



CITY COUNCIL
Linda Maio

CONSENT CALENDAR
January 24, 2017

TO: Honorable Mayor and Members of the City Council

FROM: Councilmembers Linda Maio, Ben Bartlett and Lori Droste

SUBJECT: Financial and Infrastructure Opportunities Workshop

RECOMMENDATION:

Refer to Agenda Committee to schedule a Council workshop or presentation on financial opportunities related to refinancing existing GO Bonds and Fees.

BACKGROUND:

Former Councilmember Wozniak has analyzed this topic and offers the following: Interest rates are at an all-time low and should remain low even though they are inching up slightly at this time. Berkeley's debt service rate for GO Bonds decreased and then stayed constant while \$62M in new bonds were issued (Animal Shelter, Libraries, Streets). Although our property assessed value has increased (+30.2%), our debt service tax rate since 2000 has declined to 48.7% resulting in a 33.1% decline in the City's tax amount. That we are paying less in debt service is good news.

As a point of information, the School District bonds have a +6.2 tax rate increase and is at +38.2% in tax dollars. The City should spend some time studying our financial position with the aim of refinancing our existing GO bonds for potential fiscal savings. In addition, if we borrow against guaranteed future income, for which we do not have to return to the voters, we can accomplish major improvements. For instance, the City can address, in a more timely fashion, the COB Consent Decree with USEPA to stop the release of partially treated sewage into SF Bay. By borrowing against the future income from the sewer replacement fund we can aggressively reduce sanitary sewer overflows and replace aging sewer pipelines rather than stringing these improvements out over 10 years. In essence, we can do more good, more quickly.

The proposed Workshop can elucidate our financial positions and organize our infrastructure opportunities, leading to a Strategic Plan for a dramatic improvement and modernization of our infrastructure. That is the goal.

Attached is the impetus for this recommendation: The culmination of a study undertaken by former Councilmember Gordon Wozniak and his findings in the form of a PowerPoint presentation.

ENVIRONMENTAL SUSTAINABILITY:

No environmental sustainability impact.

FINANCIAL IMPLICATIONS:

None.

CONTACT:

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Councilmember Lori Droste, District 8, 510-981-7180

ATTACHMENTS:

1. PowerPoint presentation

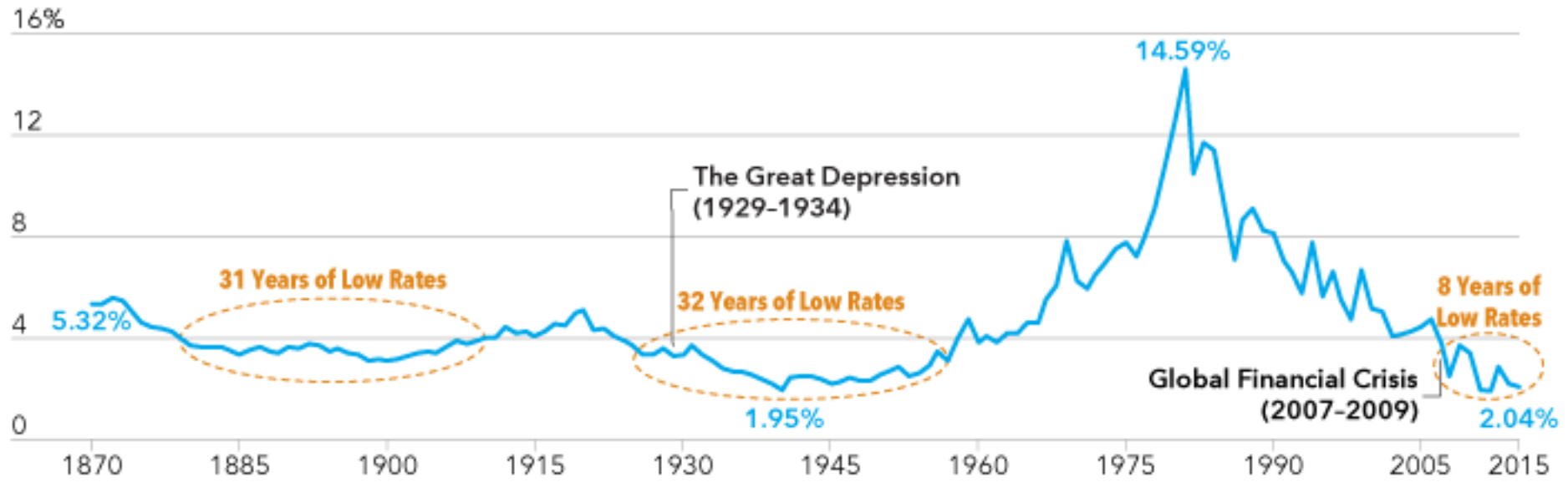
Bonds, Refinancing, Infrastructure, Climate Change and Clean Water

December 1, 2017

To Bond or Not to Bond?

A short review of Berkeley's Bond History

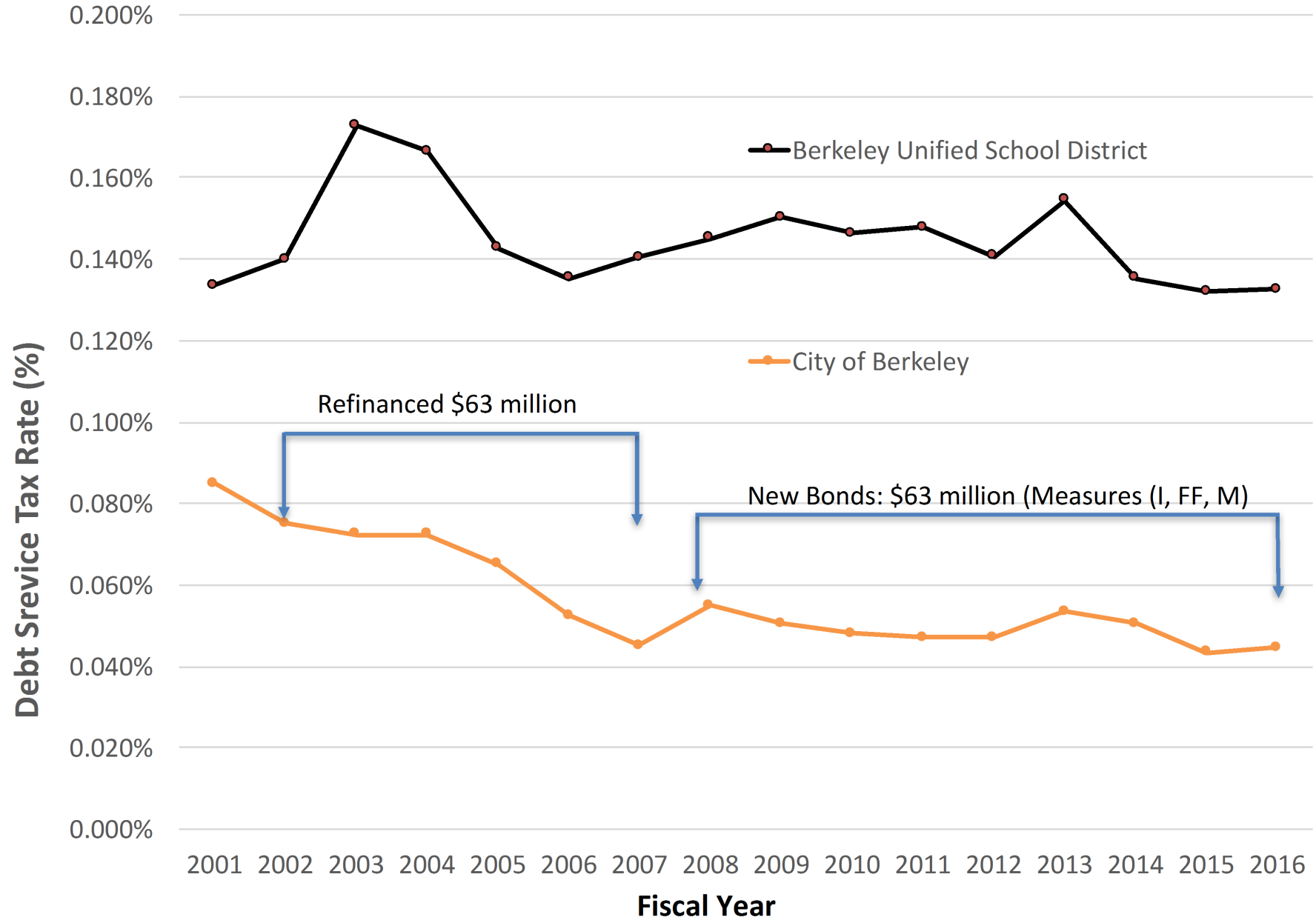
10-year Treasury Yields



COB General Obligation (GO) Bonds (2000 – 2016)

Year	Amount	Description
2002	\$17.8 M	Measure G – Fire Safety
2007	\$4.3 M	Measure G – Fire Safety
2007	\$41.2 M	Measure S
Bond Refunding	\$62.3 M	
2008	\$7.2 M	Measure I – Animal Shelter
2009	\$10.0 M	Measure FF – Branch Libraries
2010	\$16.0 M	Measure FF – Branch Libraries
2014	\$15.0 M	Measure M – Street & Watershed
2016	\$15.0 M	Measure M – Street & Watershed
New Bonds	\$63.2 M	

Comparison of Voter Approved Debt Service (Tax Rates)

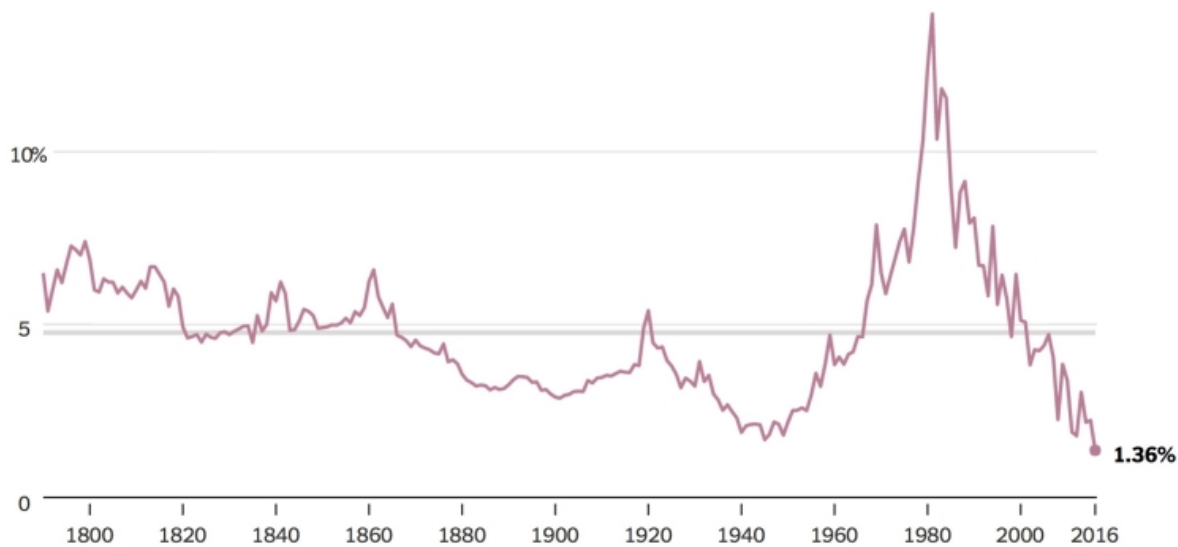


Why has Berkeley's Debt Service Tax Rate Decreased and then stayed constant while \$62 M in New Bonds were issued?

Interest Rates Are at Lowest Level in U.S. History

Last week, long-term Treasury rates fell to a new low.

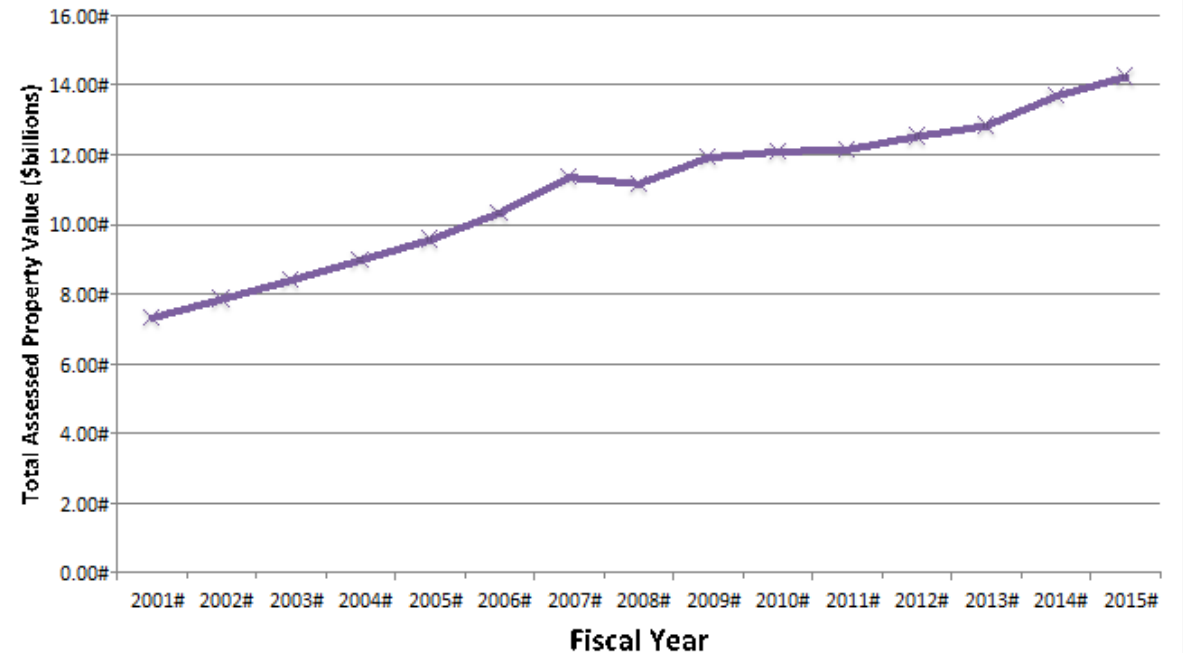
Yield on 10-Year Treasury Bond



Gray line represents average since 1790

Source: Global Financial Data through 2015; Federal Reserve for 2016

COB Assessed Property Values for FYs2001 - 2015)



Comparison Taxes and Tax Rates for 2000/1 to 2016/17 (141 Parkside Drive)

Year	Assessed Value (\$)	COB Tax Rate (%)	COB Tax Amount (\$)	BUSD Tax Rate (%)	BUSD Tax Amount (\$)
2000/1	\$5,369	0.0867%	\$465	0.1250%	\$671
2016/17	\$6,991	0.0445	\$311	0.1327%	\$927
% Change	+30.2%	-48.7%	-33.1%	+6.2%	+38.2%

Possible Council Action

Ask City Manager to review refinancing of existing GO Bonds for potential fiscal savings

GO Bonds	Interest Rate	Amount
• Measure G (2002 & 2007 Series A)	2.0 – 7.5%	\$9.8M
• Measure S (Series B)	4.04 – 5.6%	\$28.6M
• Animal Shelter 2008	3.5 – 4.3%	\$6.4M
• Branch Libraries 2009	1.25 – 5.3%	\$9.3M
• Branch Libraries 2010	3.0 – 5.0%	\$14.7

Berkeley, Sewage and San Francisco Bay

July 2014 - COB signs Consent Decree (CD) with US EPA to stop the release of partially treated sewage into SF Bay

CD requires COB

- Reduce inflow and infiltration
- Reduce sanitary sewer overflows
- Repair and replace aging sewer pipelines

2026

- Replace 50 miles of sewer pipeline
- Replace all noncompliant manholes
- Perform condition assessment on 25 miles of sewer annually
- Increased required maintenance activities

Berkeley's Sanitary Sewer Service Rates

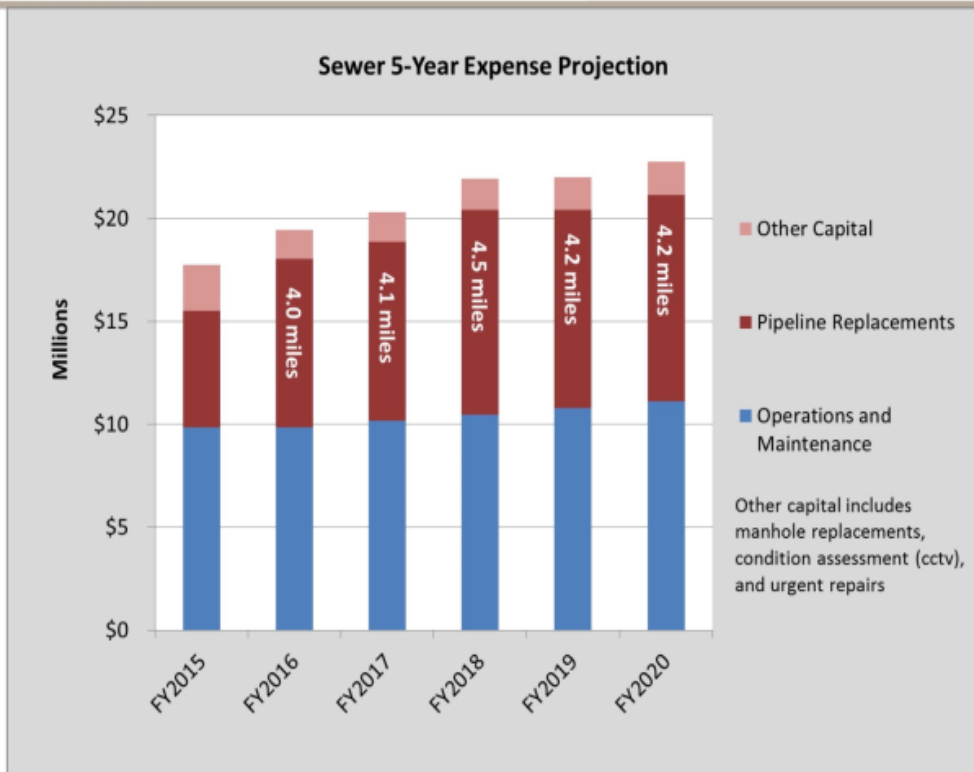
(Adopted by Council in June 2015)

Single Family

FY 2016	+46.0%
FY 2017	+24.2%
FY 2018	+14.2%
FY 2019	+7.0%
FY 2020	+3.6%
Total	+131%

COB Proposed: Sanitary Sewer Capital Spending

Funding Needs Projection



Capital Project

- ~4 miles/yr of pipeline replacement
- Fund with \$100M Revenue bond – similar to new parking garage
- Use sewer fee increase to pay bonds

Benefits

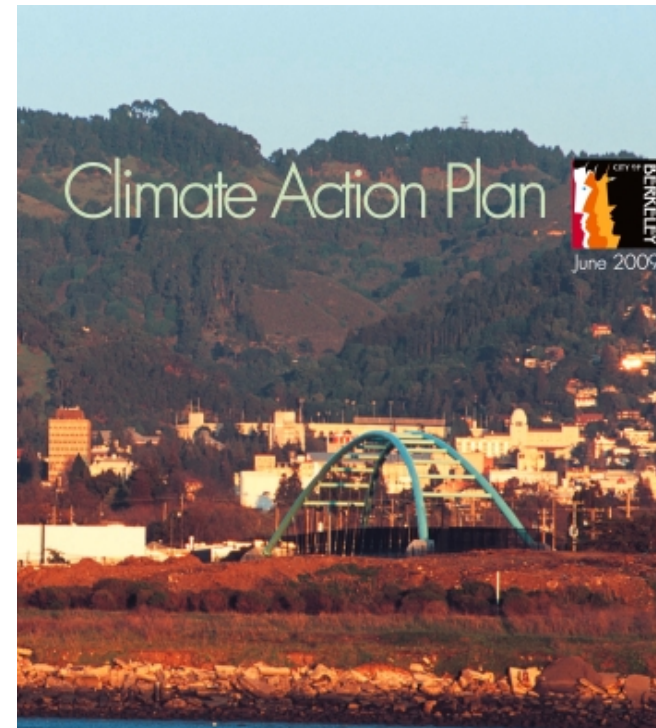
- complete project in 5 vs 10 years
- Less pollution in SF Bay
- Lower maintenance costs?
- Lower peak sewer fees?

Infrastructure and Climate Change

Use New Infrastructure
to
Meet Climate Action Goals

Climate Action Goal

- 2050 reduce GHGs by 80%
- Modest progress
- Limited grant funding



Infrastructure

- No Goal
- No Plan
- \$100 M – Measure T1



City Council

1. Adopt goal of completely modernizing and greening Berkeley's infrastructure by 2050
 - Aligns 100% infrastructure modernization with Climate Action Plan

2. Develop Vision for Infrastructure Plan for Berkeley2050
 - Green – lower carbon footprint
 - Durable – lower maintenance costs
 - resilient
 - Undergrounding & communication
 - Transportation
 - Water conservation & flooding
 - fiscally sustainable – savings accrue to infrastructure replacement fund
 - Meets CAP 2050 goals
 - Engage UCB in this planning effort

3. Two examples –
 - Replacing streetlights with LEDs - \$3 Million load (1%)
 - Branch library modernizations – resilient & lower carbon footprint