# PROCLAMATION
# CALLING A SPECIAL MEETING OF THE
# BERKELEY CITY COUNCIL

In accordance with the authority in me vested, I do hereby call the Berkeley City Council in special session as follows:

## Tuesday, March 19, 2019

## 6:00 P.M.

SCHOOL DISTRICT BOARD ROOM - 1231 ADDISON STREET, BERKELEY, CA 94702

JESSE ARREGUIN, MAYOR

Councilmembers:

DISTRICT 1 – RASHI KESARWANI
DISTRICT 2 – CHERYL DAVILA
DISTRICT 3 – BEN BARTLETT
DISTRICT 4 – KATE HARRISON
DISTRICT 5 – SOPHIE HAHN
DISTRICT 6 – SUSAN WENGRAF
DISTRICT 7 – RIGEL ROBINSON
DISTRICT 8 – LORI DROSTE

## Preliminary Matters

**Roll Call:**

## Worksession

1. **Projections of Future Liabilities**
   **From: City Manager**
   Contact: Teresa Berkeley-Simmons, Budget Manager, 981-7000

2. **FY 2019 Mid-Year Budget Update**
   **From: City Manager**
   Contact: Teresa Berkeley-Simmons, Budget Manager, 981-7000

3. **2018 Annual Crime Report**
   **From: City Manager**
   Contact: Andrew Greenwood, Police, 981-5900

## Action Calendar – New Business

*The public may comment on each item listed on the agenda for action as the item is taken up. For items moved to the Action Calendar from the Consent Calendar or Information Calendar, persons who spoke on the item during the Consent Calendar public comment period may speak again at the time the matter is taken up during the Action Calendar.*

*The Presiding Officer will request that persons wishing to speak line up at the podium to determine the number of persons interested in speaking at that time. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Presiding Officer 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. The Presiding Officer may, with the consent of persons representing both sides of an issue, allocate a block of time to each side to present their issue.*

*Action items may be reordered at the discretion of the Chair with the consent of Council.*

**4. Berkeley Qualified Opportunity Fund**
**From: Councilmember Bartlett**
**Recommendation:** Short Term Referral to Planning Commission; City Manager; City Economic Development Officer; Housing Advisory Commission; Office of Economic Development. That the City Council create a municipal Qualified Opportunity Fund to invest in Qualified Opportunity Zones to stimulate economic growth and develop more affordable housing in Berkeley.
**Financial Implications:** See report
Contact: Ben Bartlett, Councilmember, District 3, 981-7130

## Public Comment - Items on this agenda only

## Adjournment

I hereby request that the City Clerk of the City of Berkeley cause personal notice to be given to each member of the Berkeley City Council on the time and place of said meeting, forthwith.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the official seal of the City of Berkeley to be affixed on March 14, 2019.

Jesse Arreguin, Mayor

Public Notice – this Proclamation serves as the official agenda for this meeting.

ATTEST:

Date: March 14, 2019
Mark Numainville, City Clerk

***NOTICE CONCERNING YOUR LEGAL RIGHTS**: If you object to a decision by the City Council to approve or deny an appeal, the following requirements and restrictions apply: 1) Pursuant to Code of Civil Procedure Section 1094.6 and Government Code Section 65009(c)(1)(E), no lawsuit challenging a City decision to deny or approve a Zoning Adjustments Board decision may be filed and served on the City more than 90 days after the date the Notice of Decision of the action of the City Council is mailed. Any lawsuit not filed within that 90-day period will be barred. 2) In any lawsuit that may be filed against a City Council decision to approve or deny a Zoning Adjustments Board decision, the issues and evidence will be limited to those raised by you or someone else, orally or in writing, at a public hearing or prior to the close of the last public hearing on the project.*

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Please refrain from wearing scented products to this meeting.

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Office of the City Manager

WORKSESSION
March 19, 2019

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager

Subject: Projections of Future Liabilities

## INTRODUCTION

On May 29, 2012, the City Council adopted Resolution No. 65,748 N.S. "Requiring that the City Manager Develop and Publish a Biennial Report of Current City Liabilities and Projections of Future Liabilities.[1]" The purpose of this report is to provide a thorough overview of the City's long term expenditure obligations in a format that is easily understandable in a single report.

This report includes the following information set forth in that Resolution:

1. Employee and retiree benefit costs over a 10-year horizon

2. Costs for current active employees including:

    a. total payroll costs for active employees during the current year;

    b. projected payroll costs for the same number of employees for the next 10 year period with costs increases based on MOU's with bargaining units; and the same assumptions used for the independent CalPERS actuarial report.

3. A summary of all current City obligations including:

    a. general obligation bonds;

    b. certificates of participation;

    c. loans;

    d. all other current long term obligations.

[1] http://www.cityofberkeley.info/Clerk/City_Council/2012/05May/City_Council__05-29-2012_%e2%80%93_Regular_Meeting_Annotated_Agenda.aspx (Item #39)

4. Summary of all capital assets and infrastructure including:

    a. Public Buildings

        i. Appraisal of assets valued at $5 million or more;

        ii. Projected maintenance costs over the next 5 years;

        iii. Projected budget over the next 5 years.

    b. Condition of Streets and Roads using the “Street Saver” information projecting costs to bring streets and roads condition to an average Pavement Condition Index (PCI) of 75 within 5 years.

    c. Sewers: updated asset management plan for public sewers including projected costs for succeeding 5 years and projected revenue from sewer fees for the succeeding 5 years.

This report is required to be published every two years, in the second year of the biennial budget, in advance of the Council’s consideration of the upcoming biennial budget.

The projections in this report were developed by staff in the City Manager’s Budget Division and the Finance Department, with the assistance of several financial advisors including the City’s sales tax consultants and actuaries. Revenues are, of course, sensitive to normal business cycles as well as unanticipated economic volatility. Thus, it is important that the City continue its fiscally prudent planning to balance expenditures against projected revenues while addressing employee compensation as well as historically underfunded infrastructure needs.

CURRENT SITUATION AND ITS EFFECTS

## 1. Employee and Retiree Benefit costs over a 10-year horizon

### a. CalPERS Retirement Benefits

The City provides retirement benefits for employees through its participation in the California Public Employees' Retirement System (CalPERS). This is a defined benefit pension plan funded by a combination of employee contributions that are set by statute and employer contributions that fluctuate from year to year based on an annual actuarial valuation performed by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Benefits are based on years of credit service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits.

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. The State law applies to employees hired after January 1, 2013, who are new to CalPERS. These employees are termed PEPRA members and employees that were enrolled in CalPERS (without significant separation) prior to January 1, 2013, are now referred to as "classic" members.[2]

The City contributes to three plans in the CalPERS system: Police Safety Plan, Fire Safety Plan, and Miscellaneous Employee Plan. Each plan has a different rate for the City's annual employer contribution which is generally based on the demographics of the plan participants and the value of investment returns of the City's assets in the CalPERS system. In addition, employees' contributions vary by plan based on negotiated Memorandum of Understandings (MOU).

In 2013, the CalPERS Board voted to change the actuarial model for the pension plans along with certain actuarial assumptions upon which rates are based. First, the model anticipated that the plans would be 100 percent funded in a fixed 30-year time period. Second, the time period to "smooth out" the impacts of CalPERS' investment losses due to the recession was reduced from 15 years to 5 years. Finally, the rates were structured in such a way that the first five years were considered to be a "ramp up" period to improve the plans funded percentage. That meant that FY 2016, 2017, 2018, 2019, and 2020 were expected to have higher rates, and the years following were projected to plateau for some time before decreasing in the last five years of the 30 year funding period.

[2] PEPRA miscellaneous members are enrolled in a 2% at 62 plan and PEPRA safety members (Fire and Police) are enrolled in a 2.7% at 57 plan. PEPRA members are required to pay half the normal cost of their plans.

In February 2014, the CalPERS Board voted to retain its current long-term assumed rate of return of 7.5 percent but adopted new mortality assumptions due to the fact that retirees are living longer. As a result of the new assumptions, the cost of employer contributions increased, again.

In December 2016, the CalPERS Board lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase in beginning with the June 30, 2016, actuarial valuation[3]. The employer contribution for FY 2020 was calculated using a discount rate of 7.25 percent. CalPERS reduced the return rate to 7.25 percent in July 2018 and will reduce it further to 7.0 percent this year. CalPERS lowered the discount rate because they determined that achieving a 7.5 percent rate of return was now far less likely. The result of this lowered discount rate is that liabilities will grow and that the City will have to increase pension contributions.

Currently, changes to the Unfunded Actuarial Liability (UAL) due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. This method phases in the impact of changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result, however, required contributions can change gradually but significantly over the next five years.

Effective with the June 30, 2019, actuarial valuation, the CalPERS Board adopted a new amortization policy. The new policy shortens the period over which actuarial gains or losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains or losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

The impact of the changes described above is that the required contributions are expected to continue to increase for the next six years, Fiscal Year 2020 through Fiscal Year 2025.

| | **CalPERS Actuals FY 2019** | **CalPERS Actuals FY 2020** | **CalPERS Projections for FY 2021** | **CalPERS projections for FY 2022** |
|---|---|---|---|---|
| Police | 60.8% | 66.6% | 70.7% | 73.6% |
| Fire | 44.0% | 48.2% | 51.2% | 54.0% |
| Miscellaneous | 30.5% | 32.5% | 34.7% | 36.4% |
| *Rates are based on CalPERS' projected payroll* | | | | |

[3] https://www.calpers.ca.gov/page/newsroom/for-the-record/2017/action-prudent-smart-decision?utm_source=newsroom&utm_medium=banner&utm_campaign=FTR-Discount-Rate

The two tables below translate the rates into dollars. The following payments will be made by the City into the CalPERS system for the years indicated. The first chart demonstrates the required contribution by Plan. For illustrative purposes only, the second chart presents projected contributions based on a 1% COLA increase in employees' salaries.

With respect to future liabilities for the costs of these plans, the City has regularly retained an outside actuary to review the CalPERS' estimates and provide independent actuary estimates that the City can use in budget planning. This report uses CalPERS' actual rates for FY 2019 and FY 2020 as well as CalPERS' projected rates through FY 2025. This report incorporates the outside actuary's projections for FY 2026 through FY 2029 since CalPERS did not provide projected rates for those years.

**Future Payments to California Public Employees Retirement System All Plans and All Funds Zero COLA By Plan *(dollars in millions)***

| | FY19 Adopted Budget | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Misc. | 29.96 | 33.67 | 36.55 | 41.83 | 43.30 | 43.86 | 44.54 | 46.13 | 47.14 | 48.50 | 47.60 |
| Police | 14.57 | 16.27 | 17.60 | 18.58 | 19.16 | 19.43 | 19.69 | 20.12 | 20.32 | 20.52 | 20.65 |
| Fire | 7.33 | 8.78 | 9.46 | 9.55 | 9.90 | 10.02 | 10.18 | 10.37 | 10.65 | 10.84 | 10.89 |
| **Total** | **51.86** | **58.72** | **63.61** | **69.95** | **72.35** | **73.32** | **74.41** | **76.61** | **78.11** | **79.86** | **79.13** |
| FY 2020 and FY 2025 are based on rates and projections provided by CalPERS. | | | | | | | | | | | |
| FY 2026 through FY 2029 are based on actuary's projections. | | | | | | | | | | | |
| Rates used reflect current MOU agreements: Miscellaneous includes the 8% employee share paid by the City on behalf of the employee as well as the negotiatied employee's contribution to the employer rate. | | | | | | | | | | | |

CalPERS rates are assessed as a percent of salary. Accordingly, as salary increases, pension contributions increase correspondingly. Again, for illustrative purposes, the chart below shows the increases in payments to CalPERS should employees' salaries be increased across the board 1% each year beginning in FY 2020.

| California Public Employees Retirement System All Plans and All Funds Zero COLA vs 1% COL | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY19 Adopted Budget | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
| PERS - No COLA | 51.86 | 58.72 | 63.61 | 69.95 | 72.35 | 73.32 | 74.41 | 76.61 | 78.11 | 79.86 | 79.13 |
| PERS - 1% COLA | - | 59.57 | 64.70 | 71.97 | 75.19 | 76.95 | 78.77 | 81.90 | 84.34 | 87.08 | 87.14 |

FY 2020 and FY 2025 are based on rates and projections provided by CalPERS.
FY 2026 through FY 2029 are based on actuary's projections.
Rates used reflect current MOU agreements: Miscellaneous includes the 8% employee share paid by the City on behalf of the employee as well as the negotiatied employee's contribution to the employer rate.

The changes made by CalPERS in the last few years are planned to achieve 100% funding for all plans within a 30-year time period. This means that there will be sufficient funds held in each plan to pay obligations for all inactive participants (including retirees) and benefits as a result of prior service for actives.

The funded status of a pension plan is defined as the ratio of assets to a plans accrued liabilities. Based on the CalPERS' actuarial valuations as of June 30, 2017, the City's plans are currently funded as follows: Miscellaneous 71.6%; Police Safety 61.2%; and Fire Safety 71.8%.

| California Public Employees Retirement System Funded Status | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Valuation Date** | **Actuarial Source** | **Estimated Liability** | **Plan Assets** | **Unfunded Liability** | **% Funded** |
| Miscellaneous | 6/30/2017 | CalPERS | $ 969.5 | $ 694.6 | $ 274.9 | 71.6% |
| Police | 6/30/2017 | CalPERS | $ 399.2 | $ 244.3 | $ 154.9 | 61.2% |
| Fire | 6/30/2017 | CalPERS | $ 262.4 | $ 188.5 | $ 73.90 | 71.8% |
| **TOTAL** | | | **$ 1,631.1** | **$ 1,127.4** | **$ 503.70** | 69.1% |

Council has already taken the following actions to address the City's unfunded liabilities.

- Council has directed staff to establish an IRS Section 115 Pension Trust Fund to be used to help pre-fund pension obligations. The contract to establish the Trust is scheduled to go to Council in April 2019.

- Council allocated an additional $4 million in November 2018 to fund the new IRS Section 115 Pension Trust Fund. The total funding assigned to establish the new Trust is $7.9 million.

- The City prefunded the unfunded liability portion of the FY 2019 CalPERS pension resulting in savings totaling $1.1 million.

The City continues to consider how to prioritize expenditures to address its long term obligations in order to maintain a healthy future. Establishing an IRS Section 115 Pension Trust Fund (Trust) to be used to help pre-fund pension obligations will assist in these efforts. Staff is proposing several options, which are discussed later in this report, for Council's consideration to ensure ongoing funding of the Trust.

### b. Retiree Medical Plans

The City provides post-retirement health insurance benefits in accordance with the Memoranda Agreements between the City and the various collective bargaining units (and to unrepresented employees via Council adopted resolutions). The City has individual trusts for each bargaining unit that fund the medical plans, as well as the closed plan for Police that provides a cash benefit. In 2012 the City and the Berkeley Police Association agreed to a new Retiree Medical plan that provides health insurance premium payments, rather than the pre-existing cash payments, to retirees. The original plan is now a "closed" plan meaning that employees who retire after September 2012 will receive benefits from the new plan. However, the original plan must still make benefit payments to existing retirees and thus must continue to be funded until those payment obligations cease.

The City obtains actuarial reports for each of these plans at least every two years and the City is responsible for investing the assets in these plans. The results of that investment activity are provided to the City Council in the regular Investment Report.

In some cases, the City's actual contribution to each plan on an annual basis is based on the actuarially established "Annual Required Contribution" or as a percent of payroll. However, some of the plans are funded on a "pay-as-you-go" basis. Funding on a pay-as-you-go basis is sufficient to cover the annual benefit payments made from the plan assets but impacts the ability to achieve the long term funding targets.

On April 24, 2017, the City actuary presented various options that would reduce the City's unfunded liabilities tied to post-employee benefits to meet the long-term funding targets. Recommended for Council's consideration were fully prefunding annual actuarially determined contributions, investment reallocations to increase returns, and establishing an irrevocable supplemental trust[4]. Council has already taken action on some of these recommendations.

[4] https://www.cityofberkeley.info/Clerk/City_Council/2017/04_Apr/City_Council__04-04-2017_-_Special_Meeting_Agenda.aspx

The following retiree medical plans are discussed in detailed below.:

- Police Retiree Income Benefit Plan (closed plan)
- Police Retiree Health Premium Assistance Plan
- Fire Employees Retiree Health Plan
- Retiree Health Premium Assistance Plan (Non-safety Members)

**Police Retiree Income Benefit Plan (closed plan)**

The City provides a Retiree Income Benefit Plan for prior Police retirees. To be eligible for benefits, Police employees must retire from the City on or after July 1, 1989 and before September 19, 2012, be vested in a CalPERS pension, have ten years of service with the Berkeley Police department, and retire from the City on or after age 50 or with a disability benefit. Benefits commence 10 years after retirement for retirements before July 6, 1997, 5 years after retirement for retirements before July 1, 2007, and 2 years after retirement for retirements on or after July 1, 2007.

Benefits are payable for the retiree's lifetime and continue for the life of the surviving spouse. For employees retiring before September 19, 2012, the City pays a monthly income benefit equal to the City's Active 2-party Kaiser premium regardless of marital status. In 2018, the City's monthly payment per participant for this benefit ranged from $389.98 to $1,559.93, depending on the retirees' years of service at retirement. The monthly benefit is pro-rated based on years of service.

As of June 30, 2018, the most recent actuarial valuation date, the plan was 8.7% funded. The actuarial accrued liability for benefits in this plan was $73.0 million, and the actuarial value of assets was $6.35 million, resulting in an unfunded accrued liability of $66.65 million. Since the implementation of GASB 67 and 68, the Annual Required Contribution (ARC) is no longer provided. In addition, the Police Retiree Income benefit Plan is a closed plan and therefore no "Actuarially Determined Contribution" is provided due to no new members and no payroll information.

**Police Retiree Health Premium Assistance Plan**

Effective September 19, 2012, the City replaced the "Berkeley Police Retirement Income benefit Plan" with the "Retiree Health Premium Assistance Coverage Plan" for any police employees hired on or after that date, as well as any current employees who retire on or after such date. Under the newly established retiree health premium assistance plan, benefits will be paid by the City directly to the provider who is providing retiree health coverage to the retiree or his or her surviving spouse. The maximum amount will be equal in value to the City sponsored health plan.

To be eligible for benefits, Police employees must retire from the City on or after September 19, 2012, be vested in a CalPERS pension, have ten years of service with the Berkeley Police department, and retire from the City on or after age 50. Benefits commence immediately upon retirement, but may also be deferred for a period during which the member is covered under another health insurance plan.
Benefits are payable for the retiree's lifetime. In 2018 the City paid for employees retiring on or after September 19, 2012, a maximum of $762.80/month toward the cost of single-party coverage and up to $1,525.60/month toward the cost of two-party coverage for retirees under age 65 enrolled in the City's Retiree Health Plan. For retirees over age 65 the City's share of single/two-party coverage is a maximum of $422.70/$845.39 per month and retirees must pay the difference of the actual premium cost. The City's share will increase by either the amount Kaiser increases the retiree medical premium for that year or 6%, whichever is less. The monthly benefit is pro-rated based on years of service. The City pays this benefit plan on a pay-as-you-go basis.

As of June 30, 2018, the most recent actuarial valuation date, the Actuarially Determines Contribution (ACD) was $4.93 million and the plan was 4.1% funded. The actuarial accrued liability for benefits was $43.46 million, and the actuarial value of assets was $1.8 million, resulting in an unfunded accrued liability of $41.66 million

**Fire Employees Retiree Health Plan**

The City sponsors a retiree health benefit plan for its Fire employees. To be eligible for benefits, Fire employees must retire from the City on or after July 1, 1997, be vested in a CalPERS pension, and retire from the City on or after age 50. Retirees can select from among any of the health plans offered to active employees. Benefits commence immediately upon retirement, but may also be deferred for a period during which the member is covered under another health insurance plan.

Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City makes a contribution toward the medical premium depending on whether the retiree has dependent coverage, and date of retirement. The City's contribution increases by 4.5% per year regardless of the amount of increase in the underlying premium rate. The City's contribution is prorated based on years of service. In 2018, the City's monthly premium cost per participant for this benefit was a maximum of $555.84 for single party and $1,108.87 for two-party

As of June 30, 2018, the most recent actuarial valuation date, the plan was 37.1% funded. The actuarial accrued liability for benefits was $27.5 million, and the actuarial value of assets was $10.2 million, resulting in an unfunded accrued liability of $17.3 million.

**Retiree Health Premium Assistance Plan (Non-safety Members)**

Effective June 28, 1998, the City adopted the City of Berkeley Retiree Health Premium Assistance Plan (for Non-Safety Members). Employees who retire from the City are eligible for retiree health benefits beginning on or after age 55 if they terminate employment with the City on or after age 50 with at least 8 years of service. Retirees can select a non-City sponsored health plan or enroll in any of the health plans offered to active employees. A retiree living outside the coverage area of the City's health plans can select an out-of-area health plan.

Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City pays the monthly cost of the monthly premiums up to a Participant's applicable percentage of the Base Dollar Amount and subject to annual 4.5% increases as specified in the Retiree Health Premium Assistance Plan document. In 2018, the City's monthly premium cost per participant for this benefit was a maximum of $513.17 for single party and $882.93 for two-party. A Participant's applicable percentage is based on years of service with the City. The City funds the plan based on the MOU. Contribution amounts are negotiated and vary by bargaining unit.

As of June 30, 2018, the most recent actuarial valuation date, the plan was 42.38% funded. The actuarial accrued liability for benefits was $59.39 million, and the actuarial value of assets was $25.17 million, resulting in an unfunded accrued liability of $34.22 million.

**Safety Members Pension Fund (closed plan)**

The City also maintains the Safety Members Pension Fund (SMPF). This plan is a single-employer defined benefit pension plan for fire and police officers that retired before March 1973. In March 1973 all active fire and police officers were transferred from SMPF to CalPERS. Service and disability retirement benefits from the SMPF are based on a percentage of salary at retirement, multiplied by years of service. Benefits are adjusted annually by either:

- Current active salary increases (based on the same rank at retirement) or
- The income in the California Consumer Price Index (with a 1% minimum and a 3% cap). SMPF also provides surviving spouse benefits.

The City pays SMPF benefits on a pay-as-you-go basis. In February 1989, the Berkeley Civic Improvement Corporation purchased, on behalf of the City, a Guaranteed Income Contract (GIC) from Mass Mutual. This contract provides annual payments through 2018 and an annual guaranteed 9.68% rate of return (net of expenses).

The City currently pays the difference between the total SMPF benefits and the amount received from the Massachusetts Mutual Guaranteed Income Contract (GIC). The City will receive declining amounts from the GIC through FY 2019. At June 30, 2017, the City recognized benefit payments of $842,317, with an actuarial accrued liability of $2.49 million. There were 13 participants remaining in the plan, with ages ranging from 85 to 102, with an average of 93 years.

**Retiree Medical Plan Actuarial Data**
*(dollars in milllions)*

| Plan | Measurement Date | Actuarial Estimated Liabilities | Plan Assets | Net Pension Liability | Actuarially Determined Contribution (ADC) | Actual Contribution * | % Funded | Total Plan Members |
|---|---|---|---|---|---|---|---|---|
| **Police Employee Retiree Income Benefit Plan (closed)** | 6/30/2018 | $ 73.00 | $ 6.35 | $ 66.65 | $ - | $ 1.86 | 8.70% | 151 |
| **Police Employees Retiree Health Premium Assistance Plan (new)** | 6/30/2018 | $ 43.46 | $ 1.80 | $ 41.66 | $ 4.93 | $ 0.30 | 4.14% | 184 |
| **Fire Employees Retiree Health Plan** | 6/30/2018 | $ 27.50 | $ 10.20 | $ 17.30 | $ 2.16 | $ 0.74 | 37.09% | 230 |
| **Retiree Health Premium Assistance Plans (Non-Safety Members) *** | 6/30/2018 | $ 59.39 | $ 25.17 | $ 34.22 | $ 4.73 | $ 2.00 | 42.38% | 1605 |
| **Safety Members Pension Fund** | 6/30/2018 | $ 2.49 | $ 0.97 | $ 1.52 | $ - | $ 0.45 | 38.92% | 11 |
| | | **$ 205.84** | **$ 44.49** | **$ 161.35** | **$ 11.82** | **$ 5.35** | 21.61% | **2181** |

*Actual contribution does not include interest income

Since the implementation of GASB 67 and 68 the Annual Required Contribution (ARC) is no longer provided. In additional, it is a closed plan and therefore no “Actuarially Determined Contribution” is provided due to no new members and no payroll information.

## Supplemental Retirement Income Plan (SRIP) I (closed plan)

On January 1, 1983, Ordinance No. 5450-N.S., which was codified in the Berkeley Municipal Code under Chapter 4.36.101 et seq., established SRIP I. The SRIP I plan consists of two components: 1) a defined contribution money purchase pension plan adopted in accordance with Sections 401(a) and 501(a) of the internal revenue code and 2) an employer paid disability benefit.

The City‘s administrators of the money purchase pension plan are Hartford Life Insurance and Prudential Retirement Services. The plan is a defined contribution plan whereby the City contributed 5.7% of salary up to a salary of $32,400 into a tax-deferred and self-directed investment account and 1% of salary up to a salary of $32,400 into a disability reserve account for each permanent City employee.  The total assets of SRIP I available for benefits at June 30, 2018, was $7,992,258, which was comprised of participant accounts. These assets are the property of the individual account holders and not the property of the City. These assets cannot be used to pay disability benefits.

The disability benefit is for employees hired after January 1, 1983 but prior to July 22, 1988, who became disabled and are entitled to receive a disability income benefit equal to 60% of their highest compensation, reduced by any disability payments they receive from Social Security, State Disability Insurance, or Worker's Compensation. Employees hired after July 21, 1988, are not eligible for benefits under this plan which was closed to new enrollees.

Benefits are payable for the disabled participant's lifetime or until recovery from disability. The third-party administrator is Cigna. Currently, the City pays the cost of the monthly disability benefits on a pay-as-you-go basis. As of June 30, 2018, there were a total of 77 closed group participants, 12 active employees and 65 disabled participants receiving benefits. The unfunded liability for SRIP I at July 1, 2018, the date of the last actuarial study, was $14,841,000.

## 2. Current Costs for Active Employees

As of June 30, 2019, the City budgeted for 1560 full-time equivalents (FTE). At any given time, the number of employees on the payroll is generally less than the budgeted number of FTE due to retirements and employment separations for other reasons. For purposes of this report, the analysis of the projected payroll costs for the next 10 years is based on the number of authorized budgeted FTE as of February 15, 2019. That number was then projected based on the negotiated cost of living adjustments established in collective bargaining agreements. Other increases were also assumed for medical costs, dental costs, cash in lieu, shoes and tools allowance, commuter checks, and other benefits. Based on these assumptions, payroll costs would grow from $265.9 million in FY 2019 to $359.8 million in FY 2029. With Zero COLAs applied, that entire increase is due to the increase in the costs of benefits.

**Citywide Total Personnel Costs and Fringe Rate Over Time with Zero COLAS**

| Zero COLA | FY19 Adopted Budgeted | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Payroll | $ 158.3 | $ 169.0 | $ 169.0 | $ 169.0 | $ 169.0 | $ 169.0 | $ 169.0 | $ 169.0 | $ 169.0 | $ 169.0 | $ 169.0 |
| Total Benefits | $ 107.5 | $ 115.6 | $ 123.5 | $ 135.0 | $ 142.2 | $ 148.5 | $ 155.5 | $ 164.3 | $ 173.0 | $ 182.7 | $ 190.8 |
| Fringe Rate | **68%** | **68%** | **73%** | **80%** | **84%** | **88%** | **92%** | **97%** | **102%** | **108%** | **113%** |
| Total Personnel Costs | $ 265.9 | $ 284.6 | $ 292.6 | $ 304.0 | $ 311.3 | $ 317.6 | $ 324.6 | $ 333.3 | $ 342.0 | $ 351.7 | $ 359.8 |

One example of the increase in benefit costs is the projected increase in health care premiums for active employees (meaning exclusive of retiree medical contributions). The cost of premiums for medical alone is estimated to grow from $24.2 million in FY 2019 to almost $67.5 million in FY 2029[5]. In addition, the benefit costs tied to the CalPERS rates grow from $51.9 million in FY 2019 to a projected $79.1 million in FY 2029.

### 3. Summary of all current City Obligations (GO bonds, COPs, etc.)

The City's debt includes General Obligation Bonds, Certificates of Participation and Revenue Bonds. Attachment 2 includes the detailed debt service payment schedules for each of these debt issuances.

The City currently has four outstanding general obligation (GO) bond authorizations (each with multiple series of bonds) related to public safety, libraries, senior centers, animal shelter, street and integrated watershed improvements, and infrastructure and facilities improvement. The oldest of these authorizations dates back to 1992.

The City has an aggregate bond tax rate for FY 2019 of 0.0507% (which represents $50.70 for each $100,000 in assessed value ("A.V.")). This rate has dropped from a historical peak of approximately $95 (per $100,000 in A.V.). Based on projected annual increases in A.V. and decreasing aggregate annual debt service over time, the tax rate will drop with the final tax collected in FY 2047 (Measure T1 is the latest bond authorization).

| Bond Authorization | Authorization Year | Authorization Amount | Outstanding Amount | Final Maturity | FY 2019 Bond Tax Rate |
|---|---|---|---|---|---|
| | | | | | |
| Measure FF | 2008 | $26,000,000 | $22,435,000 | 2040 | 0.0085% |
| Measure M | 2015 | 30,000,000 | 28,820,000 | 2045 | 0.0090% |
| Measure T1 | 2016 | 100,000,000 | 35,000,000 | 2047 | 0.0127% |
| 2015 GO Refunding Bonds (Refunding Measure G, S, I) | 2015 | 36,680,000 | 31,265,000 | 2038 | 0.0205% |
| **TOTAL** | | **$192,680,000** | **$117,520,000** | | **0.0507%** |

[5] Health care rates ranged from 20% to .5% between 2007 and 2019. However, heath care rates increased 16.2% between January 2016 and January 2017. Included in the projections is an annual increase of 12% per year..

It has been the City's debt policy to issue each series of bonds with level amortization and terms of either 25 or 30 years. Many of the series have been refinanced for lower interest rates over time. Given the fixed term for each bond series, the aggregate annual debt service for all outstanding bonds decreases over time as each bond reaches its final maturity. Further information about the City's current and future debt capacity is included in a later section of this report discussing options to address long term costs.

### 4. Summary of All Capital Assets and Infrastructure

The City has an extensive portfolio of capital assets and infrastructure, which includes 95 public buildings, 254 miles of public sanitary sewer mains and 130 miles of public sewer laterals, 52 parks, 2 pools, 3 camps, and 42 different facilities served by the City's IT systems. Maintaining these assets is a costly and time-consuming enterprise that requires significant resources and constant attention. Additionally, Berkeley is an aging city and thus its infrastructure faces challenges that other younger cities do not.

Several recent actions by the voters have provided an important boost to the resources available for meeting these challenges:

- In November 2016, Berkeley voters passed Measure T1,[6] authorizing the City to sell $100 million of General Obligation Bonds to repair, renovate, replace, or reconstruct the City's aging infrastructure and facilities, including sidewalks, storm drains, parks, streets, senior and recreation centers, and other important City facilities and buildings. Council has approved 33 projects to be completed in Phase 1, spanning 2017 to 2021. These projects are now underway.[7]

- The November 2014 voter approval of Measure F (a Citywide special parks parcel tax) provided an additional $750,000 per year for major maintenance projects, raising annual funding for parks capital and major maintenance projects from the prior $250,000 to $1 million.

- In November 2012, Berkeley voters approved Measure M (a general obligation bond), to provide an additional $30 million towards improving the condition of city streets and where appropriate, install Green Infrastructure projects as defined in the Watershed Master Plan.

[6] See https://www.cityofberkeley.info/MeasureT1/.
[7] See https://www.cityofberkeley.info/MeasureT1Updates.aspx.

- In November 2014, Alameda County voters approved Measure BB (a property tax assessment), increasing funding for local transportation enhancements. Berkeley’s allocation is approximately $2.6 million annually and is applied to improving the pavement condition and specific street/transportation improvement projects.

Despite these measures, City facilities and infrastructure needs continue to exceed available funds. The minimum unfunded needs in parks, pools and camps exceed $71 million. The amount of recurring funding to address these needs has been bolstered by the passage of Measure F, but is still only $1.4 million per year. The unfunded needs at the Waterfront exceed $109 million. There is only $500,000/year of Marina Funds being allocated to address to those needs, and even this level of investment is at risk given the Marina Fund’s projected insolvency within two years. Significantly more investment is needed to stabilize the Fund and address the growing backlog of deteriorating infrastructure. The unfunded needs in streets, sidewalks, storm drain/watershed, transportation and buildings/facilities exceeds $510 million. The amount of recurring funding to address these needs is $9.67 million.

These costs will continue to increase through typical wear and tear on our City infrastructure in the coming years, plus the pressures of long-deferred maintenance. As needed improvements continue to be deferred, operating and maintenance costs rise and rehabilitation and replacement costs increase substantially. The figures in Attachment 3 do not account for these additional cost escalators.

a. Parks, Waterfront, Pools, and Camps

The Parks, Recreation & Waterfront Department (PRW) operates, maintains and manages 52 parks, 4 community centers, 2 clubhouses, 2 pools, 3 resident camps, 15 sports fields, 49 sports courts, 63 play areas, 36 picnic areas, 35,000 street trees and park trees, 152 landscaped street medians and triangles, 263 street irrigation systems, and 29 restrooms and out-buildings. In addition, PRW operates and maintains the Berkeley Waterfront and its related facilities, including the docks, pilings, channel, streets, pathways, parking lots, buildings, trails, Adventure Playground, and 1,000 boat and berth rentals.

Recurring funding available for capital and major maintenance of these facilities is $1.9M, (see table below).

**Annual Funding for Parks, Waterfront, Pools & Camps Capital & Major Maintenance Needs**

| Funding Source | Annual Funding |
|---|---|
| Parks Tax Fund | $1,000,000 |
| Capital Improvement Fund | $400,000 |
| Marina Fund | $500,000 |
| Camps Fund[8] | $0 |
| **Total Funding Available** | **$1,900,000** |

Unfunded needs in these facilities are summarized in the table below, and available in detail at http://www.cityofberkeley.info/Parks_Rec_Waterfront/Home/Unfunded_Capital_Projects_List.aspx.

**Unfunded Needs in Parks, Waterfront, Pools & Camps Facilities and Infrastructure**

| Needed Improvements | Cost Estimate |
|---|---:|
| Resident Camps | $3,355,000 |
| Waterfront | $109,987,000 |
| Pools | $7,050,000 |
| Park Buildings/Facilities | $6,981,800 |
| Parks (General) | $9,900,000 |
| Parks (Specific) | $36,962,000 |
| Park Restrooms | $7,300,000 |
| **Total** | **$181,535,800** |

[8] Due to the loss of Berkeley Tuolumne Camp, the Camps Fund does not have sufficient funds at this time to cover any annual investment in capital or major maintenance.

The majority of these unfunded needs are at the Waterfront, where many of the docks, pilings, buildings, parking lots and streets have reached the end of their useful life and are starting to fail. As documented in multiple reports over the last year[9], there is a diminishing ability to pay for the pressing capital needs in the Waterfront. The Marina Fund, which is the City's mechanism for managing all Waterfront revenues and expenditures, is projected to be insolvent by 2020. Revenues steeply declined in the last two years as a result of safety and security concerns and failing infrastructure. The combination of falling revenue and increasing expenditure needs have strained the relatively small Marina Fund to a breaking point.

The City has begun a long-term planning effort – the Berkeley Marina Area Specific Plan – to establish the community's vision for the Waterfront and a plan for making the Marina Fund viable and stable. There is still a need to address an estimated $10.33 million in urgent infrastructure repairs to finger docks, pilings, electrical systems, and restrooms. If these investments are not made, facilities and infrastructure will either require more costly emergency funding or be closed as in the case of the Berkeley Pier. Waterfront customers will continue to leave the Berkeley Marina, continuing the downward spiral of revenue loss and blight.

### b. Public Buildings

The following is a preliminary cost estimate of capital improvements and major maintenance for City facilities over the next 5 years.  The City is responsible for maintenance of 95 facilities, not including Library facilities and facilities leased to other entities, which were not part of this analysis.  These 95 facilities include: 39 facilities in the Parks Recreation and Waterfront inventory and 56 facilities in the Public Works inventory.

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[9] See December 13, 2018 Off-Agenda Memo (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20121318.pdf); November 15, 2018 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2018/11_Nov/Documents/2018-11-15_WS_Item_02_Parks_Recreation_Waterfront_pdf.aspx); July 1, 2018 Off-Agenda Report (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/CM%20Update%20-%20Waterfront%20-%20Hs%20%20Lordships%20(w%20attachments).pdf); May 8, 2018 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2018/05_May/Documents/2018-05-08_WS_Item_03_Parks,_Recreation,_Waterfront.aspx); May 8, 2018 Proposed Budget Update (https://www.cityofberkeley.info/Clerk/City_Council/2018/05_May/Documents/2018-05-08_WS_Item_01_FY_2019_Proposed_Budget_Update.aspx); April 12, 2018 Off-Agenda Report (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20041218.pdf); and November 7, 2017 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2017/11_Nov/Documents/2017-11-07_WS_Item_02_Parks,_Recreation_and_Waterfront_CIP.aspx).

In 2013, staff retained the professional services of Kitchell Consulting to perform new assessments and provide updated condition reports and cost estimates for the City's facility inventory. All projects included in these assessments are considered either major maintenance or capital projects. Major maintenance projects typically involve improvements to a facility at a cost of up to $50,000 that are over and above the industry norm for routine maintenance services. Capital projects involve the construction of new or restored facilities or improvements to existing facilities at a cost of $50,000 or more. Routine maintenance projects are defined as projects involving repairs to minor components at existing facilities including plumbing, electrical, HVAC, painting etc., and are not included in this report.

Despite support from a variety of City funds, the cost for routine maintenance, major maintenance, and capital improvements far exceeds currently existing sources of funds. The current estimated cost for city facility needs within the 5-Year Facility Capital Improvement Program is estimated at approximately $85 million, while the current budget allocation for this work is $4 million; which results in an estimated unfunded liability of $81 million. As noted earlier, the facility maintenance program budgeted amount does not include future T1 bond funds as specific projects have not yet been allocated funding.

### c. Streets & Roads

On November 15, 2011, the City Auditor presented Council with an Audit on the condition of the City's 216 centerline miles of improved streets. A principle recommendation of the audit was the adoption of a Pavement Condition Index (PCI) ratings goal. On May 29, 2012, Council included a goal of a PCI of 75 in five years in its request for a report on long-term obligations.

Using the StreetSaver system software and the current projections for future funding, it is now estimated that the City would need to allocate an additional $120 million to achieve a PCI of 70 within ten years. An additional $50 million could be added to the $120 million needed strictly for paving to represent the full cost of improving city streets to comply with the City's Complete Streets policy, which prescribes that capital transportation projects accommodate the needs of all roadway users. This funding would go towards improvements adjacent to the main paving project, including sidewalks, storm drains, curb ramps, and green infrastructure. The total $170 million gap in funding exists in spite of $30 million received from Measure M, approved by Berkeley voters in 2012 to improve the condition of City streets and install Green Infrastructure projects. Utilizing solely recurring local sources of funding, including Measure BB, Vehicle Registration Fees (VRF), State Transportation Tax, and including $8.5 million of T1 Phase 1 funds, the projected PCI within five years is projected to drop from 55 to 52, far short of the original target of 75. In order to merely maintain the City's PCI after one-time bond funds are expended, it will be necessary to identify additional annual funding for the pavement management program.

### d. Sidewalks

The City manages sidewalk repair programs to keep the City's sidewalks safe and provide for safe pedestrian passage, including make-safe repairs, annual proactive and responsive repair programs, and the City's 50/50 replacement cost-share program in which the City shares the liability and costs for broken sidewalks with property owners. Public Works operations staff responds to all reported sidewalk hazards, assesses each situation and installs an asphalt make-safe or grinds the sidewalk hazard if applicable. Operations staff also have the capacity to perform limited sidewalk removal and replacement if a sidewalk hazard can't be made reasonably safe otherwise or some of the sidewalk replacement work associated with the 50/50 program. For larger projects, the Engineering division designs and manages annual construction of a proactive program within specific areas of the City and in commercial and other high-pedestrian volume areas, as well as larger responsive repair projects, pathway repairs and improvements, and some 50/50 program replacements.

Approximately $1.0 million is available in annual funding towards sidewalks maintenance and repair from baseline allocations from the Capital Improvement Fund and 50/50 Program contributions from residents. Additional funding to sidewalks from State Transportation Tax sources was considered based on initial projected revenues after the adoption of SB1, but updated revenue forecasts from the state project lower gas tax revenues in the next two years, only enough to maintain baseline streets pavement funding. Initiated in 2011, the 50/50 program has been very popular with Berkeley. Over time, the backlog of sidewalk repairs identified to be addressed through the 50/50 program has grown significantly beyond the funding capacity to make the needed repairs. Staff estimates that it would require $7 million to close the 50/50 program funding gap to address the backlog within the next 5 year CIP cycle, with about $5 million in other sidewalk infrastructure repairs needed over that same period. Staff will consider proposing the use of T1 Phase 2 funding to address some of the backlog. Any reallocation to sidewalks from local streets and roads funds such gas tax would impact the streets paving program.

### e. Sewers

In 2014, the City (along with EBMUD and all agencies conveying flows to EBMUD) concluded negotiations with the Environmental Protection Agency and the Department of Justice for violation of the Clean Water Act and agreed to a stipulated settlement known as the final Consent Decree[10]. To comply with the Consent Decree, the City is required to rehabilitate an average of 4.2 miles of sewer pipeline annually based on a three-year rolling average. Effectively, this mandated significant additional maintenance activities and capital improvements results in increased costs of managing the City's

[10] See http://www.cityofberkeley.info/Clerk/City_Council/2014/09_Sep/Documents/2014-09-09_Item_62_EPA_Litigation.aspx for EPA litigation settlement report

existing sewer system. After a sewer rate study was completed, a series of rate adjustments were adopted[11] beginning in FY 2016 to support the added financial load of the Consent Decree requirements.

The City is currently on track to meet rehabilitation mileage targets with revenues generated from sanitary sewer fees, however, the costs per mile for sewer construction have increased since the rate study was completed. These costs will have to be closely monitored going forward over the duration of the Consent Decree, in case funding supplementation from additional sources or future rate adjustments are needed to fund the cost of the required capital improvements. A system test is scheduled to be conducted in 2022. Based on the results of this test, a better assessment of liability will be determined in the next Unfunded Liabilities Report.

### f. Storm Drains – Clean Stormwater Program

The City's engineered storm drains include approximately 78 miles of underground pipes, manholes, catch basins and cross-drains. Much of the stormwater infrastructure is over 80 years old and needs substantial rehabilitation. The backlog of projects includes: rehabilitation of pipeline reaches; conveying dry weather flows; replacement of deteriorated drain inlets and piping; major cleaning of the primary storm collectors in the lower Berkeley drainage watersheds; and replacement of street cross drains. The City desires to address these issues while forwarding its policies to improve the environment by pursuing Low Impact Development (LID) methods.

The City has already started to address implementing LID. In 2012, City Council adopted the City's Watershed Management Plan (WMP)[12]. The WMP uses LID methods to develop an integrated and sustainable strategy for managing stormwater resources that addresses water quality, flooding, and the preservation of local creek habitats and the San Francisco Bay. Through modeling and analysis, the WMP also identifies capital improvement projects and projected revenue needs for all City watersheds. In adopting the WMP in 2012 the City recognized that the WMP was developed by examining only two of the 99 watersheds in the City, therefore the remaining watersheds need to be analyzed. According to the Watershed Management Plan, the total unfunded need of the stormwater system is approximately $204 million. Staff projects an additional need of $37 million over the next five years, including $5 million in unfunded maintenance needs and $32 million for projected capital improvement projects.

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[11] See http://www.cityofberkeley.info/Clerk/City_Council/2015/06_Jun/Documents/2015-06-30_Item_21_Setting_New_Sustainable.aspx for Sanitary Sewer Rate increases and Proposition 218 information.
[12] See http://www.cityofberkeley.info/Clerk/City_Council/2012/10Oct/Documents/2012-10-30_Item_20_Watershed_Management_Plan.aspx

The City is developing the Green Infrastructure Plan (GI Plan) as required by the Stormwater NPDES Permit. The GI Plan is a dynamic planning document that includes goals for future green streets retrofits, prioritization tools, and guidelines for incorporating green infrastructure into future capital projects.

The GI Plan and the WMP do not address rehabilitating and replacing the aging infrastructure. The City needs to integrate the findings of the WMP and the GI Plan with requirements to rehabilitate or replace aging infrastructure and address future flows. This integration will be done by preparing a Stormwater Master Plan.

The City has two Clean Stormwater Fee sources assessed to owners of real property that contribute to stormwater runoff and use the City's storm drain for collection and conveyance. The first Clean Stormwater Fee was established in the early 1990s and has never been increased, with approximately $200,000 in revenue allocated to capital improvements. This funding only provided for minor capital and maintenance work and some emergency storm drain response efforts. Annual projected expenditures to maintain the system, including capital replacements to the aging storm drains, storm support and maintenance of new Green Infrastructure projects underway, well exceeded the available revenues. In FY 2018, the City passed a second Clean Stormwater Fee, through voter approval of a majority of responding property owners in accordance with the requirements of Proposition 218. In addition to increasing revenue for maintenance and operations, the new fee is projected to add an additional $1.1 million in annual revenue available for capital projects, beginning in FY 2019.

### g. Traffic Signals

The City currently has 141 traffic signals which are maintained by Public Works Department. Due to underfunding, a backlog of capital improvement work has grown, preventing the signals from being kept up to date. As a result, there are deficiencies at many intersections throughout the city, including lack of detection devices, lack of pedestrian push buttons, and lack of battery backup for signal controllers in case of power outage. Since 2014, an annual budget of $50,000 has been allocated for improvement of the traffic signals, and the City has begun to address the deficiencies.

Attachment 3 contains the budget and projected funding needs for the City's facilities and assets described above.

### a. **Information Technology Infrastructure**

Technology infrastructure presents unique challenges with respect to forecasting long term requirements because technology evolves quickly compared to other types of infrastructure. The City's needs in terms of network bandwidth, data storage, and wireless devices may be dramatically different in the future than they are today. Additionally, unlike traditional infrastructure replacement projects which can be done incrementally and some technology tools require a large upfront investment to implement but cost significantly less to upgrade as the technology becomes more common. City staff currently use and maintain a vast technology infrastructure to provide services to the community each day. The current information technology infrastructure will expand as the City uses more technology tools to gain efficiencies.

Currently, the City's PC inventory comprises 1,271 desktops, 238 laptops, 93 tablets, and 78 Public Safety MDTs (Mobile Data Terminals). In FY 2003, the City's server infrastructure comprised 93 Physical servers (13 for email), with each server supporting a single software application. Currently, the City runs 35 Physical servers (4 virtual for email), 200 virtual servers as a result of Virtualization and thus reducing carbon footprint and resulted in energy efficiencies. The City also runs City owned Fiber to the downtown locations and this was placed in operation in year 2000. City Network Infrastructure runs over 170 routers, switches, and 206 wireless access points that connect the City's 42 service locations.

In FY 2008, the City centralized PC purchasing and instituted a capital replacement program requiring departments to set aside money every year for desktop PCs, enterprise desktop software, and for servers. Because a capital replacement fund was established, the City's PC inventory, Servers and Storage is a funded liability and the network devices, wireless and UPS inventory is an underfunded liability. In FY 2013, this fund provided for a replacement of our disk and cloud-based backup system. In FY 2014, this fund provided for an upgrade and expansion of our virtual server infrastructure, comprising 11 physical servers that support over 183 virtual servers.

In FY 2015, the City established a replacement funding source for our core enterprise financial system, FUND$, by allocating a portion of the excess property transfer tax for FUND$ replacement. The City also established a replacement fund for our core enterprise financial system, FUND$, based on the timing and replacement costs reported in the FUND$ Status Report[13]

In FY 2016, the City released an RFP to identify a vendor and product to replace FUND$. In FY 2017, the City assembled a team of subject matter experts from across the organization to lead the implementation process of the new software with a focus on change management and process improvement. The team completed the evaluation process and selected a vendor to propose to Council. The team is also charged with replacing additional modules utilized in FUND$ that are not core financial or HR/Payroll. This will occur in subsequent years and are detailed in a council presentation.

[13] http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2010/06Jun/2010-06-01_Item_54_FUND__Status_Report.pdf

In FY 2016, the City established a replacement fund for the citywide telephone system, estimating a ten-year replacement cycle. Staff is planning to replace the handsets at the five-year mark, as the current handsets are already one generation behind. Annual maintenance cost for the VOIP system has increased to $65,000 (See Attachment 4). These replacement funds serve as a useful comparison to other technology infrastructure categories.

In FY 2016, this fund provided for additions to our storage area network (SAN), which supports the backend storage for our virtual server infrastructure and add storage capacity for the City needs of data storage and retention.

In FY 2017, the City upgraded its Microsoft Office software licenses to enable video conferencing and Office 365 capabilities. These upgraded licenses also provided more reliable security and will help enhance the disaster recovery process, which is designed to allow email to be accessible on mobile devices should City Hall be impacted in a disaster. Later phases of this project will improve access to data and files from any location thus increasing employee efficiencies. Investment decisions will prioritize initiatives that achieve the best performance outcomes and greatest benefit so funding and other resources currently dedicated to operations and maintenance efforts can be recapitalized and invested in modernization efforts

In FY 2019, a Technology Internal Service Fund was developed and all IT Infrastructure Costs for existing technology are now a funded liability. In FY 2019, the IT department will also be upgrading the Server and Storage backend infrastructure to support the City's Cyber Resilience efforts and to provide operational and disaster recovery including business continuity to our critical applications. Our investment decisions will prioritize initiatives that achieve the best performance outcomes and greatest benefit so funding and other resources currently dedicated to operations and maintenance efforts can be recapitalized and invested in modernization efforts.

The table in Attachment 3 is the current 5-year projection of the funded and underfunded status of the City's information technology infrastructure. While some infrastructure components have been funded via annual contributions through replacement funds, others have not. Of the five categories listed, few infrastructure projects remain underfunded and without a replacement fund to support this liability.

There are two critical projects that need to be addressed through unfunded liabilities:

**Replacement of Data Backup System**
To replace our current enterprise backup product (Barracuda) with a more stable and expandable backup solution. The need is for a software solution that has the ability to expand when needed and can provide very quick restores.
The new backup solution also needs to backup and restore cloud-based City systems, such as Microsoft (0365). Future integrations from the new backup solution need to

provide the capabilities for search and report on data already held within the backups to enable eDiscovery to facilitate PRA requests.
Consultant to provide professional services required to set up consistent processing of address and parcel information with one data source that is updated appropriately and sends data out to all the systems on demand.

**Geographical Systems – Master Address Database** to address the Non Compliance with NENA GRID and e911 Technology

Goal of the Project - Provides consistent and therefore more accurate address and parcel data. This will make for more efficiency in permitting, fire inspections, assessments and more. To analyze current address databases and data flows (where does it come from and how often). Propose new data flow and will work with IT staff to implement the new architecture and processes. As the city increases technology across all departments, there is an increased need for a single source of address data and for a process to maintain that consistency and accuracy. We need this project to provide consistent and accurate data across departments.

**Options to Address Long Term Retirement and Infrastructure Costs**

The City continues to consider how to prioritize expenditures to address some of its long term obligations in order to maintain a healthy future.

As mentioned earlier in this report, Council has already taken the following actions to address the City's unfunded liabilities.

- Council has directed staff to establish an IRS Section 115 Pension Trust Fund to be used to help pre-fund pension obligations. The contract to establish the Trust is scheduled to go to Council in April 2019.
- Council allocated an additional $4 million in November 2018 to fund the new IRS Section 115 Pension Trust Fund. The total funding assigned to establish the new Trust is $7.9 million.
- The City prefunded the unfunded liability portion of the FY 2019 CalPERS pension resulting in savings totaling $1.1 million.
- In addition, 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.

Other ongoing funding options for Council's consideration:

- Transfer Tax in excess of $12.5 million is treated as one-time revenue. Council could consider setting aside the first $1 million annually to help fund the Section 115 Pension Trust Fund and the remainder to be used for the City's capital infrastructure needs.

- Council could consider assigning up to 50% of salary savings in a fiscal year to help fund the Section 115 Pension Trust Fund.

Most noteworthy are Berkeley voters who passed several bond measures to improve the City's infrastructure, including Measure F for parks, Measure M for streets, and most recently Measure T1 which authorized the City to sell $100 million of General Obligation Bonds to repair, renovate, replace or reconstruct the City's aging infrastructure and facilities.

## General Fund Revenue Projections

As noted in the introduction, when this report was originally presented in 2013, members of the City Council requested that staff include long-term revenue projections in the next biennial report, in addition to the expenditure projections identified in Council Resolution No. 65,748-N.S. The intent was to present a more complete and informative forecast, and provide a better long-term perspective on Berkeley's ability to achieve financial stability through future economic cycles. The projections presented in this report are limited to the General Fund as those funds are the most discretionary in terms of allocation, and also highly subject to economic conditions. The General Fund typically comprises about one-half of the City's total budget; the remainder of the budget consists of various Special Funds which are restricted in purpose (e.g. Zero Waste, Permit Center, Sewer, Public Health, and Mental Health).

The chart below provides a summary of total General Fund Revenues projected through FY 2029. Fifty-six percent (56%) of the City's FY 2019 projected General Fund revenue is derived from Secured Property, Property Transfer, Utility Users and Sales Taxes. Each major contributing revenue stream is described in more detail below. Additional detail on General Fund Revenue Projections can be found in Attachment 5.

| General Fund Revenues Projections | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **FY19 Adopted Budget** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27** | **FY28** | **FY29** |
| **GF Revenues Baseline** | $ 184.76 | $ 193.72 | $ 197.94 | $ 201.53 | $ 205.21 | $209.00 | $ 212.93 | $ 216.97 | $ 220.51 | $ 224.17 | $ 228.59 |

**Property Tax**

Real Property Taxes are applied to all taxable real and personal property and are set at 1% of the assessed value. Proposition 13 limited the amount that this tax can be increased to no more than 2% each year. The Alameda County Assessor maintains property tax assessment rolls that account for all property. The City's Property Tax is collected by Alameda County. The City receives approximately 32.57% of the real property tax dollar generated within the City limits. (Berkeley receives a comparatively higher share of the property tax dollar than other cities in Alameda County, many of whom receive about 15% of the tax dollar due to the way that Proposition 13 was implemented in 1978.) The projections above assumed a 5.0% increase in property tax in FY 2019, an increase of 4.5% in FY 2020 and FY 2021, and an annual increase averaging 3.5% from FY 2022 through 2029.

**Property Transfer Tax**

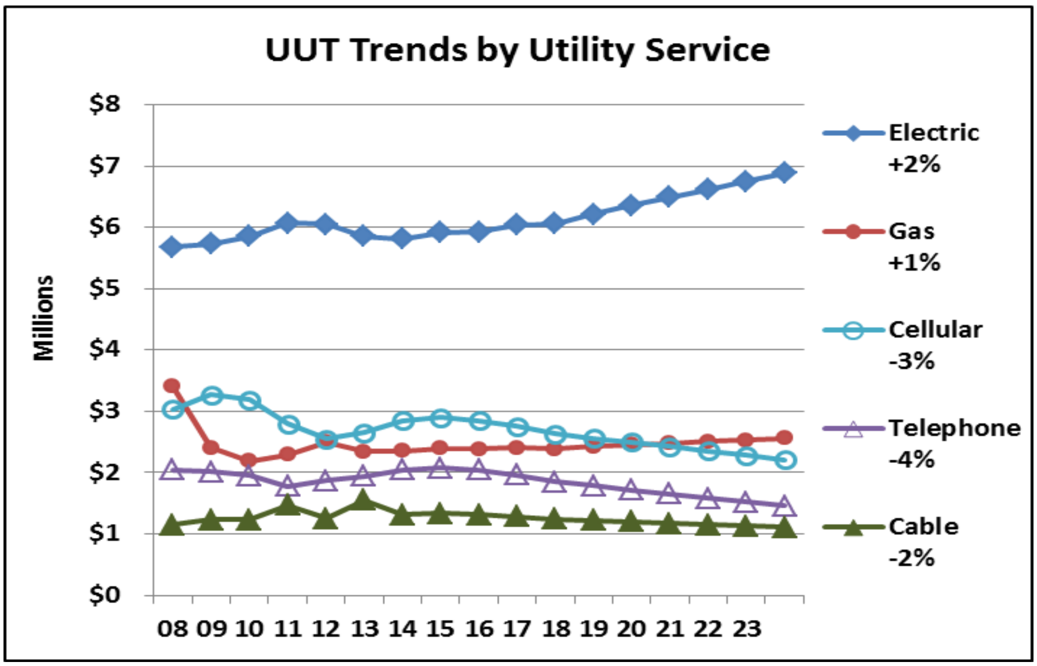
The Property Transfer Tax rate set by the City of Berkeley is 1.5% of the value of consideration paid for the documented sale of real property or any transfer of interest in real property. The tax is due when the documents of transfer are recorded with the County. Title companies collect the tax as part of the sales closing process, and remit the funds to Alameda County when sales or transfers are finalized. Alameda County remits the amounts due monthly, and the amounts are credited to the General Fund.

*In addition, the City has a Seismic Retrofit Rebate Program.* In Berkeley, a portion of Transfer Taxes are used to fund the City's Seismic Retrofit Rebate Program for residential housing. Upon transfer of a qualifying residential property, the buyer may voluntarily choose to reserve up to 1/3 of the total Transfer Tax to perform voluntary seismic upgrades as specified by the City.

Property owners have up to one year after the recording of the sale to complete the seismic work and file for the rebate. An extension for good cause may be requested in writing up to one year past the original deadline date, provided the request is made prior to the one-year filing deadline. The total amount of seismic rebates to property owners is netting against the Property Transfer Taxes remitted to the City by the County, to determine the net Property Transfer Tax revenue each year.

Because Property Transfer Tax is tied directly to real property sales, it is a volatile revenue source, and difficult to predict more than one year at a time. Understanding the volatility of this General Fund revenue stream, Council adopted a policy that Transfer Tax in excess of $12.5 million is treated as one-time revenue to be transferred to the Capital Improvement Fund for capital infrastructure needs. Therefore, the amount of Property Transfer Tax included in the chart above is set at the baseline level of $12.5 million annually since any remainder is transferred into the Capital Improvement Fund after the fiscal year ends.

**Utility Users Tax**
Utility Users Tax (UUT) is charged at the rate of 7.5% to all users of a given utility (gas, electricity, telephone, cable, and cellular). UUT is Berkeley's 4th largest source of General Fund revenue. Factors that affect the revenue generated by UUT include consumption, PUC rate changes, regulatory actions, evolution of technology and market forces.




**SalesTax**
Sales Tax is an excise tax imposed on retailers. The proceeds of sales and use taxes imposed within the boundaries of Berkeley are distributed by the State to various agencies, with the City of Berkeley receiving 1% of the amount collected. City staff review sales tax revenues regularly and compares Berkeley's performance with other cities in Alameda County, as well as statewide trends. Sales tax is a relatively stable revenue source for Berkeley.  Berkeley is somewhat unique in that 24.5% of its sales tax is from restaurants compared to 16.2% statewide (SF Bay Area is 15.1%). Berkeley otherwise has a generally well diversified sales tax base that is projected to continue to modestly improve over time, unless the Bay Area experiences a recession..

## General Fund Revenues versus General Fund Expenditures

One value of producing long term General Fund revenue projections is to compare them against General Fund expenditure projections. Since about 77% of the General Fund expenditures are personnel costs, any change in those costs has an impact on the balance between revenues and expenditures. The chart below reflects all currently negotiated impacts on salaries and benefits. The projections in the “Zero Cola” row assume no additional COLA’s (Zero COLA) beyond what is currently negotiated and compares it with projections based on an assumed COLA of 1%. The chart below is offered as a demonstration only and is not a proposal or budget plan.

**General Fund Revenues v.s. Expenditures - Demonstrative Comparison**

| | FY19 Adopted Budget | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GF Revenues Baseline | $ 184.76 | $ 193.72 | $ 197.94 | $ 201.53 | $ 205.21 | $ 209.00 | $ 212.93 | $ 216.97 | $ 220.51 | $ 224.17 | $ 228.59 |
| GF Expenditures - Zero COLA | $ 184.25 | $ 190.90 | $ 194.52 | $ 200.83 | $ 205.77 | $ 210.52 | $ 215.27 | $ 220.82 | $ 226.39 | $ 232.38 | $ 237.97 |
| Surplus/(Deficit) | $ 0.51 | $ 2.82 | $ 3.42 | $ 0.70 | $ (0.56) | $ (1.52) | $ (2.34) | $ (3.85) | $ (5.88) | $ (8.21) | $ (9.38) |

Staff is in the process of developing the FY 2020 and FY 2021 Biennial Budget. Both Council and operating departments have identified additional funding needs tied to Council mandates and priorities, which are not included in the expenditures noted above.

It is important to note that not included in the chart above are General Fund revenues from Rental Unit Business License Tax (U1)[14] estimated to be about $5.0 million in FY 2020 and FY 2021 as well as General Fund revenues generated from Measure P[15] estimated to be about $6.0 million in FY 2020 and FY 2021. Also not included in the chart above are corresponding General Fund expenditures tied to U1 and Measure P.

Attachment 4 details the projected General Fund revenues.

[14] Measure U1 is a revenue stream assigned to fund affordable housing and protect Berkeley residents from homelessness.

[15] Measure P is a general fund revenue stream assigned for general municipal purposes such as navigation centers, mental health support, rehousing and other services for the homeless.

CONCLUSION

One of the terms that is often used with respect to the long term obligations that are described above is “unfunded liabilities.” Unfunded liabilities are defined as identifiable obligations of an organization for which the organization does not have 100% of the funding (cash or other assets) set aside to cover the cost should all obligations become immediately due. Generally, an organization manages a balance between funding a portion of the entire obligation and the associated risk that the obligation will be due at the same time. This balance is considered the practical and responsible approach since payment demands of these obligations rarely, if ever, occur simultaneously. The alternative would be to 100% fund the obligations causing a great portion of cash to be reserved and not available for providing services or meeting other immediate obligations, needs, or desires of the community. Maintaining a careful balance between cash on hand to fund daily operations and liquidity to cover unfunded liabilities is a key challenge for all governments. With that said, the City’s unfunded liabilities tied to benefits total $665 million, and the City’s unfunded liabilities tied to infrastructure total $786 million.

POSSIBLE FUTURE ACTION

The information contained in this report will be referenced throughout the budget planning meetings in advance of the FY 2020 and FY 2021 biennial budget adoption.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

See information described above.

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, 981-7000

Attachments:

1. Employee and Retiree Benefits Funded Status
2. City’s Debt Obligations
   - Exhibit A: General Obligation bonds
   - Exhibit B: Certificates of Participation
   - Exhibit C: Revenue Bonds
3. Capital Assets
   - Exhibit A: Infrastructure
   - Exhibit B: Appraisal of Buildings Valued at $5 million or More
4. General Fund Revenues

| Employee and Retiree Benefits Funded Status | | | | | | Attachment 1 |
|---|---|---|---|---|---|---|
| **Fund Name** | **Valuation Date** | **Estimated Liability** | **Plan Assets** | **Funding Target** | **Net Pension Liability** | **% Funded** |
| Police Retiree Income Plan (closed) | 6/30/2018 | $ 73.0 | $ 6.4 | 2 | $ 66.7 | 8.7% |
| Police Employee Retiree Health Plan (new) | 6/30/2018 | $ 43.5 | $ 1.8 | 2 | $ 41.7 | 4.1% |
| Fire Employees Retiree Health Plan | 6/30/2018 | $ 27.5 | $ 10.2 | 1 | $ 17.3 | 37.1% |
| Retiree Health Premium Assistance Plan (Non-Safety Members) | 6/30/2018 | $ 59.4 | $ 25.2 | 1 | $ 34.2 | 42.4% |
| Safety Members Pension Fund | 6/30/2018 | $ 2.49 | $ 0.97 | 2 | $ 1.5 | 38.9% |
| Miscellaneous | 6/30/2017 | $ 969.5 | $ 694.6 | 1 | $ 274.9 | 71.6% |
| Police | 6/30/2017 | $ 399.2 | $ 244.3 | 1 | $ 154.9 | 61.2% |
| Fire | 6/30/2017 | $ 262.4 | $ 188.5 | 1 | $ 73.90 | 71.8% |
| **TOTAL** | | **$ 1,836.9** | **$ 1,171.9** | - | **$ 665.0** | **63.8%** |

Since the implementation of GASB67 and 68 the Annual Required Contribution (ARC) is no longer provided.

Funding Target:

1 - percentage of payroll

2 - pay as you go

Attachment 2 Exhibit A

## General Obligation Bonds

| | 2009 Measure FF, Series A | | 2010 Measure FF, Series B | | 2014 Measure M (2014 Street and Integrated Watershed) | | 2015 GO Refunding Bonds (Refunding Measure G, S, I) | | 2016 Measure M (2016 Street and Integrated Watershed) | | 2017 Measure T1 Infrastructure and Facilities Improvementsd | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FY** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Annual Total P & I** | **End of FY GO Bonds Balance** |
| **2018** | | | | | | | | | | | | | | | | $117,520,000 |
| **2019** | $215,000 | $455,844 | $395,000 | $551,131 | $305,000 | $593,125 | $2,590,000 | $1,301,838 | $280,000 | $477,963 | $1,815,000 | $1,199,431 | $5,600,000 | $4,579,331 | $10,179,331 | 111,920,000 |
| **2020** | 225,000 | 447,875.00 | 415,000 | 530,881.26 | 320,000 | 577,500.00 | 2,715,000 | 1,169,212.50 | 285,000 | 465,237.50 | 1,350,000.00 | 1,120,306.26 | 5,310,000 | 4,311,012.52 | 9,621,012.52 | 106,610,000 |
| **2021** | 240,000 | 436,137.50 | 435,000 | 509,631.26 | 335,000 | 561,125.00 | 2,850,000 | 1,022,962.50 | 295,000 | 450,737.50 | 660,000.00 | 1,070,056.26 | 4,815,000 | 4,050,650.02 | 8,865,650.02 | 101,795,000 |
| **2022** | 250,000 | 420,212.50 | 460,000 | 491,856.26 | 350,000 | 544,000.00 | 2,160,000 | 890,587.50 | 305,000 | 435,737.50 | 695,000.00 | 1,036,181.26 | 4,220,000 | 3,818,575.02 | 8,038,575.02 | 97,575,000 |
| **2023** | 265,000 | 403,475.00 | 470,000 | 477,906.26 | 370,000 | 526,000.00 | 2,270,000 | 779,837.50 | 320,000 | 420,112.50 | 730,000.00 | 1,000,556.26 | 4,425,000 | 3,607,887.52 | 8,032,887.52 | 93,150,000 |
| **2024** | 280,000 | 385,762.50 | 485,000 | 462,975.01 | 385,000 | 507,125.00 | 2,380,000 | 663,587.50 | 335,000 | 403,737.50 | 765,000.00 | 963,181.26 | 4,630,000 | 3,386,368.77 | 8,016,368.77 | 88,520,000 |
| **2025** | 295,000 | 367,075.00 | 500,000 | 445,093.76 | 405,000 | 491,425.00 | 2,495,000 | 541,712.50 | 350,000 | 386,612.50 | 805,000.00 | 923,931.26 | 4,850,000 | 3,155,850.02 | 8,005,850.02 | 83,670,000 |
| **2026** | 310,000 | 350,512.50 | 520,000 | 424,693.76 | 420,000 | 478,787.50 | 2,625,000 | 413,712.50 | 370,000 | 370,462.50 | 845,000.00 | 882,681.26 | 5,090,000 | 2,920,850.02 | 8,010,850.02 | 78,580,000 |
| **2027** | 330,000 | 335,906.25 | 545,000 | 403,393.76 | 430,000 | 465,237.50 | 2,760,000 | 306,687.50 | 385,000 | 355,362.50 | 885,000.00 | 843,856.26 | 5,335,000 | 2,710,443.77 | 8,045,443.77 | 73,245,000 |
| **2028** | 350,000 | 320,050.00 | 565,000 | 381,193.76 | 445,000 | 449,350.00 | 2,840,000 | 222,687.50 | 405,000 | 339,562.50 | 920,000.00 | 807,756.26 | 5,525,000 | 2,520,600.02 | 8,045,600.02 | 67,720,000 |
| **2029** | 365,000 | 303,156.25 | 585,000 | 358,193.76 | 465,000 | 431,150.00 | 1,960,000 | 150,687.50 | 425,000 | 322,962.50 | 960,000.00 | 779,156.26 | 4,760,000 | 2,345,306.27 | 7,105,306.27 | 62,960,000 |
| **2030** | 385,000 | 283,900.00 | 610,000 | 334,293.76 | 480,000 | 412,250.00 | 880,000 | 108,087.50 | 450,000 | 307,712.50 | 980,000.00 | 757,931.26 | 3,785,000 | 2,204,175.02 | 5,989,175.02 | 59,175,000 |
| **2031** | 410,000 | 262,037.50 | 635,000 | 308,996.88 | 500,000 | 392,650.00 | 305,000 | 89,931.25 | 470,000 | 293,912.50 | 1,000,000.00 | 731,906.26 | 3,320,000 | 2,079,434.39 | 5,399,434.39 | 55,855,000 |
| **2032** | 430,000 | 238,937.50 | 660,000 | 282,287.50 | 520,000 | 372,250.00 | 315,000 | 79,856.25 | 485,000 | 279,587.50 | 1,030,000.00 | 701,456.26 | 3,440,000 | 1,954,375.01 | 5,394,375.01 | 52,415,000 |
| **2033** | 455,000 | 215,737.50 | 690,000 | 254,443.75 | 540,000 | 350,712.50 | 325,000 | 69,253.13 | 500,000 | 264,812.50 | 1,060,000.00 | 670,106.26 | 3,570,000 | 1,825,065.64 | 5,395,065.64 | 48,845,000 |
| **2034** | 480,000 | 192,362.50 | 715,000 | 225,465.63 | 565,000 | 327,921.88 | 335,000 | 57,906.26 | 515,000 | 250,875.00 | 1,095,000.00 | 637,781.26 | 3,705,000 | 1,692,312.53 | 5,397,312.53 | 45,140,000 |
| **2035** | 505,000 | 167,737.50 | 745,000 | 195,353.13 | 590,000 | 304,100.01 | 345,000 | 46,006.26 | 530,000 | 237,812.50 | 1,125,000.00 | 604,481.26 | 3,840,000 | 1,555,490.66 | 5,395,490.66 | 41,300,000 |
| **2036** | 535,000 | 141,737.50 | 780,000 | 163,412.50 | 610,000 | 278,587.51 | 360,000 | 33,668.76 | 550,000 | 223,968.75 | 1,160,000.00 | 570,206.26 | 3,995,000 | 1,411,581.28 | 5,406,581.28 | 37,305,000 |
| **2037** | 565,000 | 113,531.25 | 810,000 | 129,625.00 | 640,000 | 251,243.76 | 370,000 | 20,662.51 | 570,000 | 209,268.75 | 1,195,000.00 | 534,881.26 | 4,150,000 | 1,259,212.53 | 5,409,212.53 | 33,155,000 |
| **2038** | 595,000 | 83,081.25 | 845,000 | 94,456.25 | 665,000 | 222,696.88 | 385,000 | 6,978.13 | 590,000 | 193,675.00 | 1,230,000.00 | 497,737.51 | 4,310,000 | 1,098,625.02 | 5,408,625.02 | 28,845,000 |
| **2039** | 625,000 | 51,056.25 | 880,000 | 57,800.00 | 695,000 | 192,946.88 | | | 610,000 | 177,175.00 | 1,270,000.00 | 458,675.01 | 4,080,000 | 937,653.14 | 5,017,653.14 | 24,765,000 |
| **2040** | 660,000 | 17,325.00 | 920,000 | 19,550.00 | 725,000 | 161,884.38 | | | 630,000 | 160,125.00 | 1,310,000.00 | 418,362.51 | 4,245,000 | 777,246.89 | 5,022,246.89 | 20,520,000 |
| **2041** | | | | | 760,000 | 128,925.00 | | | 655,000 | 142,456.25 | 1,350,000.00 | 375,956.26 | 2,765,000 | 647,337.51 | 3,412,337.51 | 17,755,000 |
| **2042** | | | | | 790,000 | 94,050.00 | | | 680,000 | 124,100.00 | 1,395,000.00 | 331,350.01 | 2,865,000 | 549,500.01 | 3,414,500.01 | 14,890,000 |
| **2043** | | | | | 830,000 | 57,600.00 | | | 705,000 | 104,175.00 | 1,440,000.00 | 285,281.26 | 2,975,000 | 447,056.26 | 3,422,056.26 | 11,915,000 |
| **2044** | | | | | 865,000 | 19,462.50 | | | 735,000 | 82,575.00 | 1,485,000.00 | 237,750.01 | 3,085,000 | 339,787.51 | 3,424,787.51 | 8,830,000 |
| **2045** | | | | | | | | | 765,000 | 60,075.00 | 1,535,000.00 | 188,675.01 | 2,300,000 | 248,750.01 | 2,548,750.01 | 6,530,000 |
| **2046** | | | | | | | | | 795,000 | 36,675.00 | 1,585,000.00 | 137,975.01 | 2,380,000 | 174,650.01 | 2,554,650.01 | 4,150,000 |
| **2047** | | | | | | | | | 825,000 | 12,375.00 | 1,635,000.00 | 84,628.13 | 2,460,000 | 97,003.13 | 2,557,003.13 | 1,690,000 |
| 2048 | | | | | | | | | | | 1,690,000.00 | 28,518.75 | 1,690,000 | 28,518.75 | 1,718,518.75 | - |
| Grant Total | $ 8,770,000 | $ 5,993,450 | $ 13,665,000 | $ 7,102,634.51 | $ 14,005,000 | $ 9,192,106.30 | $ 31,265,000 | $ 7,975,862.55 | $ 14,815,000 | $ 7,589,843.75 | $ 35,000,000.00 | $ 18,880,753.41 | $ 117,520,000 | $ 56,734,650.52 | $ 174,254,650.52 | |

Attachment 2 Exhibit B

# Certificates of Participation

| FY | 2010 COP Animal Shelter Principal | 2010 COP Animal Shelter Interest | Total Annual P & I | End of FY COPs Balance |
|---|---|---|---|---|
| | | | $ - | |
| | | | - | $5,125,000 |
| **2019** | $115,000 | $287,913 | $402,913 | 5,010,000 |
| **2020** | 120,000 | 282,612.50 | 402,612.50 | 4,890,000 |
| **2021** | 125,000 | 276,800.00 | 401,800.00 | 4,765,000 |
| **2022** | 135,000 | 270,106.25 | 405,106.25 | 4,630,000 |
| **2023** | 140,000 | 262,200.00 | 402,200.00 | 4,490,000 |
| **2024** | 150,000 | 253,862.50 | 403,862.50 | 4,340,000 |
| **2025** | 155,000 | 245,093.75 | 400,093.75 | 4,185,000 |
| **2026** | 165,000 | 235,893.75 | 400,893.75 | 4,020,000 |
| **2027** | 175,000 | 226,118.75 | 401,118.75 | 3,845,000 |
| **2028** | 185,000 | 215,768.75 | 400,768.75 | 3,660,000 |
| **2029** | 195,000 | 204,843.75 | 399,843.75 | 3,465,000 |
| **2030** | 210,000 | 193,200.00 | 403,200.00 | 3,255,000 |
| **2031** | 220,000 | 180,837.50 | 400,837.50 | 3,035,000 |
| **2032** | 235,000 | 167,756.25 | 402,756.25 | 2,800,000 |
| **2033** | 245,000 | 153,956.25 | 398,956.25 | 2,555,000 |
| **2034** | 260,000 | 139,437.50 | 399,437.50 | 2,295,000 |
| **2035** | 275,000 | 124,056.25 | 399,056.25 | 2,020,000 |
| **2036** | 290,000 | 107,812.50 | 397,812.50 | 1,730,000 |
| **2037** | 310,000 | 90,562.50 | 400,562.50 | 1,420,000 |
| **2038** | 325,000 | 72,306.25 | 397,306.25 | 1,095,000 |
| **2039** | 345,000 | 53,043.75 | 398,043.75 | 750,000 |
| **2040** | 365,000 | 32,631.25 | 397,631.25 | 385,000 |
| **2041** | 385,000 | 11,068.75 | 396,068.75 | - |
| Grand Total | $ 5,125,000.00 | $ 4,087,881.25 | $ 9,212,881.25 | |

Attachment 2 Exhibit C

# Revenue Bonds

| | Berkeley Rep. 2012 Refunding | | 1947 Center 2012 Refunding | | Total | | | |
|---|---|---|---|---|---|---|---|---|
| FY | Principal | Interest | Principal | Interest | Principal | Interest | Annual Total P & I | End of FY Rev Bonds Balance |
| **2018** | | | | | | | | $21,820,000 |
| **2019** | $293,944 | $204,991 | $961,056 | $670,222 | $1,255,000 | $875,213 | $2,130,213 | 20,565,000 |
| **2020** | 306,826.22 | 192,975.54 | 1,003,174 | 630,936.96 | 1,310,000 | 823,912.50 | 2,133,912.50 | 19,255,000 |
| **2021** | 320,879.33 | 178,817.04 | 1,049,121 | 584,645.46 | 1,370,000 | 763,462.50 | 2,133,462.50 | 17,885,000 |
| **2022** | 337,274.63 | 162,363.19 | 1,102,725 | 530,849.31 | 1,440,000 | 693,212.50 | 2,133,212.50 | 16,445,000 |
| **2023** | 352,498.83 | 146,881.34 | 1,152,501 | 480,231.16 | 1,505,000 | 627,112.50 | 2,132,112.50 | 14,940,000 |
| **2024** | 366,551.94 | 130,667.56 | 1,198,448 | 427,219.93 | 1,565,000 | 557,887.49 | 2,122,887.49 | 13,375,000 |
| **2025** | 386,460.51 | 111,842.25 | 1,263,539 | 365,670.25 | 1,650,000 | 477,512.50 | 2,127,512.50 | 11,725,000 |
| **2026** | 405,197.99 | 92,050.79 | 1,324,802 | 300,961.71 | 1,730,000 | 393,012.50 | 2,123,012.50 | 9,995,000 |
| **2027** | 427,448.74 | 71,234.62 | 1,397,551 | 232,902.88 | 1,825,000 | 304,137.50 | 2,129,137.50 | 8,170,000 |
| **2028** | 442,672.95 | 53,908.31 | 1,447,327 | 176,254.19 | 1,890,000 | 230,162.50 | 2,120,162.50 | 6,280,000 |
| **2029** | 459,068.24 | 40,095.28 | 1,500,932 | 131,092.22 | 1,960,000 | 171,187.50 | 2,131,187.50 | 4,320,000 |
| **2030** | 320,879.33 | 16,461.17 | 1,049,121 | 102,695.08 | 1,370,000 | 119,156.25 | 1,489,156.25 | 2,950,000 |
| **2031** | | | 1,450,000 | 74,187.50 | 1,450,000 | 74,187.50 | 1,524,187.50 | 1,500,000 |
| **2032** | | | 1,500,000 | 25,312.50 | 1,500,000 | 25,312.50 | 1,525,312.50 | - |
| **Grand Total** | $ 4,419,703 | $ 1,402,288 | $ 17,400,297 | $ 4,733,181 | $ 21,820,000 | $ 6,135,469 | $ 27,955,469 | |

| | | FY 2020 Year 1 | FY 2021 Year 2 | FY 2022 Year 3 | FY 2023 Year 4 | FY 2024 Year 5 | Total Year 1- 5 |
|---|---|---|---|---|---|---|---|
| **Parks, Park Buildings, Pools, Waterfront, and Camps** | | | | | | | |
| Available Funding[1] | | $1,900,000 | $1,900,000 | $1,900,000 | $1,900,000 | $1,900,000 | $9,500,000 |
| Expenditures | | $1,900,000 | $1,900,000 | $1,900,000 | $1,900,000 | $1,900,000 | $9,500,000 |
| Capital & Maint. Need [2] | $181,535,800 | | | | | | |
| **Unfunded Liability** | | ($183,228,516) | ($184,955,086) | ($186,716,188) | ($188,512,512) | ($190,344,762) | ($190,344,762) |
| **Public Buildings** | | | | | | | |
| Available Funding | | $800,000 | $800,000 | $800,000 | $800,000 | $800,000 | $4,000,000 |
| Expenditures | | $800,000 | $800,000 | $800,000 | $800,000 | $800,000 | $4,000,000 |
| Capital & Maint. Need | $85,100,000 | | | | | | |
| **Unfunded Liability** | | ($85,986,000) | ($86,889,720) | ($87,811,514) | ($88,751,745) | ($89,710,780) | ($89,710,780) |
| **Sidewalks** | | | | | | | |
| Available Funding | | $700,000 | $700,000 | $700,000 | $700,000 | $700,000 | $3,500,000 |
| Expenditures | | $700,000 | $700,000 | $700,000 | $700,000 | $700,000 | $3,500,000 |
| Capital & Maint. Need | $7,000,000 | | | | | | |
| **Unfunded Liability** | | ($6,426,000) | ($5,840,520) | ($5,243,330) | ($4,634,197) | ($4,012,881) | ($4,012,881) |
| **Streets & Roads** | | | | | | | |
| Available Funding | | $6,820,000 | $6,820,000 | $6,820,000 | $6,820,000 | $6,820,000 | $34,100,000 |
| Expenditures | | $6,820,000 | $6,820,000 | $6,820,000 | $6,820,000 | $6,820,000 | $34,100,000 |
| Capital & Maint. Need | $170,000,000 | | | | | | |
| **Unfunded Liability** | | ($166,443,600) | ($162,816,072) | ($159,115,993) | ($155,341,913) | ($151,492,352) | ($151,492,352) |
| **Sewers** | | | | | | | |
| Available Funding | | $13,564,676 | $15,823,627 | $17,133,255 | $16,234,521 | $18,121,445 | $80,877,524 |
| Expenditures | | $13,564,676 | $15,823,627 | $17,133,255 | $16,234,521 | $18,121,445 | $80,877,524 |
| Capital & Maint. Need | $190,000,000 | | | | | | |
| **Unfunded Liability** | | ($179,964,030) | ($167,423,212) | ($153,295,756) | ($139,802,459) | ($124,114,635) | ($124,114,635) |
| **Storm Drains** | | | | | | | |
| Available Funding | | $1,300,000 | $1,300,000 | $1,300,000 | $1,300,000 | $1,300,000 | $6,500,000 |
| Expenditures | | $1,300,000 | $1,300,000 | $1,300,000 | $1,300,000 | $1,300,000 | $6,500,000 |
| Capital & Maint. Need | $241,000,000 | | | | | | |
| **Unfunded Liability** | | ($244,494,000) | ($248,057,880) | ($251,693,038) | ($255,400,898) | ($259,182,916) | ($259,182,916) |
| **Traffic Signals** | | | | | | | |
| Available Funding | | $50,000 | $50,000 | $50,000 | $50,000 | $50,000 | $250,000 |
| Expenditures | | $50,000 | $50,000 | $50,000 | $50,000 | $50,000 | $250,000 |
| Capital & Maint. Need | $7,444,000 | | | | | | |
| **Unfunded Liability** | | ($7,541,880) | ($7,641,718) | ($7,743,552) | ($7,847,423) | ($7,953,371) | ($7,953,371) |
| **Geographical Systems: Master Address Database** | | | | | | | |
| Available Funding | | $0 | $0 | $0 | $0 | $0 | $0 |
| Expenditures | | $200,000 | $150,000 | $0 | $0 | $0 | $350,000 |
| Capital & Maint. Need | $350,000 | | | | | | |
| **Unfunded Liability** | | ($153,000) | ($3,060) | ($3,121) | ($3,184) | ($3,247) | ($3,247) |
| **Data Backup System Replacement** | | | | | | | |
| Available Funding | | $0 | $0 | $0 | $0 | $0 | $0 |
| Expenditures | | $550,000 | $0 | $0 | $0 | $0 | $550,000 |
| Capital & Maint. Need | $550,000 | | | | | | |
| **Unfunded Liability** | | $0 | $0 | $0 | $0 | $0 | $0 |
| **TOTAL** | | | | | | | |
| Available Funding | | $25,134,676 | $27,393,627 | $28,703,255 | $27,804,521 | $29,691,445 | $138,727,524 |
| Expenditures | | $25,884,676 | $27,543,627 | $28,703,255 | $27,804,521 | $29,691,445 | $139,627,524 |
| T1 Funding: $100M Infrastructure Bond[3] | | $8,330,000 | $8,330,000 | $8,330,000 | $8,330,000 | $8,330,000 | $41,650,000 |
| Capital & Maint. Need | $882,979,800 | | | | | | |
| **Unfunded Liability** | | ($865,740,426) | ($847,181,608) | ($827,091,985) | ($807,499,304) | ($785,627,845) | ($785,627,845) |

(1) Unless otherwise noted, available funding includes recurring sources of capital and major maintenance funding.

(2) Capital & Maint. Needs are current estimates of unfunded needs. Needs are estimated to increase at a rate of 2% per year.

(3) The $100 million in bond expenditures are estimated to be equally distributed over 12 years, ($8.33 million/year).

| Public Buildings - Appraisal of Assets Valued @ $5M or More | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| **Other ID.** | **Address** | **Sq Feet** | **Year Built** | **Last Appr.** | **Occupied As** | **Leased Owned** | **Total Values** |
| MAIN LIBRARY | 2090 KITTREDGE STREET (FRONT) | 102000 | 1931 | 2016 | LIBRARY - HIGH END | OWNED | $ 63,167,352 |
| CIVIC CENTER BUILDING ANNEX | 1947 CENTER STREET | 112798 | 1947 | 2016 | PUBLIC WORKS ENGINEERIN G AND TRANSPORT ATION | OWNED | $ 46,368,061 |
| CENTER STREET GARAGE AND COMMERCIAL SPACE | 2025 CENTER STREET | 248000 | 2018 | | CITY AND PUBLIC PARKING AND OFFICE | OWNED | $ 45,829,831 |
| MARTIN LUTHER KING JR. CIVIC CENTER | 2180 MILVIA STREET | 89075 | 1940 | 2016 | OFFICE BUILDING | OWNED | $ 35,780,212 |
| VEHICLES | VARIOUS LOCATIONS | 0 | | | RC, COMP & COLLISION | OWNED | $ 30,786,630 |
| PUBLIC SAFETY BUILDING (INCLUDES PRIIMARY EOC) | 2100 MARTIN LUTHER KING JR WAY | 60108 | 2000 | 2016 | POLICE STATION/FI RE STATION OFFICES | OWNED | $ 25,848,477 |
| RESTAURANT/BA NQUET SPACE | 199 SEAWALL DRIVE | 25000 | 1967 | 2014 | RESTAURAN T OR BANQUET HALL | OWNED | $ 21,411,000 |
| OLD CITY HALL | 2134 MARTIN LUTHER KING JR. WAY | 38400 | 1908 | 2016 | OFFICE | OWNED | $ 16,827,424 |
| TELEGRRAPH/CH ANNING(SATHER GATE) MALL AND GARAGE | 2438 DURANT AVENUE/CHA NNING AVENUE | 186890 | 1990 | 2016 | PARKING GARAGE W/RETAIL | OWNED | $ 14,538,328 |
| FIRE DEPARTMENT WAREHOUSE | 1011 FOLGER AVENUE | 8021 | 2011 | | WAREHOUS E | OWNED | $ 11,754,541 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| DONA SPRING ANIMAL SHELTER | 1 BOLIVAR DRIVE | 11700 | 2013 | 2016 | Animal Shelter | OWNED | $ 10,000,532 |
| LIBRARY-WEST BRANCH | 1125 UNIVERSITY AVENUE | 9300 | 2013 | 2014 | LIBRARY | OWNED | $ 7,750,896 |
| 125-127 University Office Building | 125-127 UNIVERSITY AVE. | 15396 | 1968 | 2015 | | OWNED | $ 7,538,214 |
| LIBRARY-NORTH BRANCH | 1170 THE ALAMEDA | 9555 | 1936 | 2014 | LIBRARY | OWNED | $ 6,934,769 |
| TAREA HALL PITTMAN SOUTH BRANCH | 1901 RUSSELL STREET | 8700 | 2013 | 2016 | LIBRARY | OWNED | $ 6,702,702 |
| OXFORD STREET GARAGE | 2165 KITTREDGE STREET | 42128 | 2009 | 2016 | PARKING/RETAIL | OWNED | $ 6,560,530 |
| BERKELEY REP THEATER | 2025 ADDISON STREET | 24893 | 2000 | 2016 | THEATRE | OWNED | $ 6,460,999 |
| VETERANS MEMORIAL HALL | 1931 CENTER STREET | 33254 | 1923 | 2016 | ASSEMBLY AND HOMELESS SHELTER | OWNED | $ 6,358,722 |
| NORTH BERKELEY SENIOR CITIZENS CENTER | 1901 HEARST AVENUE | 20880 | 1977 | 2011 | SENIOR CENTER | OWNED | $ 5,984,077 |
| LIBRARY - CLAREMONT BRANCH | 2940 BENVENUE AVENUE | 8110 | 1924 | | LIBRARY | OWNED | $ 5,496,807 |
| RATCLIFF BUILDING | 1326 ALLSTON WAY | 8126 | 2010 | 2011 | OFFICE BUILDING | OWNED | $ 5,135,231 |
| **TOTAL** | | | | | | | **$ 387,235,335** |

Attachment 4

**General Fund Revenues**
**FY 2020 through FY 2029**

| | PROJECTED FY 2020 | PROJECTED FY 2021 | PROJECTED FY 2022 | PROJECTED FY 2023 | PROJECTED FY 2024 | PROJECTED FY 2025 | PROJECTED FY 2026 | PROJECTED FY 2027 | PROJECTED FY 2028 | PROJECTED FY 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| Secured Property Taxes | $62,600,574 | $65,417,599 | $67,707,215 | $70,076,968 | $72,529,662 | $75,068,200 | $77,695,587 | $80,414,932 | $83,229,455 | $86,142,486 |
| Unsecured Property Taxes | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Supplemental Taxes | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 |
| Property Transfer Taxes | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 |
| Sales Taxes | 18,238,000 | 18,572,000 | 18,905,000 | 19,226,385 | 19,553,234 | 19,885,639 | 20,223,694 | 20,567,497 | 20,917,145 | 21,272,736 |
| Utility Users Taxes | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 |
| Transient Occupancy Taxes | 7,800,000 | 7,800,000 | 7,800,000 | 7,800,000 | 7,800,000 | 7,800,000 | 7,800,000 | 7,800,000 | 7,800,000 | 7,800,000 |
| Business License Taxes ( Including Cannabis Medical ) | 19,584,000 | 19,975,680 | 20,375,194 | 20,782,697 | 21,198,351 | 21,622,318 | 22,054,765 | 22,495,860 | 22,945,777 | 23,404,693 |
| Business License Taxes- Cannabis Recreational | 510,000 | 520,200 | 530,604 | 541,216 | 552,040 | 563,081 | 574,343 | 585,830 | 597,546 | 609,497 |
| Vehicle In Lieu Taxes | 13,207,440 | 13,801,774 | 14,284,837 | 14,784,806 | 15,302,274 | 15,837,854 | 16,392,179 | 16,965,905 | 17,559,711 | 18,174,301 |
| Soda taxes | 1,459,057 | 1,429,876 | 1,401,278 | 1,373,252 | 1,345,787 | 1,318,871 | 1,292,494 | 633,322 | | |
| Other Taxes | 1,785,000 | 1,820,700 | 1,857,114 | 1,894,256 | 1,932,141 | 1,970,784 | 2,010,200 | 2,050,404 | 2,091,412 | 2,133,240 |
| Parking Fines | 6,600,000 | 6,600,000 | 6,600,000 | 6,600,000 | 6,600,000 | 6,600,000 | 6,600,000 | 6,600,000 | 6,600,000 | 6,600,000 |
| Moving Violations | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 |
| Interest Income | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| Ambulance Fees | 4,200,000 | 4,200,000 | 4,200,000 | 4,200,000 | 4,200,000 | 4,200,000 | 4,200,000 | 4,200,000 | 4,200,000 | 4,200,000 |
| Short-Term Rentals | 1,020,000 | 1,040,400 | 1,061,208 | 1,082,432 | 1,104,081 | 1,126,162 | 1,148,686 | 1,171,659 | 1,195,093 | 1,218,994 |
| Franchise Fees | 2,068,928 | 2,110,307 | 2,152,513 | 2,195,563 | 2,239,474 | 2,284,263 | 2,329,948 | 2,376,547 | 2,376,547 | 2,376,547 |
| Indirect cost reimbursements | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 |
| Transfers | 4,562,675 | 4,562,675 | 4,562,675 | 4,562,675 | 4,562,675 | 4,562,675 | 4,562,675 | 4,562,675 | 4,562,675 | 4,562,675 |
| Other revenue | 8,900,000 | 8,900,000 | 8,900,000 | 8,900,000 | 8,900,000 | 8,900,000 | 8,900,000 | 8,900,000 | 8,900,000 | 8,900,000 |
| Total revenues and transfers | $193,725,673 | $197,941,211 | $201,527,638 | $205,210,251 | $209,009,720 | $212,929,848 | $216,974,570 | $220,514,632 | $224,165,361 | $228,585,170 |
| | | | | | | | | | | |
| **GF Revenue Not Included Above:** | | | | | | | | | | |
| U1 Revenue | 5,000,000 | 5,000,000 | | | | | | | | |
| Measure P | 6,000,000 | 6,000,000 | | | | | | | | |

Office of the City Manager

WORKSESSION
March 19, 2019

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager

Subject: FY 2019 Mid-Year Budget Update

## INTRODUCTION

This report presents the FY 2019 Mid-Year Budget Update and focuses on projected General Fund revenues and expenditures. This report also provides information on expenditure projections for the City's special funds.

## CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley is currently in FY 2019, the second of two fiscal years in the FY 2018 & FY 2019 biennial budget cycle, which Council adopted on June 27, 2017[1] and updated on June 26, 2018[2]. Fiscal Year 2019 runs from July 1, 2018 through June 30, 2019.

As of December 31, 2018, both the General Fund revenues and the General Fund expenditures were on track and within budget.

| | Adjusted Budget | FY 2019 Mid-Year Actuals | % Received/ Expensed and Encumbered |
|---|---|---|---|
| Revenues | $184.8 | $91.7 | 50% |
| Expenditures | ($225.2) | ($108.8) | 48% |
| Carryover and Excess Equity (Revenues) | $ 40.9 | | |
| Balance | $ 0.5 | | |

The carryover and excess equity revenues are carried forward from FY 2018. Additional information on the carryovers and excess equity allocation is discussed later in this report under the General Fund Expenditures section.

[1] https://www.cityofberkeley.info/Clerk/City_Council/2017/06_June/City_Council__06-27-2017_-_Regular_Meeting_Agenda.aspx (Item #47)
[2] https://www.cityofberkeley.info/Clerk/City_Council/2018/06_June/City_Council__06-26-2018_-_Regular_Meeting_Agenda.aspx (Item #40)

## FY 2019 Mid-Year Summary

On November 27, 2018, Council was provided the FY 2018 Year-End Results and FY 2019 First Quarter Budget Update report. At the time, both the General Fund revenues and the General Fund expenditures were tracking within budget.

### General Fund Revenues

During the first half of FY 2019, General Fund revenues and transfers increased $3.9 million or 4.45%, from $87.8 million in FY 2018 to $91.7 million in FY 2019.

| | FY 2019 | | | | FY 2018 | | | | Comparision FY2019 vs FY2018 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue Categories | Adopted | Mid-Year | Variance | % Received | Adopted | Mid-Year | Variance | % Received | Amount | % |
| Secured Property | $57,966,998 | $30,220,695 | ($27,746,303) | 52.13% | $50,018,636 | $28,546,920 | ($21,471,716) | 57.07% | 1,673,775 | 5.86% |
| Redemptions -Regular | 668,140 | 317,903 | (350,237) | 47.58% | 1,443,800 | 390,388 | (1,053,412) | 27.04% | (72,485) | -18.57% |
| Supplemental Taxes | 1,400,000 | 741,314 | (658,686) | 52.95% | 1,100,000 | 719,601 | (380,399) | 65.42% | 21,713 | 3.02% |
| Unsecured Property Taxes | 2,500,000 | 2,483,983 | (16,017) | 99.36% | 2,767,684 | 2,352,744 | (414,940) | 85.01% | 131,239 | 5.58% |
| Property Transfer Tax | 12,500,000 | 11,911,150 | (588,850) | 95.29% | 12,500,000 | 10,773,512 | (1,726,488) | 86.19% | 1,137,638 | 10.56% |
| Sales Taxes | 18,140,977 | 9,399,650 | (8,741,327) | 51.81% | 18,000,000 | 8,901,161 | (9,098,839) | 49.45% | 498,489 | 5.60% |
| Soda Taxes (new in May 2015) | 1,500,000 | 818,879 | (681,121) | 54.59% | 1,721,456 | 740,610 | (980,846) | 43.02% | 78,269 | 10.57% |
| Utility Users Taxes | 15,000,000 | 6,307,679 | (8,692,321) | 42.05% | 14,282,375 | 7,130,469 | (7,151,906) | 49.92% | (822,790) | -11.54% |
| Transient Occupancy Taxes | 7,800,000 | 4,331,381 | (3,468,619) | 55.53% | 8,769,633 | 4,022,524 | (4,747,109) | 45.87% | 308,857 | 7.68% |
| Short-term Rentals | 840,000 | 870,987 | 30,987 | 103.69% | 800,000 | 35,332 | (764,668) | 4.42% | 835,655 | 2365.15% |
| Business License Tax, ex Recr. Cannabis | 18,360,000 | 1,381,343 | (16,978,657) | 7.52% | 17,651,191 | 1,637,688 | (16,013,503) | 9.28% | (256,345) | -15.65% |
| Recreational Cannabis | 500,000 | 267,674 | (232,326) | 53.53% | - | - | 0 | - | 267,674 | - |
| U1 revenues | 1,000,000 | 166,131 | (833,869) | 16.61% | 650,000 | 68,343 | (581,657) | 10.51% | 97,788 | 143.08% |
| Other Taxes | 1,889,800 | 757,746 | (1,132,054) | 40.10% | 1,466,381 | 683,583 | (782,798) | 46.62% | 74,163 | 10.85% |
| Vehicle In-Lieu Taxes | 12,381,128 | 6,241,142 | (6,139,986) | 50.41% | 10,320,402 | 5,879,550 | (4,440,852) | 56.97% | 361,592 | 6.15% |
| Parking Fines-Regular Collections | 5,818,123 | 3,614,649 | (2,203,474) | 62.13% | 6,299,322 | 3,264,087 | (3,035,235) | 51.82% | 350,562 | 10.74% |
| Parking Fines-Booting Collections | 200,000 | 97,879 | (102,121) | 48.94% | 204,000 | 115,710 | (88,290) | 56.72% | (17,831) | -15.41% |
| Moving Violations | 235,000 | 64,055 | (170,945) | 27.26% | 239,770 | 97,117 | (142,653) | 40.50% | (33,062) | -34.04% |
| Ambulance Fees | 4,613,194 | 2,127,332 | (2,485,862) | 46.11% | 4,823,720 | 2,113,838 | (2,709,882) | 43.82% | 13,494 | 0.64% |
| Interest Income | 2,500,000 | 1,399,709 | (1,100,291) | 55.99% | 2,211,000 | 1,617,767 | (593,233) | 73.17% | (218,058) | -13.48% |
| Franchise Fees | 1,984,643 | 467,254 | (1,517,389) | 23.54% | 1,955,314 | 518,412 | (1,436,902) | 26.51% | (51,158) | -9.87% |
| Other Revenue | 7,620,152 | 3,985,112 | (3,635,040) | 52.30% | 5,916,158 | 3,206,450 | (2,709,708) | 54.20% | 778,662 | 24.28% |
| IDC Reimbursement | 4,952,317 | 2,448,433 | (2,503,884) | 49.44% | 4,553,189 | 2,827,184 | (1,726,005) | 62.09% | (378,751) | -13.40% |
| Transfers | 4,385,568 | 1,316,665 | (3,068,903) | 30.02% | 5,197,771 | 2,183,613 | (3,014,158) | 42.01% | (866,948) | -39.70% |
| | | | | | | | | | | |
| **Total Revenue:** | **$184,756,040** | **$91,738,745** | **$93,017,295** | **49.65%** | **$172,891,802** | **$87,826,608** | **$85,065,199** | **50.80%** | **$3,912,142** | **4.45%** |

The information below outlines the variances in key revenue areas.

- Secured property tax increased 5.86 percent compared with the same period in FY 2018. This is less than the 6.9 percent increase in FY 2019 assessed values reported by the County. Since the Adopted Budget assumed an increase of 5.0 percent, the projection for this revenue source is being monitored and might be increased by about 1 percent from $57.8 million to reflect that increase in assessed values.

- Property transfer tax is trending 10.56 percent more than the same period last fiscal year. The number of property transactions decreased by 12 or 2.1 percent. However, the average sales price increased by $246,041 or 12.1 percent.

According to Council's fiscal policy, $12.5 million is to be included in the General Fund operating baseline. Any excess above $12.5 million will be transferred to the Capital Improvement Fund. Staff is closely monitoring this revenue source for a possible increase in the revenue projection.

- Sales tax revenue for the first half of FY 2019 is 5.6 percent more than the first half of FY 2018. Staff is monitoring this revenue source closely for a possible increase in the projection. The City's Sales Tax consultant will not have the details of year-over-year revenue changes by revenue segment until late March 2019. Because of that, Staff is currently unable to determine the segments that account for the increase

- Utility Users Taxes revenue for the first half of FY 2019 totaled $6,307,679, which is $822,790 or 11.54 percent less than the $7,130,469 received for the first half of FY 2018. The decrease in the first half of FY 2019 is attributable to a decrease in gas and electricity receipts totaling $1,046,278. Staff is investigating the shortfall, and also attempting to determine any potential effects of the PG&E filing bankruptcy recently. Finance staff requested an explanation from PG&E and received the following response about the UUT variance and future payments of UUT and Franchise Fees: "We will get back to you by the end of March with an analysis on the variance between July-December for FY 2019 vs. FY 2018. Additionally, PG&E is continuing operations while under Chapter 11, and therefore we expect to continue to meet our future franchise fee and utility users' tax and similar obligations to cities and counties, as normal."

- Transient Occupancy Tax (TOT) revenue for the first half of FY 2019 totaled $4,331,381 which is $308,857 or 7.68 percent more than the $4,022,524 received for the first half of FY 2018. The reasons for the increase in revenue in FY 2019 are that (1) The actual increase was $185,878 or 4.4 percent, instead of $308,857 or 7.7 percent, due to the November 2017 receipt totaling $122,979 for one of the five largest hotels being recorded in period seven instead of period six; (2) The remittances from the five largest hotels increased $133,919 or 4.1 percent in the first half of FY 2019, with increases ranging between .12 percent and 5.83 percent

- Business License Taxes decreased by $256,345 or 15.7 percent in the first half of FY 2019 to $1,381,343 from $1,637,687 for the same period in FY 2018. This increase primarily reflects the timing of the processing of Business License Tax remittances. It is too early to determine the performance of this revenue source as the deadline for payments is February 28th. Staff will monitor the revenue receipts closely.

- Vehicle In-Lieu Taxes increased by $361,592 or 6.1 percent in the first half of FY 2019 to $6,241,142 from $5,879,550 for the same period in FY 2018. This is consistent with the 6.9 percent increase in FY 2019 assessed values reported by the County. Since the Adopted Budget assumed an increase of 5.0 percent, the projection for this revenue source is being monitored and might be increased by about 1 percent from $12,381,128 to reflect that increase in assessed values.

- Parking fines revenue for the first half of FY 2019 totaled $3,614,649 which is $350,562 or 10.7 percent more than the $3,264,087 received for the first half of FY 2018. This is partially attributable to an increase of 3,571 tickets issued, from 71,638 in the first half of FY 2018 to 75,209 issued in the first half of FY 2019. Staff continues to monitor this revenue closely.

- For the first half of FY 2019, interest income totaled $1,399,745 which is $218,022 or 13.4 percent less than the total of $1,617,767 received for the same period in FY 2018. This decline is primarily attributable to the City holding a much larger balance of the Fidelity Money Market Fund in FY 2018, which makes interest payments on a monthly basis versus a larger holding of longer-term securities in FY 2019, which make payments on a semi-annual basis.

- For the first half of FY 2019, other income totaled $3,985,112 which is $778,662 or 24.3 percent more than the total of $3,206,450 received for the same period in FY 2018. This increase is primarily due to an increase of $305,733 in reimbursements for mutual aid for the 2017 wildfire; an increase of $83,347 in preferential parking fees; an increase of $42,934 in fire inspection services; an increase of $34,111 in rents; an increase of $40,025 in Police Support Services charges for miscellaneous services; and an increase of $44,446 in miscellaneous property tax allocations

- Indirect cost reimbursement for the first half of FY 2019 totaled $2,448,433 which is $378,751 or 13.3 percent less than the $2,827,184 received for the first half of FY 2018. This is primarily attributable to decreases in the following funds: Street Light Assessment District ($9,264); Zero Waste ($167,312); Marina ($66,548); Sanitary Sewer ($133,218); Clean Storm Water ($35,049). These decreases were partially offset by increases in the following funds: CDBG ($7,272); and Permit Service Center ($40,963). Indirect cost 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. During the period reported, a decrease in salaries recorded was the primary cause of the decline in indirect cost reimbursements.

**General Fund Expenditures**
On November 27, 2018, the City Council approved General Fund recommended rollovers, carryovers, and adjustments totaling $40.9 million in the Amendment to the FY 2019 Annual Appropriations Ordinance[3] (AAO).

The changes to the FY 2019 General Fund Budget from the AAO are shown below:

| FY 2019 Adopted Budget | Encumbered Recommended | Unencumbered Recommended | Other Adjustments | FY 2019 Revised Budget |
|---|---|---|---|---|
| $ 184,250,048 | $ 5,455,350 | $ 4,986,454 | $ 30,526,753 | $ 225,218,605 |

The encumbered rollovers reflect contractual obligations entered into in FY 2018, which had not been paid as of June 30, 2018. Unencumbered carryovers are approved by Council for specific purposes that had not be completed by the end of FY 2018. Funding for these commitments is brought forward into the current fiscal year to provide for payment of these obligations. Adjustments are new allocations for projects and Council priorities as detailed in the AAO.

Included in the total adjustments of $30.5 million are Council authorized $21.4 million in FY 2018 General Fund Excess Equity allocations for the following items:

1. Pursuant to the adopted General Fund Reserve Policy, allocate $10,180,000 to the General Fund Reserves as follows ($5.60 Million to the Stability Reserve Fund and $4.58 Million to the Catastrophic Reserve Fund);

2. Allocate $1,500,000 to be reserved for Negotiated COLAs in Bargaining Unit Memoranda Agreements;

3. Allocate $4,000,000 to the CALPERS Section 115 Supplemental Trust to address Unfunded Liabilities;

4. Allocate the remaining $5.67 Million in Unassigned Excess Equity as follows:

   - $200,000 for a Temporary Staff Position to support the Undergrounding Project
   - $100,000 for Secure Storage at an additional location
   - $1,500,000 to fully fund the Enterprise Resource Software Project
   - $117,737.50 (half from GF, remainder from Permit Fund) for a 2-year Senior Planner for the LRDP project and other Land Use Planning work
   - $400,000 for Traffic Calming at the California and Dwight Intersection (Dist 3 and 4)

[3] https://www.cityofberkeley.info/Clerk/City_Council/2018/12_Dec/Documents/2018-12-4_Item_B__FY_2019_Annual_Appropriations.aspx

- $100,000 for a Pedestrian Activated Crosswalk at Cedar/Rose Park (District 1)
- $100,000 for a Pedestrian Activated Crosswalk at Grant and University (Dist 4 and 1)
- $50,000 for a Rectangular Rapid Flashing Beacons (RRFB) at Eton and Claremont (Partially Funded, District 8)
- $50,000 for a RRFB at Claremont and Russell (Partially Funded, District 8)
- $200,000 for the Hopkins Corridor Study (District 5)
- $575,000 set aside for implementation of Fire Safety, Education, Prevention and Disaster Preparedness Recommendations
- $50,000 for RFP to address gaps for marginalized youth in Berkeley
- $25,000 to extend the hours that the Frances Albrier Community Center is open
- $86,924 to pay full city Minimum Wage to YouthWorks employees for FY 2019
- $250,000 to fully fund Environmental Impact Report for Southside area land use changes (implementing the More Student Housing Now Resolution).
- $1,820,338.50 to repay the Workers Compensation Fund for payment of part of the outstanding principal for the purchase of the 1001, 1007, 1011 University and 1925 Ninth Street properties
- $25,000 for project manager for major planning initiatives: Pacific Steel Casting and North Berkeley BART
- $20,000 for Age Friendly Berkeley Study

General Fund expenditures are tracking under budget as of December 31, 2018 as shown in the chart below. This is primarily due to salary savings and funds that were added as part of the AAO that were not spent yet.  Departments that are tracking over 50 percent spent is due to encumbrances for contractual obligations entered into in FY 2019 in which payment might not be currently due as good or services might be in progress or not yet complete.

| FY 2019 MID-YEAR GENERAL FUND EXPENDITURES (AS OF DECEMBER 31, 2018) | | | | |
|---|---|---|---|---|
| DEPARTMENT | FY 2019 ADOPTED | FY 2019 REVISED | YTD ACTUALS + ENCUMBRANCES | % USED |
| 11 MAYOR AND COUNCIL | 2,020,693 | 2,007,648 | 946,552 | 47 |
| 12 CITY AUDITOR | 2,322,174 | 2,361,661 | 981,418 | 42 |
| 13 RENT STABILIZATION BOARD | 0 | 306,640 | 306,640 | 100 |
| 21 CITY MANAGER'S OFFICE | 10,109,574 | 11,706,818 | 5,393,323 | 46 |
| 31 CITY ATTORNEY | 2,186,657 | 2,189,679 | 1,070,750 | 49 |
| 32 CITY CLERK | 2,534,266 | 2,607,068 | 1,079,151 | 41 |
| 33 FINANCE | 6,080,806 | 7,110,935 | 3,232,679 | 46 |
| 34 HUMAN RESOURCES | 2,016,349 | 2,294,837 | 1,024,604 | 45 |
| 35 INFORMATION TECHNOLOGY | 7,711,017 | 3,243,574 | 651,653 | 20 |
| 51 HEALTH, HSG & COMMUNITY SVC | 14,766,894 | 20,227,292 | 6,912,937 | 34 |
| 52 PARKS, RECREATION & WATERFR | 5,747,738 | 6,119,439 | 2,973,317 | 49 |
| 53 PLANNING & DEVELOPMENT | 1,975,461 | 2,203,625 | 769,932 | 35 |
| 54 PUBLIC WORKS | 3,307,978 | 4,397,863 | 2,418,641 | 55 |
| 71 POLICE | 62,219,080 | 62,655,296 | 30,018,434 | 48 |
| 72 FIRE & EMERGENCY SERVICES | 31,800,695 | 32,683,719 | 16,149,374 | 49 |
| 99 NON DEPARTMENTAL | 29,450,664 | 62,678,630 | 34,910,118 | 56 |
| **Grand Total** | **184,250,046** | **224,794,724** | **108,839,523** | **48** |

Additional information of the General Fund revenues and expenditures will be presented in May with the FY 2020 & FY 2021 Proposed Biennial Budget. Final FY 2019 year-end General Fund revenues and expenditures information will be included in the **FY 2019 Year-End Report and FY 2020 First Quarter Update** that will be presented to Council in November 2019.

### All Funds Expenditures

The General Fund comprises 36.6 percent of the total adjusted budget. The rest of the budget consists of various Special Funds. Special Funds are collected for a specific purpose; therefore, are not discretionary.  Only costs associated with the Special Fund activity may be charged to a Special Fund. Included in the FY 2019 Mid-Year All Fund Expenditures by Department chart below are both the General Fund expenditures to date and the Special Funds expenditures to date. On an All Funds basis, the City is tracking under budget as of December 31, 2018 as can be seen in the following chart:

| FY 2019 MID-YEAR ALL FUNDS EXPENDITURES AS OF DECEMBER 31, 2018 | | | | |
|---|---|---|---|---|
| DEPARTMENT | FY 2019 ADOPTED | FY 2019 REVISED | YTD ACTUALS + ENCUMBRANCES | % USED |
| 11 MAYOR AND COUNCIL | 2,020,693 | 2,007,648 | 946,552 | 47 |
| 12 CITY AUDITOR | 2,419,749 | 2,459,236 | 1,046,790 | 43 |
| 13 RENT STABILIZATION BOARD | 5,231,605 | 5,588,210 | 2,664,293 | 48 |
| 21 CITY MANAGER'S OFFICE | 13,767,449 | 17,086,037 | 9,032,208 | 50 |
| 22 BERKELEY PUBLIC LIBRARY | 23,333,610 | 24,292,997 | 10,038,568 | 41 |
| 31 CITY ATTORNEY | 4,224,401 | 5,314,974 | 2,895,147 | 55 |
| 32 CITY CLERK | 2,534,266 | 2,607,068 | 1,079,151 | 41 |
| 33 FINANCE | 7,924,435 | 9,065,650 | 4,008,489 | 44 |
| 34 HUMAN RESOURCES | 3,888,726 | 4,201,062 | 1,823,217 | 43 |
| 35 INFORMATION TECHNOLOGY | 17,537,825 | 26,516,771 | 12,554,342 | 37 |
| 51 HEALTH, HSG & COMMUNITY SVC | 49,197,874 | 64,826,959 | 26,755,312 | 41 |
| 52 PARKS, RECREATION & WATERFR | 28,150,223 | 46,349,709 | 23,402,759 | 47 |
| 53 PLANNING & DEVELOPMENT | 21,372,934 | 22,884,069 | 8,958,720 | 39 |
| 54 PUBLIC WORKS | 115,819,678 | 177,187,343 | 99,797,357 | 47 |
| 71 POLICE | 67,277,591 | 68,158,848 | 32,164,689 | 47 |
| 72 FIRE & EMERGENCY SERVICES | 40,008,265 | 41,329,058 | 20,738,500 | 50 |
| 99 NON DEPARTMENTAL | 56,940,782 | 93,767,950 | 65,529,065 | 67 |
| **Grand Total** | **461,650,106** | **613,643,588** | **323,435,157** | **49** |

Health, Housing, & Community Services, Parks, Recreation & Waterfront, and Public Works carried over funds for projects and grant started in FY 2018. These departments also appropriated new grant funds that support programs and services as well as special funds for capital improvements. Details of these carryover requests can be found in the November 27, 2018, Amendment to the FY 2019 Annual Appropriations Ordinance[4] (AAO) discussed earlier in this report.

**Next Steps:**

The FY 2020 & FY 2021 Budget Development process began in December with the budget instructions being issued to departments. Departments have prepared their budget submittals and have been meeting with the City Manager. The information gathered from these meeting is being used to develop budget recommendations to be included in the FY 2020 & FY 2021 Proposed Biennial Budget.

The table below outlines key Council meeting dates at which budget information will be provided.

[4] https://www.cityofberkeley.info/Clerk/City_Council/2018/11_Nov/Documents/2018-11-27_Item_45_Amendment_FY_2019_Annual.aspx

| FY 2020 & FY 2021 Proposed Budget Calendar | |
|---|---|
| **Date** | **Action/Topic** |
| March 19, 2019 | • Projection of Future Liabilities<br>• FY 2019 Mid-Year Update |
| TBD | • Department Budget & Capital Improvement Program Presentations to Budget & Finance Policy Committee and City Council |
| April 23, 2019 | • Public Hearing on CDBG & ESG Annual Action Plan and proposed funding allocations to community agencies |
| May 7, 2019 | • FY 2020 & FY 2021 Proposed Biennial Budget |
| May 14, 2019 | • Public Hearing #1: Budget<br>• FY 2019 Annual Appropriations Ordinance Amendment #2<br>• Proposed Fee Increases<br>• Council Budget Referrals due to City Manager |
| May 28, 2019 | • Public Hearing #2: Budget<br>• Council recommendations on budget due to the City Manager |
| June 11, 2019 | • Council discussion on budget recommendations |
| June 25, 2019 | • Adopt FY 2020 & FY 2021 Biennial Budget and the FY 2020 Appropriations Ordinance |

The FY 2019 Mid-Year Budget Update is a Strategic Plan Priority, advancing our goal to provide an efficient and financially-healthy City government.

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, Finance Director, Department of Finance, 981-7300
Rama Murty, Senior Management Analyst, City Manager’s Office, 981-7000

Office of the City Manager

WORKSESSION
March 19, 2019

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Andrew Greenwood, Chief of Police

Subject: 2018 Annual Crime Report

## INTRODUCTION

At the request of City Council, the City Manager provides regular reports on crime in Berkeley and strategies undertaken by the Berkeley Police Department to safeguard our community. This report includes 2018 Part One crime information, as well as recent organizational developments and changes initiated within the Berkeley Police Department in 2018.

## CURRENT SITUATION AND ITS EFFECTS

In 2018, total Part One crime in Berkeley decreased by 10.5% overall**.** Part One Property Crimes decreased by 10.4% (630 crimes) and Part One Violent Crime decreased by 11.9% (80 crimes).

Decreases in Part One Crimes were seen in Homicide, Rape, Robbery, Aggravated Assault, Burglary, Larceny (Grand Theft, Petty Theft and Auto Burglary) and Auto Theft. Although there were no increases seen in the Part One Crime Categories, the Arson numbers were flat year over year while Burglary and Robbery were only down slightly as compared to last year.

### Homicides

There were no homicides in Berkeley during 2018.

### Robberies

Robberies decreased by 2.5% with 355 incidents as compared to 364 in 2017. This year's number reflects a significant decrease in pedestrian robberies but also a corresponding increase in commercial robberies. The majority of commercial robbery incidents are actually shoplift crimes that turn into strong arm robberies after a struggle ensues. After a decrease early in the year, laptop computer thefts/robberies increased in the second half of the year and ended slightly higher for the year overall.

Aggravated Assaults
Aggravated Assaults decreased 22% in 2018, with 170 reports, compared to 218 in 2017. Last year we reported that we believed the various political protests in 2017 contributed to the increase in Aggravated Assaults for 2017. This year's numbers proved to be more comparable to previous years.

Rape
Reported rapes decreased 25% in 2018, with 65 reports as compared to 87 in 2017.

Burglary, Larceny and Auto Theft
Burglaries were essentially flat (down 1%) compared to 2017. Residential burglaries decreased by 6% while commercial burglaries increased by 11%. Larcenies decreased by 12% to 4007 cases as compared to 4556 in 2017. The larceny figures include Auto Burglary which decreased 17.5% from 2107 cases in 2017 to 1739 cases in 2018. Auto Thefts decreased 11.5% from 619 cases in 2017 to 548 this year.

Arson
Reported arsons ended 2018 identical to 2017 with 33 reported incidents. Seven of this year's incidents were attributed to a serial arsonist who was arrested in late January. We reported on this arrest during the midyear report as well. Most of the arson incidents were minor incidents.

**Data**
Data on serious crime is collected annually by the Federal Bureau of Investigation (FBI) from over 17,000 law enforcement agencies representing over 90% of the U. S. population. The FBI's primary objective in the Uniform Crime Report (UCR) is to generate a reliable set of crime statistics for use in law enforcement administration, operation, and management in the United States. The UCR tracks the following crimes:

| Violent Crimes | Property Crimes |
|---|---|
| Murder | Burglary |
| Rape | Larceny (petty and grand theft, auto burglary) |
| Robbery | Auto Theft |
| Aggravated Assault | Arson* |

**Arson is a UCR crime tracked separately from violent and property crime. It is included in the accompanying graphs.*

The UCR data provides the Berkeley Police Department the ability to analyze national and local crime trends, determine the effectiveness of response to crime, and conduct future planning and potential resource allocation. The FBI UCR handbook discourages using UCR statistics to compare crime rates of one jurisdiction to another because of the complex variables affecting crime and crime reporting practices.

**BPD Strategies and Accomplishments**

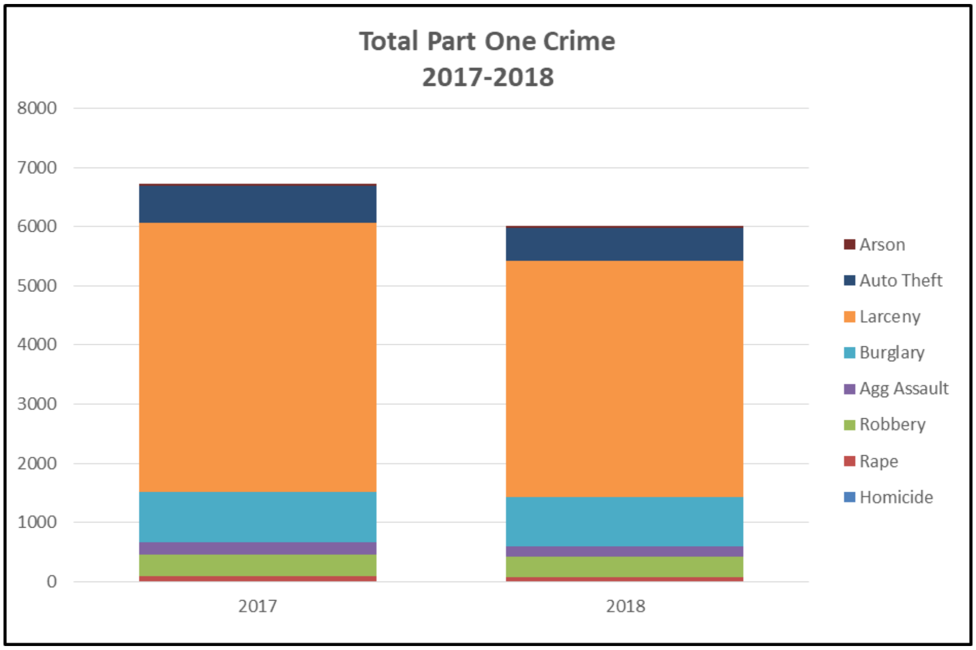
Each year, the Berkeley Police Department seeks to continually reduce Part One Crimes and increase community safety. Our fundamental strategic priorities are to effectively address crime and safety, engage our community, improve the wellness and resiliency of our employees, use technology smartly to support our work, and to maintain a high level of professionalism, through training, policy and supervision. The Department's work complements and supports several of our City's Strategic Plan Goals, including working towards a resilient, safe, connected and prepared city; being a customer-focused organization that provides excellent, timely, easily-accessible service and information to the community, and attracting and retaining a talented and diverse City work force. Despite major staffing challenges in 2018, work in these areas yielded many significant accomplishments:

- Focused resources on gun crimes and shooting investigations, resulting in arrests for numerous shooting incidents;
- Implemented Department-wide Body Worn Camera Program;
- Completed major upgrade of Computer Aided Dispatch system;
- Implemented NARCAN Program;
- Issued smartphones featuring custom and law enforcement apps to enhance officer efficiency and effectiveness;
- Created Recruitment and Hiring Team dedicated to increasing staffing and creating resources needed to hire more people amidst a highly competitive environment;
- Conducted operations focused on laptop thefts, bicycle thefts;
- Staffed overtime patrols in the downtown;
- Supported City staff to conduct peaceful encampment resolutions;
- Supported third straight year of Law and Social Justice at Berkeley High School; began work on an advanced, second year of instruction for seniors, which will better prepare students for careers in criminal justice—potentially with the Berkeley Police Department.
- Engaged our community with numerous events, including monthly “Coffee with a Cop” gatherings, a Barbershop Forum, celebrated Pride month and again participating in the Pride Parade, had our first-ever Pink Patch Project in support of breast cancer awareness, and our National Night Out celebration;
- Trained city staff and others during numerous Active Shooter Survival Training sessions;
- Supported employee wellness and resilience through healthy food snacks, healthy choice vending machines, access to healthy prepared meal service, access to mindfulness based stress reduction training via a commercial app, and availability of one-on-one fitness coaching;
- Joined the Alameda County Sexual Assault Felony Enforcement (SAFE) Task Force, which enhances community safety through focus on predatory sex offenders and conducting compliance enforcement on registered sex offenders.

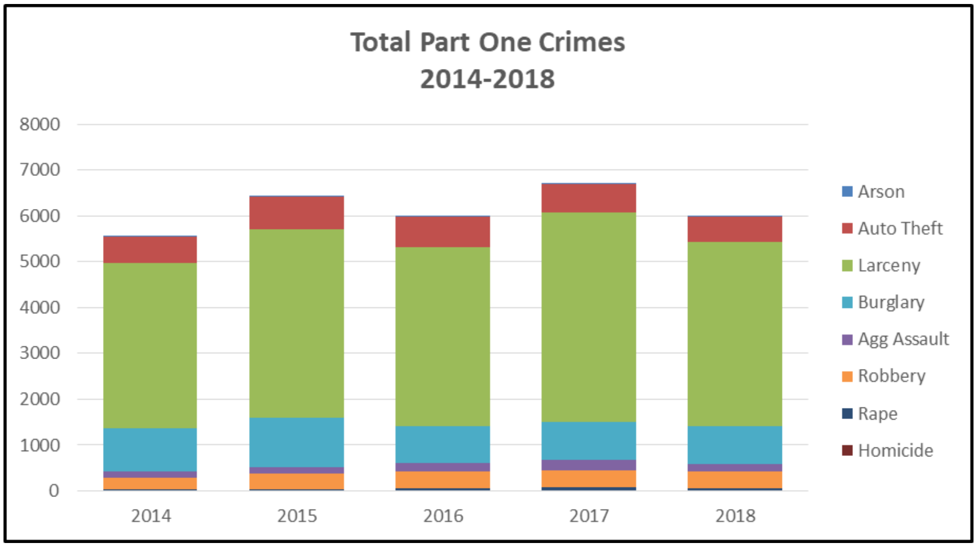
Attached to this report are the annual totals of UCR data for Part One Violent and Property Crimes for 2017 and 2018 in Berkeley, as well as five-year trends in Part One Violent Crimes and Part One Property Crimes.

Graphs below include:

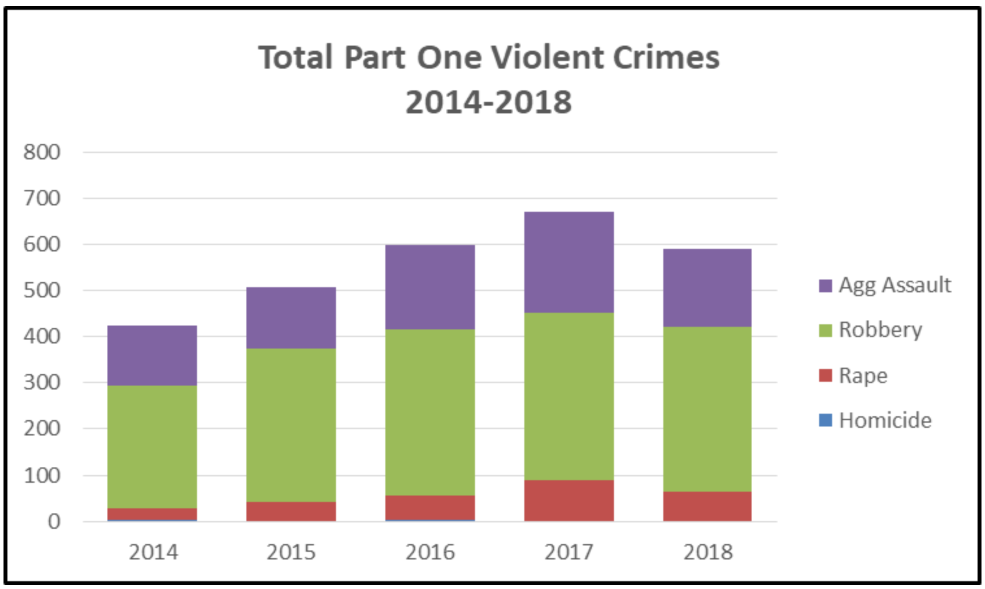
- UCR Part One Violent and Property Crime, two year trend
- UCR Part One Violent and Property Crime, five year trend
- UCR Part One Violent Crime, five year trend
- UCR Part One Property Crime, five year trend



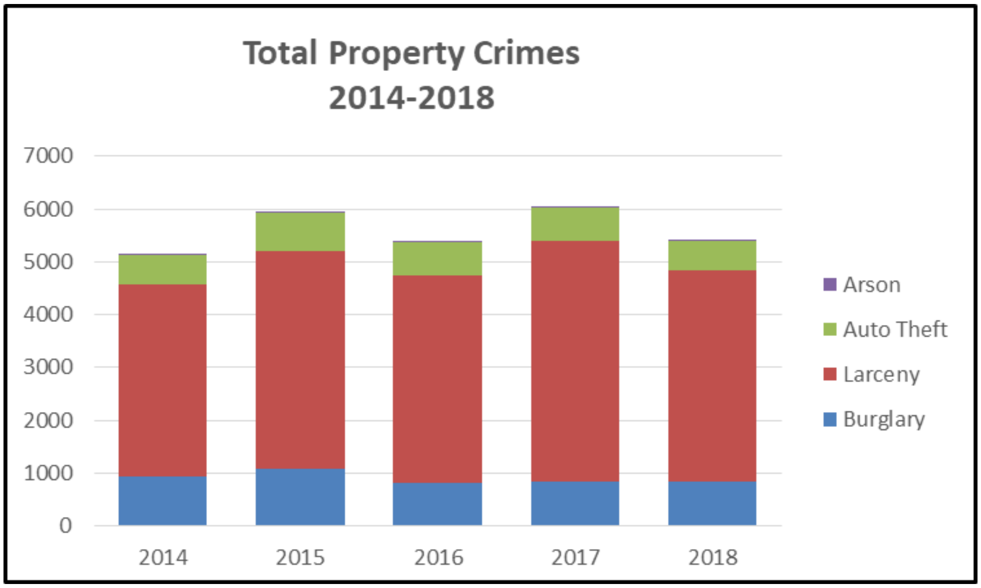

| | Homicide | Rape | Robbery | Agg Assault | Burglary | Larceny | Auto Theft | Arson |
|---|---|---|---|---|---|---|---|---|
| 2017 | 1 | 87 | 364 | 218 | 841 | 4556 | 619 | 33 |
| 2018 | 0 | 65 | 355 | 170 | 831 | 4007 | 548 | 33 |




| | Homicide | Rape | Robbery | Agg Assault | Burglary | Larceny | Auto Theft | Arson |
|---|---|---|---|---|---|---|---|---|
| 2014 | 3 | 25 | 265 | 132 | 934 | 3624 | 556 | 16 |
| 2015 | 1 | 41 | 331 | 135 | 1089 | 4118 | 713 | 20 |
| 2016 | 2 | 53 | 362 | 182 | 803 | 3927 | 647 | 20 |
| 2017 | 1 | 87 | 364 | 218 | 841 | 4556 | 619 | 33 |
| 2018 | 0 | 65 | 355 | 170 | 831 | 4007 | 548 | 33 |




| | Homicide | Rape | Robbery | Agg Assault |
|---|---|---|---|---|
| 2014 | 3 | 25 | 265 | 132 |
| 2015 | 1 | 41 | 331 | 135 |
| 2016 | 2 | 53 | 362 | 182 |
| 2017 | 1 | 87 | 364 | 218 |
| 2018 | 0 | 65 | 355 | 170 |




| | Burglary | Larceny | Auto Theft | Arson |
|---|---|---|---|---|
| 2014 | 940 | 3622 | 559 | 16 |
| 2015 | 1089 | 4118 | 713 | 20 |
| 2016 | 803 | 3927 | 647 | 20 |
| 2017 | 841 | 4556 | 619 | 33 |
| 2018 | 831 | 4007 | 548 | 33 |

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental opportunities or impacts associated with the subject of this report.

cc: Andrew Greenwood, Chief of Police

Councilmember Ben Bartlett

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CONSENT CALENDAR

To: Honorable Mayor and Members of the City Council
From: Councilmember Ben Bartlett
**Subject: Berkeley Qualified Opportunity Fund**

TITLE/ Subject
Creation of a Municipal Qualified Opportunity Fund to invest in Berkeley's Qualified Opportunity Zones

RECOMMENDATION
Short Term Referral to Planning Commission
City Manager
City Economic Development Officer
Housing Advisory Commission
Office of Economic Development

That the City Council create a municipal Qualified Opportunity Fund to invest in Qualified Opportunity Zones to stimulate economic growth and develop more affordable housing in Berkeley. The Opportunity Fund and related development of Opportunity Zones will serve the goals of shared economic development, more affordable housing, and economic inclusion by incentivizing investors to direct capital gains toward economically vulnerable neighborhoods in Berkeley while allowing the city to stipulate conditions on the structures built and jobs created.

Qualified Opportunity Funds give investors the opportunity to delay capital gains taxes by investing in property sited in Qualified Opportunity Zones. After holding the investment for five years investors, can exclude 10% of the deferred gain, After seven years investors can exclude 15% of the deferred gain, and after ten years 100% of the post-acquisition gain. and after ten years investors can exclude from income the post-acquisition gain.[1].

Creating a Municipal Qualified Opportunity Fund will give the City of Berkeley a means of enhancing the existing Opportunity Zone Legislation. A Berkeley Opportunity Fund enables the City to compete with market driven investment by offering alternative models of community-centric, equitable investment in neighborhoods. A Berkeley QOF would feature:
1) Enhanced affordability requirements
2) Growth in good jobs and business opportunities for historically disadvantaged groups

CURRENT SITUATION
Specific areas of Berkeley have been selected by the State of California and certified by the U.S. Treasury Department as Qualified Opportunity Zones. The State of California selected these zones

[1] https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions

in economically-distressed areas. Provided investors meet certain requirements, they can defer capital gains taxes and eventually the tax on value appreciation when investing in these zones.

BACKGROUND

The Tax Cuts and Jobs Act created a vehicle for individuals to invest in their communities while realizing tax savings. When an individual sells an investment which generates capital gains, that person can invest any portion of those gains into a Qualified Opportunity Fund within 180 days. The deferred capital gains will be taxed on the date the investment in the Qualified Opportunity Fund is sold, or on December 31, 2026, whichever comes first. Qualified Opportunity Funds must invest, either directly or indirectly, in distressed communities designated as Qualified Opportunity Zones by the IRS[2]. Such zones in Berkeley that have been designated by the California Department of Finance as qualified Opportunity Zones include the Alameda County tract numbers 4232, 4235, 4239.01, and 4525. These areas include several blocks surrounding Shattuck Avenue from University Avenue to Ashby Avenue, several streets surrounding Adeline Street until 52nd Street (often referred to as the "Adeline Corridor"), and a rectangular shape of land bordering University Avenue north and San Pablo Avenue to the east and terminating at Dwight Way[3].

Qualified Opportunity Funds can be invested into specific Qualified Opportunity Zones which have been selected by the Internal Revenue Service and state governments across the United States. Qualified Opportunity Zones are eligible investments for Qualified Opportunity Funds anywhere within the state they exist, and from other parts of the U.S. By establishing a municipal Qualified Opportunity Fund, the city of Berkeley will take a proactive approach to its development and be able to tailor that development to meet the specific needs of current Berkeley residents.

Investors can defer capital gains which are invested into Qualified Opportunity Funds. Moreover, investments in Qualified Opportunity Funds held longer than 5 years allow taxpayers to exclude 10% of the deferred gain, those held longer than 7 years allow taxpayers to exclude a total of 15% of the deferred gain, and those held longer than 10 years allow the taxpayer to exclude the post-acquisition gain on the investment in the Funds.

These new Qualified Opportunity Funds are not without critiques, however. As structures in the Qualified Opportunity Zones become replaced or refurbished and the neighborhood itself becomes more appealing, there is a risk that housing prices will rise, driving out the existing low-income residents and people of color in Berkeley. Furthermore, locally-owned small businesses could face increased competition from large franchises and may also be unable to meet rising rental costs from the developing Qualified Opportunity Zones. New locations of existing franchised businesses may bring new jobs, but those jobs may not pay a living wage or benefits that allow Berkeley workers to support themselves. In short, the city of Berkeley must also leverage the creation of the Qualified Opportunity Fund to ensure that current Berkeley residents living in Qualified Opportunity Zones are able to benefit from the revitalized and new buildings.

The City of Berkeley should consider the following policies in the creation of a Qualified Opportunity Fund to protect current Berkeley residents from adverse effects of the expected development:

1) Leverage tax incentives to ensure jobs created in Qualified Opportunity Zones go to local residents, pay a liveable wage, and offer worker protections and benefits that protect families

[2] https://www.congress.gov/bill/115th-congress/house-bill/1
[3] https://opzones.ca.gov/oz-map/

2) Ensure historically disadvantaged businesses have access to contracting opportunities in Qualified Opportunity Zones
3) Require 50% of housing built in Qualified Opportunity Zones to be affordable to those making less than median area income to support local inhabitants already living in Qualified Opportunity Zones
4) Ensure that populations in Qualified Opportunity Zones have access to critical services such as healthcare, transportation, healthy food, and quality education services
5) Take steps to include historically underrepresented groups in every aspect of the QOZ process including investment, construction, operation, and purchase.

REVIEW OF EXISTING PLANS, PROGRAMS, POLICIES, LAWS

Qualified Opportunity Funds and Zones were created as part of the Tax Cuts and Jobs Act of 2017.

ACTIONS/ALTERNATIVES CONSIDERED

Because Qualified Opportunity Funds and Zones are new, there are other jurisdictions to draw from as an example.

CONSULTATION/OUTREACH OVERVIEW AND RESULTS

External stakeholders include residents and businesses in the Qualified Opportunity Zones, their neighbors, potential investors, and contractors. Internal stakeholders include the Berkeley City Office of Economic Development, City Manager, City Planner, and Zoning Advisory Board.

RATIONALE FOR RECOMMENDATION

Qualified Opportunity Funds can exist independently of a municipal Fund set up by the city of Berkeley. It is legal, however, for the city to set up its own Qualified Opportunity Fund to compete with other Funds to invest in Qualified Opportunity Zones. If the city sets up its own Fund it can direct investments in a deliberate manner, using its municipal Qualified Opportunity Fund to set de facto housing and planning policy through which properties it invests in and how it chooses to renovate those properties. Creating a municipal Qualified Opportunity Fund will give the city of Berkeley greater influence over how investments into its neighborhoods are directed, and how those neighborhoods develop. This is an avenue through which the goals of economic inclusion, affordable housing, and continued neighborhood authenticity and character can be achieved.

Investors can and will create Qualified Opportunity Funds to invest in Berkeley’s Qualified Opportunity Zones independent of a municipal Qualified Opportunity Fund. The purpose of creating a municipal Qualified Opportunity Fund is to allow the city of Berkeley to centralize and focus investments into the city, leveraging those investments to ensure current Berkeley residents realize the benefits of Qualified Opportunity Zones. The San Francisco Bay Area has a large community of impact investors, those desiring their investments to benefit communities, and a municipal Qualified Opportunity Fund will serve as a vehicle to centralize and direct these investments.

IMPLEMENTATION, ADMINISTRATION AND ENFORCEMENT

The City of Berkeley would create a Qualified Opportunity Fund to serve as a “bucket” for funds to invest in Qualified Opportunity Zones designated by the State of California and certified by the U.S. Treasury Department.

ENVIRONMENTAL SUSTAINABILITY
Creating a municipal Qualified Opportunity Fund will allow the city of Berkeley more influence in how Qualified Opportunity Zones are developed.  Though new construction and renovation can offer environmental risks and hazards, the City can use Qualified Opportunity Funds to set specific terms for development, such as requiring buildings be carbon neutral.  Thus, establishing a Qualified Opportunity Fund could yield a positive environmental effect relative to allowing purely independent Qualified Opportunity Funds to develop the same areas of Berkeley.

FISCAL IMPACTS
The potential revenue capture for the city of Berkeley is difficult to calculate, but increased property taxes, sales tax revenue, and other forms of revenue for the city are extremely likely outcomes.  As Qualified Opportunity Zones are refurbished or developed and new housing and shopping is created, the city of Berkeley will benefit from the economic stimulation created by development.

OUTCOMES AND EVALUATION

To be determined by an impact study.

CONTACT PERSON

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ATTACHMENTS/SUPPORTING MATERIALS