 2021, the T1 program would need an additional \$1.2 million in FY 2021 to complete Phase 1 projects. The City could borrow these funds from special funds for eligible projects. For example, Rose Garden and Live Oak Community Center projects are both Parks Tax-eligible. Streets projects like Monterey and Ward could be funded through a loan from the Measure BB Local Streets & Roads Fund.

If the bond sale is accelerated, these funds would be reimbursed within the same fiscal year so that there would be minimal impact on fund forecasts and budget projections. Given the \$1.2 million need, this would be structured as \$600,000 borrowed from the Parks Tax and \$600,000 borrowed from Measure BB Local Streets & Roads Fund.

Authorizing a loan of \$1.2 million and completing the Phase 1 Measure T1 projects is a Strategic Plan Priority Project, advancing our goal to provide state-of-the-art, well-maintained infrastructure, amenities, and facilities.

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.

RATIONALE FOR RECOMMENDATION

The recommendation allows the City to complete the Phase 1 Measure T1 projects in a timely manner.

CONTACT PERSON

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Rama Murty, Senior Management Analyst, City Manager's Office, 981-7000

Attachments:

1: Resolution

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

MEASURE T1 FUND LOAN FROM PARKS TAX FUND AND MEASURE BB – LOCAL STREETS & ROADS FUND

WHEREAS, Measure T1 cost to complete all Phase 1 T1 projects is approximately \$41.8 million and the City's T1 cash on hand is \$36.685 million leaving a gap of \$5.115 million; and

WHEREAS, in March 2019, Council authorized \$5.3 million from the General Fund for FY 2021 to cover the gap and complete Phase 1 projects; and

WHEREAS, with the advent of COVID-19 pandemic emergency, the City faced a \$39 million FY 2021 General Fund budget shortfall that made it necessary to use the \$5.3 million for other operational needs; and

WHEREAS, staff had to develop alternative strategies to fund Phase 1 projects without drawing on the additional General Fund allocation including delaying selected Phase 1 projects, borrowing funding from PRW and PW special funds to be reimbursed by the Phase 2 bond sale, and accelerating the Phase 2 public process and bond sale; and

WHEREAS, On December 13, 2016, Council approved Resolution 67,681-N.S. authorizing the City to use bond proceeds to reimburse project expenditures that occurred prior to the bond sale and did not limit this to the General Fund but applies to any funding source for T1 projects; and

WHEREAS, excluding the Grove Park and Marina Streets project costs in FY 2021 the T1 program would need an additional \$1.2 million in FY 2021 to complete Phase 1 projects; and

WHEREAS, the Parks Tax Fund and Measure BB – Local Streets & Roads Fund are allowable sources for loan funds for several of the Phase 1 Projects; and

WHEREAS, an appropriation of \$600,000 from the Parks Tax Fund and \$600,000 from the Measure BB – Local Streets & Roads Fund will be included in the First Amendment to the FY 2021 Annual Appropriations Ordinance; and

WHEREAS, a rescheduled acceleration of the Phase 2 bond sale from November 2021 to late spring of 2021 will allow these funds to be reimbursed within the same fiscal year so that there would be minimal impact on fund forecasts and budget projections (bond offering will be conditioned on the market dynamics at that time and will follow the city's debt policy).

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to loan \$600,000 from the Parks Tax Fund and \$600,000 from

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the Measure BB – Local Streets & Roads Fund to the Measure T1 Fund for a total of \$1.2 million in FY 2021 to complete Phase 1 projects.

BE IT FURTHER RESOLVED that the City Manager is authorized to repay the loans to the Parks Tax Fund and Measure BB – Local Streets & Roads Fund from the Phase 2 Measure T1 bond proceeds once they are available.