



Office of the City Manager

ACTION CALENDAR

December 14, 2021

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Rama Murty, Senior Management Analyst

Subject: FY 2021 Year-End Results and FY 2022 First Quarter Budget Update

RECOMMENDATION

Discuss and determine funding allocations for FY 2022 based on the FY 2021 General Fund Excess Equity and Excess Property Transfer Tax for the following: 1) the General Fund Reserves 2) City Manager Budget Recommendations and 3) the Council's Budget Referrals approved during FY 2022 to be considered in November 2021.

INTRODUCTION

This budget update presents the FY 2021 Year-End (Year-End) results as well as reports on the FY 2022 First Quarter. The FY 2021 Year-End budget summary covers the period starting July 1, 2020, through June 30, 2021 (FY 2021). This report also provides preliminary revenue information for the first quarter of the current fiscal year, 2022. The FY 2022 First Quarter Budget Update covers the period July 1, 2021, through September 30, 2021. The FY 2021 General Fund Year-End balance was \$37.3 million. Amounts restricted, committed, and assigned totaled \$26.5 million. Allocations to the General Fund reserves totaled \$4.87 million¹. The amount of Unassigned Excess Equity totaled \$5.87 million.

The information in this report should be reviewed in conjunction with the Amendment to the FY 2022 Annual Appropriations Ordinance (AAO) also on tonight's agenda. The AAO#1 establishes the expenditure limits by fund for FY 2022. The adopted budget is amended annually to reflect the re-appropriation of prior year funds for contractual commitments (i.e. encumbrances) as well as unencumbered carryover of unexpended funds previously authorized for one-time, non-recurring purposes. These budget modifications are presented to the Council twice a year in the form of an AAO. The first AAO is on tonight's agenda. The second and final AAO will go to Council in May 2022.

¹ Starting in FY 2018, to achieve the City's intermediate and long-term Reserves goals, 50% of Excess Equity above the first \$1M is allocated to Reserves. The General Fund Reserve consists of the total of the Stability Reserve and the Catastrophic Reserve.

Included on tonight's agenda is the First Amendment to the FY 2022 Annual Appropriations Ordinance report (AAO#1). The information included in this Year-End report is supplemented by the detailed information included in the AAO#1.

Recommendations in the AAO#1 augments the adopted General Fund budget by \$ 23.8 million. The \$23.8 million includes encumbrances of \$8.5 million, unencumbered carry-over requests of \$4.4 million, and adjustments of \$10.9 million.

CURRENT SITUATION AND ITS EFFECTS

FY 2021 Year-End Summary

General Fund

On June 30, 2020, the City Council adopted the FY 2021 budget (Adopted Budget).² The FY 2021 adopted General Fund revenues were \$195.8 million. The actual FY 2021 year-end General Fund revenues were \$232.0 million.

Included in the FY 2021 Adopted Budget were General Fund expenditures of \$194.7 million. During the fiscal year, there were two Adjustments to the Appropriation Ordinance totaling \$42.4 million, thus the total FY 2021 General Fund adjusted expenditure budget was \$237.2 million³. At the end of FY 2021, \$8.5 million was encumbered and rolled into FY 2022 resulting in an FY 2021 year-end adjusted expenditure budget of \$228.4. Not all of the budgeted funds were expended in FY 2021, so the FY 2021 year-end actual General Fund expenditures were \$226.9 million.

Revenues

At FY 2021 year-end, actual General Fund revenues were \$232.0 million. This was \$36.2 million above the adopted budget of \$195.8 million. The largest contributors to the revenue increase were the following items:

- Real Property Tax revenues, which exceeded the budgeted amount by \$7.0 million
- Measure P – Transfer Tax⁴, which exceeded the budgeted amount by \$6.2 million
- Property Transfer Tax revenue, which exceeded the budgeted amount by \$5 million⁵

² https://www.cityofberkeley.info/Clerk/City_Council/2020/06_June/Documents/2020-06-30_Item_40_FY_2021_Mid-Biennial_Budget_pdf.aspx (Items #40 & #41)

³ https://www.cityofberkeley.info/Clerk/City_Council/2021/05_May/Documents/2021-05-11_Item_02_Amendment_FY_2021_Annual.aspx

⁴ https://www.cityofberkeley.info/Clerk/Elections/Ballot_Measure_Archive_Page.aspx

⁵ This amount will be reduced to \$4.5 million for the payment to the Workers Compensation Fund for the purchase of the University Avenue property

- Business License Tax, which exceeded the budgeted amount by \$4.7 million
- Other revenues, which exceeded the budgeted amount by \$4.1 million

Together, these three revenue streams generated \$27.6 million above FY 2021 adopted revenues for the General Fund.

Details on the FY 2021 General Fund revenues can be found in Attachment 1.

Expenditures

Actual FY 2021 General Fund expenditures were \$226.9 million. This was \$32.2 million above the initial adopted budget of \$194.7 million and \$1.5 million below the adjusted budget of \$228.4 million.

The FY 2021 General Fund budget contained \$26.5 million in budget deferrals that were built into the budget to help balance the \$39.1 million deficit the City faced due to the pandemic.

Of the \$26.5 million in budget deferrals, almost \$16 million were personnel deferrals. During the year, departments were allowed to hire General Fund vacancies on a case by case basis after a detailed review by the City Manager.

While these vacancies generated salary savings during the year, the saving was not enough to offset the total personnel deferrals and possible payroll coding errors that occurred in the transition to payroll moving to the new system. In the end, the General Fund personnel budget finished over budget by \$10.5 million.

The overage in General Fund personnel was offset by non-personnel savings of \$12 million in departments. Some of the non-personnel saving was due to departments not fully spending their non-personnel budgets while the rest was for projects that were not completed in FY 2021. Funding allocations for ongoing projects are being carried over to FY 2022.

Details of the variances are included in Attachment 2 of this report.

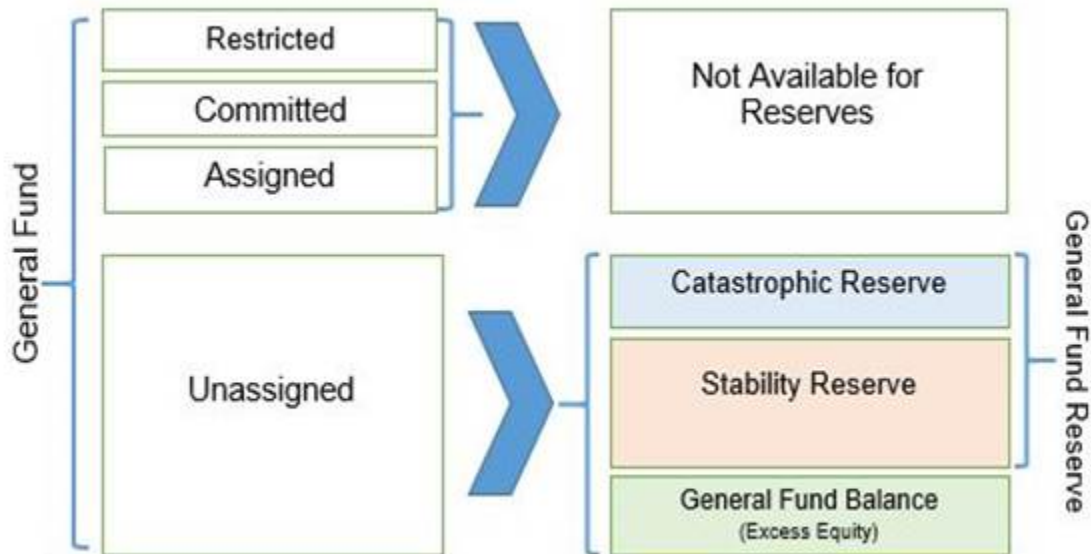
Details of the carryover requests are included in the AAO#1 on tonight's agenda.

Excess Equity

Starting in FY 2018 to achieve the City's intermediate and long-term General Fund Reserves goals, 50% of Excess Equity above the first \$1 million is allocated to General Fund Reserves. The chart below illustrates the FY 2021, \$4.87 million reserve calculation as well as the \$5.87 million calculation for the unassigned excess equity.

GENERAL FUND EXCESS EQUITY CALCULATION			
FY 2021 Beginning Balance		\$	40,594,945
FY 2021 Revenues (Includes \$11.4 million from Reserve Funds)		\$	232,028,202
FY 2021 Expenditures			(226,901,811)
G. F. Encumbrances Restricted (AAO #1)		\$	(8,451,781)
Available Balance		\$	37,269,555
Less:			
Measure U1 Ending Fund Balance		\$	(973,695)
Measure P Ending Fund Balance		\$	(17,032,253)
FY 2022 General Fund COLAs		\$	(3,775,783)
FY 2022 PEPRA Ramp Down		\$	(339,008)
G.F. Carryover (AAO #1)		\$	(4,405,774)
Total Restricted & Carryovers		\$	(26,526,513)
FY 2022 Available Excess Equity*		\$	10,743,042
Allocation to Reserves		\$	4,871,521
Excess Equity Balance		\$	5,871,521
<i>*Includes excess FY 2021 Excess Property Transfer Tax revenue of \$4,969,955. \$406,952 to repay loan to the Workers Compensation fund for the purchase of Premier Cru will be included in AAO#1.</i>			

Excess equity is and the calculation for excess equity is documented in the graphic below.



The graphic above shows the relation between excess equity as well as other restricted, committed, and assigned General Fund monies.

- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
- Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

General Fund Reserve

The General Fund Reserve is distinctly separate from the General Fund Balance (Excess Equity). On January 24, 2017, the City Council established [Resolution No. 67,821](#) – N.S., a policy for the General Fund Reserves.⁶ The General Fund reserves are comprised of two elements: a Stability Reserve and a Catastrophic Reserve.

The Stability Reserve was established to mitigate the loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls. Fifty-five percent of the General Fund Reserve is allocated to the Stability Reserve.

The Catastrophic Reserve was established to sustain the General Fund operations in the case of a public emergency such as a natural disaster or other catastrophic event. The Catastrophic Reserve may be used to respond to extreme onetime events, such as earthquakes, fires, floods, civil unrest, and terrorist attacks. The policy was revised to include public health emergencies and pandemics⁷. Forty-five percent of the General Fund Reserve is allocated to the Catastrophic Reserve.

When the Council adopted the General Fund Reserve Policy the target level established for the Reserve was a minimum of 13.8% of Adopted General Fund Revenues with an Intermediate Goal of a minimum of 16.7% by the end of Fiscal Year 2020, if financially feasible. In addition, the Council adopted a Long-Term Goal of 30% of General Fund revenues, to be achieved within no more than 10 years. The Council demonstrated their

⁶ <https://www.cityofberkeley.info/recordsonline/export/17153922.pdf>

⁷ [https://www.cityofberkeley.info/Clerk/City_Council/2020/06_June/Documents/2020-06-16_\(Special_230pm\)_2020-06-16_Special_Item_03_Amendments_to_the_General_Fund_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/06_June/Documents/2020-06-16_(Special_230pm)_2020-06-16_Special_Item_03_Amendments_to_the_General_Fund_pdf.aspx)

commitment to these goals in the policy by assigning 50% of the General Fund Excess Equity above the first \$1 million to be allocated to the Stability and Catastrophic Reserves (Reserves). Additional Excess Equity may be allocated to Reserves by a majority vote of the Council.

As part of the FY 2021 Mid-Biennial Budget Adoption, the Council approved the use of approximately \$11.4 million to help balance the General Fund deficit. During FY 2021, the Council approved an allocation of \$1.8 million in FY 2020 excess property transfer tax revenues to help repay the loan to the General Fund.

The chart directly below illustrates the use of these reserves and the FY 2021 allocation of the \$4.87 million distributed to the General Fund Reserves, resulting in an actual Reserves level of 14.29%⁸.

General Fund Reserves	Stability Reserve	Catastrophic Reserve	Reserve %
Beginning Cash Balance -	\$ 15.81	\$ 10.60	
FY 2021 Allocation to Reserves	\$ 2.68	\$ 2.19	
% Allocation	55%	45%	
Reserve Balance	\$ 18.49	\$ 12.79	
Reserved for Camps Fund - Tuolumne Camp		\$ (3.30)	
Ending Cash Balance - Reserves	\$ 18.49	\$ 9.49	14.29%

The allocations to the General Fund reserves are not included in AAO#1.

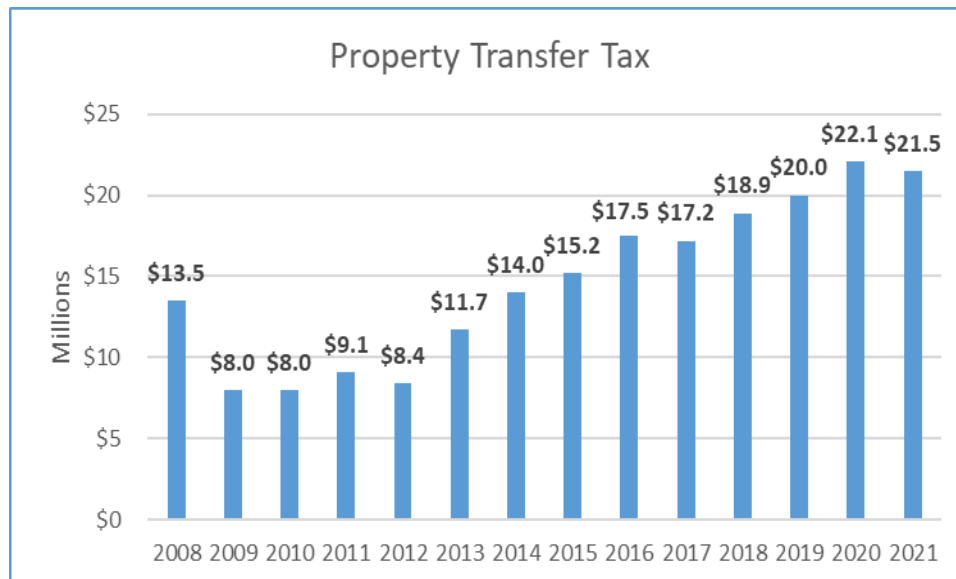
Funding for Capital Improvements

Property Transfer Tax

One of Council’s fiscal policies stipulates that the Property Transfer Tax in excess of the \$12.5 million operating baseline will be treated as one-time revenue to be used for the City’s capital infrastructure needs.

The chart below documents the historical trend of the City’s Property Transfer Tax from FY 2008 through FY 2021.

⁸ Based on the FY 2021 Adopted General Fund Revenues of \$195.8 million.



In FY 2021 the Property Transfer Tax included in the Adopted Budget was increased to \$16.5 million. By year-end, the actual Property Transfer Tax was \$21.5 million. This is \$5.0 million over the \$16.5 million operating baseline threshold established by Council.

Of the \$5.0 million in excess Property Transfer Tax, \$406,952 is being allocated for a transfer to the Workers' Compensation Fund to repay the loan for purchase of Premier Cru. The balance of \$5.0 million can be transferred to the Capital Improvement Fund or Council can suspend the policy to use these funds for FY 2022 funding priorities. Funding that has been transferred to the Capital Improvement Fund has been allocated to infrastructure needs such as sidewalk repairs, street maintenance, transportation, and other types of capital projects.

Measure U1 and Measure P

In November 2018 voters approved the passage of Measure P and in November 2016 the voters approved the passage of Measure U1. Measure P increased funding for general municipal purposes such as navigation centers, mental health support, rehousing and other services for the homeless, including homeless seniors and youth. Measure U1 also makes available funding to support affordable housing. Although these are general fund revenues, the City tracks these revenue streams separately as Council has assigned these funds to homeless services and affordable housing. In FY 2021, a separate Measure U1 fund was established for expenditures of these funds and gets its revenues through a transfer of the U1 revenues from the General Fund.

The charts below summarize FY 2021 Measure U1 and Measure P revenues and expenditures.

Measure P	
FY 2021 Beginning Measure P Balance	\$ 9,859,779
FY 2021 Measure P Revenues	\$ 10,919,576
FY 2021 Measure P Expenditures	\$ (3,747,102)
FY 2021 Ending Measure P Balance	\$ 17,032,253
Measure U1	
FY 2021 Beginning U1 Balance	\$ -
FY 2021 Measure U1 Revenues	\$ 4,818,740
FY 2021 Measure U1 Expenditure Transfer	\$ (3,845,045)
FY 2021 Ending Measure U1 Balance	\$ 973,695

Below are the FY 2022 preliminary calculations for the Measure U1 Fund and Measure P.

Measure U1	
FY 2022 Beginning Measure U1 Balance	\$ 11,189,667
FY 2022 U1 Revenues	\$ 5,120,350
FY 2022 U1 Appropriated & Planned Expenditures	\$ 10,338,046
FY 2022 Projected Ending U1 Fund Balance	\$ 5,971,971
Measure P	
FY 2022 Beginning Measure P Balance	\$ 17,032,254
FY 2022 Measure P Revenues	\$ 8,500,000
FY 2022 Measure P Appropriated & Planned Expenditures	\$ 15,688,170
FY 2022 Ending Measure P Balance	\$ 9,844,084

Workers' Compensation Repayment for Purchase of University Avenue Property
The City appropriated \$6.7 million from the Workers' Compensation Fund for the [Acquisition of Real Property at 1001 University Avenue, 1007 University Avenue, 1011 University Avenue, and 1925 Ninth Street](#) (formerly Premier Cru) with the purpose of redeveloping the majority of the site for below market-rate housing. In addition, a portion of the property was identified for use as an interim City Council Chamber with a seating

capacity of 150-200 persons. Meetings of the City Council, the Rent Board, and the Zoning Adjustments Board would utilize the interim Council Chamber.⁹

Proposed repayment to the Worker's Compensation fund was to be made with revenue generated from a combination of the Business License Tax of five or more units (U1) and excess Property Transfer Tax. The repayment schedule is illustrated below.

Summary of Funds for Repayment

Total Purchase Price: \$6,650,000

Repayment Source	Principal Repayment Amount	Percent of Purchase Price
General Fund Excess Property Transfer Tax	\$ 2,000,000	30%
Measure U1 Business Tax Revenue	\$ 4,650,000	70%

Annual Repayment Amounts by Source (with interest)

Total Repayment Amount: \$6,765,575

Repayment Source	General Fund Excess Property Transfer Tax*	Measure U1 Business Tax Revenue**
FY 2017-18	406,952	946,163
FY 2018-19	406,952	946,163
FY 2019-20	406,952	946,163
FY 2020-21	406,952	946,163
FY 2021-22	406,952	946,163
Total	\$2,034,760	\$4,730,815

* Total General Fund excess Property Transfer Tax has averaged \$7.3 million over the last two years.

** Total Measure U1 Business Tax revenue is estimated at \$3 million annually.

Included in the AAO#1 on tonight's agenda is a \$406,952 General Fund allocation to repay the Workers' Compensation Fund for the portion of the property that will be used for the Council Chambers. The FY 2022 U1 funds for the \$946,163 payment are being appropriated in the FY 2022 AAO #1 report

Unfunded Liabilities

On April 4, 2017, there was a Council Worksession in which the City's outside actuary presented the [Projections of Future Liabilities - Options to Address Unfunded Liabilities Tied to Employee Benefits](#). The actuary provided several options for Council's consideration that would reduce the City's unfunded liabilities tied to post-employee benefits. Included in the recommendations were the following:

⁹ https://www.cityofberkeley.info/Clerk/City_Council/2017/03_Mar/City_Council_03-28-2017_-_Regular_Meeting_Agenda.aspx (Item #32)

- Investing for the long-term to generate more earning to meet long-term funding targets,
- Increase annual contribution by approximately \$4.5 million per year and fully pre-fund the plans, and
- Establish an irrevocable supplemental trust for CalPERS to stabilize the increasing employer contribution rates.

On June 26, 2018, Council authorized the City Manager to establish an IRS Section 115 Pension Trust Fund (Trust) to be used to help pre-fund pension obligations¹⁰. On May 14, 2019, Council authorized the City Manager to execute a contract with Keenan Financial Services to establish, maintain, and invest the pension Section 115 Trust¹¹. The Section 115 Trust currently has a balance of \$12,494,756.87.

On February 27, 2020 the Budget & Finance Policy Committee discussed ongoing funding into the 115 Pension Trust. The following was recommended:

1. Raise the Property Transfer Tax baseline from \$12.5M to \$15M. The additional \$2.5M will be allocated to the Trust
2. Property Transfer Tax in excess of \$15M would be used to fund the City's capital infrastructure need. However, revenue generated from Measure P is excluded from this transfer.
3. Savings generate by prefunding CalPERS will be contributed to the 115 Pension Trust. On an annual basis, staff will analyze the impact of prefunding CalPERS. If the analysis determines that pre-funding CalPERS will result in budgetary savings, the net savings will be contributed to the Trust.

Staff requested Council to delay adopting these policies because the City was facing the financial fallout of the pandemic.

No additional funding of the Trust is included in the AAO#1 on tonight's agenda. However, Council may vote to allocate additional Excess Equity to fund the Trust.

Council Budget Pre-Funded Items for AAO #1 and Council Budget Referrals

On June 29, 2021, Council referred the following items for Pre-Funding consideration in the November 2021 AAO #1 Report.

¹⁰ https://www.cityofberkeley.info/Clerk/City_Council/2018/06_June/Documents/2018-06-26_Item_19_Authorization_to_Establish_IRS.aspx

¹¹ https://www.cityofberkeley.info/Clerk/City_Council/2019/05_May/City_Council_05-14-2019_-_Regular_Meeting_Agenda.aspx (Item #5)

June 2021 Budget Items Approved for Pre-Funding in November 2021 AAO #1		
Department	Item	Amount
City Manager	Community Survey	85,000
Information Technology	IT Move to 1947 Center Street	770,000
Information Technology	IT 2180 Milvia/4th Floor Rent	106,017
Parks, Recreation & Waterfront	West Campus Pool Filters/Plaster	510,000
Police	Police Overtime	1,000,000
Police	Portable Radio Replacement	600,000
Public Works	Ped Xing Signal @ intersection of Shattuck &	100,000
Public Works	Traffic Calming at MLK and Stuart Street	100,000
Public Works	George Florence Park/10th Street Traffic Calming	220,000
Total		3,491,017

In addition, between September 14 and November 30, 2021, there were 21 Council referrals are listed in Attachment 5 and total up to about \$8 million.

November General Fund Budget Recommendations

As was noted earlier in the report, the FY 2021 Excess Equity Amount was \$5.9 million. With Pre-Funded AAO #1 items at \$3.5 million, Council budget referrals at \$7.5 million, and department operational requests at close to \$9.9 million, it was clear that not everything could be funded with the remaining funds.

Staff carefully reviewed all the requests and items and prioritized all the items into three tiers for funding as shown in Attachment 6.

The criteria used to group items into the tiers was as follows:

- Tier 1: Council Approved Items, Critical Operational Needs, Public Safety Items, or Legislative Mandates
- Tier 2: Non-Critical Operational Needs that maybe on hold or have existing funding
- Tier 3: Non-Urgent Operational Needs Recommend FY 2023 & FY 2024 Budget Consideration

Items recommended for Pre-Funding in AAO #1 have been highlighted so it is clear where these items were placed.

Of the items for Pre-Funding in AAO #1 listed above, the only item being recommended for immediate funding in the AAO #1 report is the West Campus Pool Filters/Plaster. This work cannot be delayed at this point otherwise it may impact summer programming or result in the pool being closed for an indefinite period of time.

Included in the Tier 1 list were several important Council budget referrals.

The total amount for Tier 1 items is at \$5.5 million and this leaves \$397,193 that has not been allocated to any items.

All Funds

On an All Funds basis, the City finished FY 2021, \$110 million (16%) under the adjusted budget. These fund balances are largely dedicated to projects, capital improvements that have not yet been completed, and personnel cost savings. For example, \$51 million is in the Department of Public Works. A sampling of the \$51 million underspending includes the following:

- Capital Improvement Fund (+\$7.1 million): \$0.7 million in salary savings and \$5.1 million in project fund carryover for transportation, street, facilities project funds to FY 2022 due to project timing, including ADA Transition Plan Update, EV Charging Station Infrastructure, FY 21 Street Rehabilitation, and Sidewalk Repair projects.
- Zero Waste (+\$6.8 million) \$0.9 million in salary savings and \$5.9 million in carried over projects into FY 2022, including the Transfer Station Replacement project environmental review and permitting.
- Sewer Fund (+\$6.0 million): \$1.8 million in personnel savings due to vacancies, \$4.0 million in continuing and deferred sewer projects scheduled for completion in FY 2022.
- Measure T1 (+\$4.6 million) \$4.6 million in carryover for various Measure T1 projects with work continuing into FY 2022.

In addition, the Department of Health Housing and Community Services had \$31 million in underspending. The vast majority of Health, Housing & Community Services' year-end fund balance consists of funds allocated to projects and programs not fully expended by the end of the fiscal year which will be carried forward to FY 2022, new positions being filled after the start of the fiscal year and vacancies throughout the department.

Of the \$31 million, half (\$15.4M) are funds designated for affordable housing. More than \$8.8 million is already allocated for housing development contracts to be encumbered in FY 2022 and approximately \$6.6 million are in the Housing Trust Fund to be disbursed for various affordable housing developments at a later date. Also, in the Housing and Community Services Division, over \$2 million in ESG-CARES Acts funds were committed to specific homeless-serving programs and were included in the carryforward request for FY 2022.

Information Technology had \$5.1 million in underspending due to FUND\$ Replacement Funds and IT Cost Allocation Funds not being fully spent in FY 2021. Only funds for active projects will be carried over to FY 2022.

Parks Recreation and Waterfront had \$9.7 million in underspending due to personnel savings and unexpended project funds in the Playground Camp Fund, Parks Tax Fund, Capital Improvement Fund, and Measure T1 Fund. Only certain unspent project funds will be carried over to FY 2022.

Finally, the Library Fund had underspending of \$4.7 million due in large part to aggregated savings from miscellaneous department budget savings, staffing vacancies, deferment of Central Library stucco restoration and window resealing work to FY 2022, as well as the Central Library’s replacement of rooftop air conditioning HVAC units, and the postponement of replacement of information system network switches.

Attachment 1 provides information on the FY 2021 Year-End General Fund Revenues and includes a variance analysis.

Attachment 2 provides information on unspent FY 2021 Year-End Expenditures.

Additional detailed information on unspent funds can be found in the AAO#1 on tonight’s agenda.

FY 2022 First Quarter Summary

General Fund Revenues

The first quarter review generally focuses primarily on the major revenue fluctuation and changes that have occurred that might result in significant changes in future projections. Typically, Staff waits until the mid-year to identify General Fund revenue projections that should be revised. Staff will monitor these revenues for one more quarter and make the determination of revising the projections at the half year point.

During the first quarter of FY 2022, General Fund revenue and transfers increased by \$15,445,993 or 52.3%, from \$29,529,079 in the first quarter of FY 2021, to \$44,975,072 in the first quarter of FY 2022, due primarily to the following increases:

- Property Transfer Taxes \$ 7,552,196
- Measure P 2,921,408
- Sales Taxes 1,069,319
- Transient Occupancy Taxes (TOT) 667,247
- Parking Fines 748,312
- Transfers In 2,406,090

The increases in revenues is in a number of categories and can be seen in more detail in Attachment 3

General Fund Expenditures

General Fund expenditures are currently tracking close to within budget as departments tend to encumber funds purchase orders for the entire year in the first few months of the year. Staff will continue to monitor the budget and report back at mid-year on the impacts of the key challenges discussed earlier in this report.

Attachment 4 provides additional information on the FY 2022 First Quarter Expenditures by department and includes a variance analysis.

American Rescue Plan

The City is receiving \$66.6 million in American Rescue Plan Act (“ARPA”) Funds. Through the use of ARPA Funds to cover General Fund revenue losses suffered in FY 2020 and FY 2021, the City was able to balance the FY 2022 General Fund budget.

The following chart provides an overview of the ARPA Funds and how they will be spent in FY 2022 and FY 2023:

	FY 2021	FY 2022	FY 2023
Beginning Fund Balance	0	\$33,323,145	\$20,345,935
Projected Revenues	\$33,323,145	\$33,323,145	0
Projected Expenditures	0	\$46,300,355	\$4,050,000
Ending Fund Balance	\$33,323,145	\$20,345,935	\$16,295,935

The FY 2022 Budget also uses American Rescue Plan Funds to address significant revenue losses to the Marina Fund, both the On-Street and Off-Street Parking Funds, Camps Fund, and the Gilman Sports Field Fund. The chart below demonstrates the ARPA Fund allocations for the provision of government services:

FUND	FY 2022	FY 2023
General Fund	\$22,969,355	TBD
Marina Fund	\$1,400,000	\$1,150,000
Parking Meter Fund	\$4,340,000	\$2,700,000
Off-Street Parking Fund	\$3,940,000	\$200,000

Camps Fund	\$1,000,000	0
Sports Field Fund	\$196,000	0
Total	\$33,880,355	\$4,050,000

Through September 2021, the City has transferred \$8,470,089 in ARPA funds to the funds listed above.

The ARPA Funds are also being used to support economic recovery and the COVID-19 response as shown in the following chart:

Program	FY 2022 Allocation
Emergency Operations Center	\$1,500,000
Programs Addressing Community Safety and Crisis Response (Specialized Care Unit)	\$8,000,000
Program to Support Arts in their Re-Opening	\$2,000,000
Visit Berkeley	\$500,000
Business Retention Program / Small Business Technical Assistance	\$100,000
#DiscoveredinBerkeley Campaign	\$50,000
"Berkeley Ventures Berkeley Values" Initiative	\$20,000
Funding for Health Equity & Innovation District Consultant	\$250,000

With the exception of the Emergency Operations Center program that spent \$1,583 in the first three months of FY 2022, none of the other projects have incurred any expenditures yet. The program to support the arts has just begun the application process and several others are beginning to start work.

An update on the American Rescue Plan programs and expenditures will be provided in the FY 2022 Mid-Year Report.

Next Steps

Staff will present second-quarter revenue and expenditure projections at the FY 2022 Mid-Year Update in February/March 2022. We are also beginning the development of the FY 2023 & FY 2024 Biennial Budget.

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

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

Attachments:

1. FY 2021 Year End General Fund Revenues
2. FY 2021 Year End General Fund and All Funds Expenditures
3. FY 2022 1st Quarter General Fund Revenues
4. FY 2022 1st Quarter General Fund and All Funds Expenditures
5. Summary of Council Referrals to the Budget Process
6. November 2021 General Fund Budget Recommendations

General Fund Revenue and Transfer in FY2021 VS FY 2020 Comparison

Revenue Categories	FY 2021				FY 2020				Comparison FY21 vs FY 20	
	Adopted	Actual	Variance	% Received	Adopted	Actual	Variance	% Received	Amount	%
	(a)	(b)	c = (b) - (a)	(d) = (b)/(a)	(e)	(f)	g = (f) - (e)	(h) = (f)/(g)	(i) = (b) - (f)	(j) = (i)/(f)
Secured Property	\$61,165,454	\$68,166,155	\$7,000,701	111.45%	\$63,199,622	\$63,192,678	(\$6,944)	99.99%	4,973,477	7.87%
Redemptions - Regular	534,512	757,854	223,342	141.78%	668,140	580,941	(\$87,199)	86.95%	176,913	30.45%
Supplemental Taxes	1,260,000	2,249,517	989,517	178.53%	1,400,000	2,334,597	\$934,597	166.76%	(85,080)	-3.64%
Unsecured Property Taxes	2,250,000	3,448,412	1,198,412	153.26%	2,500,000	3,164,168	\$664,168	126.57%	284,244	8.98%
Property Transfer Tax	16,500,000	21,469,955	4,969,955	130.12%	12,500,000	22,095,507	\$9,595,507	176.76%	(625,552)	-2.83%
Property Transfer Tax-Measure P (New December 21, 2018)	4,747,414	10,919,576	6,172,162	230.01%	1,509,218	9,512,603	\$8,003,385	630.30%	1,406,973	14.79%
Sales Taxes	15,786,200	15,792,305	6,105	100.04%	18,238,000	17,557,539	(\$680,461)	96.27%	(1,765,234)	-10.05%
Soda Taxes	970,794	953,069	(17,725)	98.17%	1,459,057	1,331,313	(\$127,744)	91.24%	(378,244)	-28.41%
Utility Users Taxes	12,750,000	13,892,200	1,142,200	108.96%	15,000,000	13,475,915	(\$1,524,085)	89.84%	416,285	3.09%
Transient Occupancy Taxes	5,070,000	2,292,480	(2,777,520)	45.22%	7,800,000	6,387,495	(\$1,412,505)	81.89%	(4,095,015)	-64.11%
Short-term Rentals	676,260	694,197	17,937	102.65%	1,020,000	1,280,267	\$260,267	125.56%	(586,070)	-45.78%
Business License Tax	12,984,192	17,809,332	4,825,140	137.16%	19,584,000	21,009,453	\$1,425,453	107.28%	(3,200,121)	-15.23%
Recreational Cannabis	1,300,000	1,712,641	412,641	131.74%	510,000	1,300,887	\$790,887	255.08%	411,754	31.65%
U1 Revenues	2,700,000	4,818,740	2,118,740	178.47%	1,000,000	5,597,359	\$4,597,359	559.74%	(778,619)	-13.91%
Other Taxes	922,048	1,362,227	440,179	147.74%	1,116,860	1,536,731	\$419,871	137.59%	(174,504)	-11.36%
Vehicle In-Lieu Taxes	12,421,597	14,380,453	1,958,856	115.77%	13,333,826	13,356,044	\$22,218	100.17%	1,024,409	7.67%
Parking Fines-Regular Collections	5,049,000	3,571,391	(1,477,609)	70.73%	6,600,000	3,892,325	(\$2,707,675)	58.97%	(320,934)	-8.25%
Parking Fines-Booting Collections			0		200,000	8,685	(\$191,315)	4.34%	(8,685)	-100.00%
Moving Violations	190,000	131,756	(58,244)	69.35%	190,000	209,894	\$19,894	110.47%	(78,138)	-37.23%
Ambulance Fees	5,103,208	3,081,204	(2,022,004)	60.38%	4,200,000	4,996,193	\$796,193	118.96%	(1,914,989)	-38.33%
Interest Income	2,851,200	5,917,722	3,066,522	207.55%	3,564,000	7,942,187	\$4,378,187	222.84%	(2,024,465)	-25.49%
Franchise Fees	1,551,696	1,726,470	174,774	111.26%	2,068,928	1,839,102	(\$229,826)	88.89%	(112,632)	-6.12%
Other Revenue	6,246,348	10,354,768	4,108,420	165.77%	7,980,544	8,031,805	\$51,261	100.64%	2,322,963	28.92%
IDC Reimbursement	5,490,000	5,345,014	(144,986)	97.36%	6,100,000	5,489,783	(\$610,217)	90.00%	(144,769)	-2.64%
Transfers	17,274,293	21,180,762	3,906,469	122.61%	5,386,188	7,564,173	\$2,177,985	140.44%	13,616,589	180.01%
Total Revenue:	\$195,794,216	\$232,028,200	\$36,233,984	118.51%	\$197,128,383	\$223,687,644	\$26,559,261	113.47%	\$8,340,556	3.73%

Notes: (1) This statement is presented on a budgetary basis (i.e., cash).

(2) Current vendor no longer breaks out Regular and Booting Parking Fines Collections.

During FY 2021, General Fund revenue and transfers increased from FY 2020 by \$8,340,556 or 3.73%, from \$223,687,644 to \$232,028,200. That increase was due primarily to Transfers of \$11.4 million from the City's reserve funds (\$6.9 million from the Stabilization Reserve Fund and \$4.5 million from the Catastrophic Reserve Fund) to mitigate the negative impacts of the COVID-19 pandemic.

In addition, Other Revenues Income for FY 2021 totaled \$10,354,768 which is \$2,322,963 or 28.9% more than the \$8,031,805 received for the first quarter of FY 2020. The increase was primarily due to \$1.5 million received in FY 2021 for the COVID Relief Program and \$.9 million received for the Berkeley Relief Fund.

However, that's only part of the FY 2021 story:

At mid-year, FY 2021 General Fund year-over-year revenue growth was approximately 15%, compared to the actual revenue growth of 3.73% for the entire year. This indicates that the first half economic performance was solid and helped to absorb the impacts of the negative impacts of the second half.

Another part of the FY 2021 story is that business-related revenues were hit hard by the continuing impact of the COVID-19 pandemic, as follows:

- Sales Tax revenue totaled \$15,792,305, which was \$1,765,234 or 10.1% less than the \$17,557,539 received in FY 2020.
- Transient Occupancy Tax (TOT) revenue totaled \$2,292,480 which was \$4,095,015 or 64.1% less than the \$6,387,495 received in FY 2020.
- Business License Tax revenue totaled \$17,809,332, which was \$3,200,121 or 15.2% less than the \$21,009,453 received in FY 2020.
- U1 Business License Tax revenue totaled \$4,818,740 which was \$778,619 less than the \$5,597,359 received in FY 2020.

- Interest Income totaled \$5,917,722, which was \$2,024,465 or 25.5% less than the \$7,942,187 received in FY 2020.
- Ambulance Fee revenue totaled \$3,081,204, which was \$1,914,989 or 38.3% less than the \$4,996,193 received in FY 2020.

On the other hand, property-related revenues were strong during the COVID-19 pandemic, as follows:

- Secured Property Tax revenues totaled \$68,166,155, which was \$4,973,477 or 7.87% more than the \$63,192,678 received in FY 2020.
- Property Transfer Tax revenue totaled \$21,469,955, which was a decrease of \$625,552 or 2.8% from the \$22,095,507 received in FY 2020. The amount of \$21,469,955 received in FY 2021 was \$4,969,955 more than the adopted budget amount of \$16,500,000. The primary reason for the \$625,552 decrease in Property Transfer Tax was that the May 2021 payment of \$3,384,375 from the County was not received until July 12, 2021 (FY 2022).
- Unsecured Property Tax totaled \$3,448,412, which was an increase of \$284,244 or 9.0% from the \$3,164,168 received in FY 2020.
- Vehicle In-Lieu Tax revenue totaled \$14,380,453, which was \$1,024,409 or 7.7% more than the \$13,356,044 received in FY 2020.

Secured Property Tax (+\$4,973,477 more than FY 2020 Actual)

During FY 2021, Secured Property Tax revenues totaled \$68,166,155, which was \$4,973,477 or 7.8% more than the \$63,192,678 received in FY 2020, and was consistent with the 7.7% increase in assessed value reflected in the County's Certification of Assessed Valuation. The FY 2021 total of \$68,166,155 was \$7,000,701 more than the adopted budget amount of \$61,165,454.

Unsecured Property Tax (+\$284,244 more than FY 2020 Actual)

During FY 2021, Unsecured Property Tax revenues totaled \$3,448,412, which was \$284,244 or 9.0% more than the \$3,164,168 received in FY 2020, and was more than the 7.1% increase in assessed value reflected in the County's Certification of Assessed Valuation. The FY 2021 total of \$3,448,412 was \$1,198,412 more than the adopted budget amount of \$2,250,000.

Property Transfer Tax (-\$625,552 less than FY 2020 Actual)

During, FY 2021, Property Transfer Tax revenue totaled \$21,469,955, which was a decrease of \$625,552 or 2.8% from the \$22,095,507 received in FY 2020. The amount of \$21,469,955 received in FY 2021 was \$4,969,955 more than the adopted budget amount of \$16,500,000. The primary reason for the \$625,552 decrease in Property Transfer Tax was that the May 2021 payment of \$3,384,375 from the County was not received until July 12, 2021 (FY 2022).

This revenue source is typically budgeted at \$12.5 million as any excess above that amount is transferred to the reserve fund and the Capital Improvement Fund the following fiscal year. However, Council suspended the policy in FY 2021 in order to approve a one-time increase of \$4 million in the baseline to \$16.5 million, to help deal with the impact of the COVID-19 pandemic.

In addition, \$10,919,576 in Measure P taxes (taxes effective December 21, 2018) was collected during FY 2021 compared to \$9,512,603 collected during FY 2020. The primary reason for the increase was there were more multi-million transactions during FY 2021 than there were in FY 2020.

Sales Tax (-\$1,765,234 less than FY 2020 Actual)

During FY 2021, Sales Tax revenue totaled \$15,792,305, which was \$1,765,234 or 10.1% less than the \$17,557,539 received in FY 2020. The amount of \$15,792,305 received in FY 2021 was \$6,105 more than the adopted budget amount of \$15,786,200. The decline in FY 2021 was primarily due to the impact COVID-19 had on retail businesses.

Utility Users Taxes (+\$416,285 more than FY 2020 Actual)

UUT revenue in FY 2021 increased by \$416,285 or 3.1%, to \$13,892,200 from \$13,475,915 received in FY 2020. The \$13,892,200 collected in FY 2021 was \$1,142,200 or 9.0% more than the adopted budget amount of \$12,750,000.

The increase in FY 2021 was primarily attributable to decreases in Telephone (-\$68,183), Cellular (-\$160,037) and Cable (-\$136,800), which were more than offset by increases in Gas (+\$164,499) and Electric (+\$616,825).

Transient Occupancy Tax (-\$4,095,015 less than FY 2020 Actual)

Transient Occupancy Tax (TOT) revenue for FY 2021 totaled \$2,292,480 which was \$4,095,015 or 64.1% less than the \$6,387,495 received in FY 2020. The FY 2021 decline in revenue was attributable to a substantial decline in room occupancy, due to the impact of the COVID-19 pandemic. More specifically, the pandemic resulted in a decline of \$3,296,482 or 22.6% in TOT revenue at the City's five largest hotels during FY 2021, versus a 22.6% decrease during FY 2020, with a range of 34.5% to 83.5%.

Business License Taxes (-\$3,200,121 less than FY 2020 Actual)

During FY 2021, BLT revenue totaled \$17,809,332, which was \$3,200,121 or 15.2% less than the \$21,009,453 received in FY 2020. The \$17,809,332 collected in FY 2021 was \$4,825,140 or 37.2% more than the adopted budget amount of \$12,984,192. The decline in FY 2021 was due primarily to the impact of COVID-19. Specifically, FY 2020 BLT is based on businesses 2019 gross receipts, and FY 2021 BLT is based on their 2020 gross receipts. In March 2020, the COVID-19 pandemic required many businesses to temporarily close for safety reasons. The unexpected temporary closures created a very negative impact on many businesses (especially retail and hotels) and forced some to permanently close.

In addition, during FY 2021, U1 Business License Tax revenue totaled \$4,818,740 which was \$778,619 less than the \$5,597,359 received in FY 2020. The \$4,818,740 collected in FY 2021 was \$2,118,740 more than the adopted budget amount of \$2,700,000.

Vehicle In Lieu Taxes (+\$1,024,409 more than FY 2020 Actual)

For FY 2020, VLF revenue totaled \$14,380,453, which was \$1,024,409 or 7.7% more than the \$13,356,044 received in FY 2020, and was consistent with the 7.7% increase in assessed value for FY 2021. The amount of \$14,380,453 received in FY 2021 was \$1,958,856 more than the adopted budget amount of \$12,421,597.

Parking Fines (-\$320,934 less than FY 2020 Actual)

During FY 2021, Parking Fines revenue decreased by \$320,934 or 8.3% to \$3,571,391, from \$3,892,325 in FY 2020, despite an increase in ticket writing, from 100,219 to 113,648 or 13.4%. The number of tickets written (and their collectability) were negatively impacted by the Governor's shelter in place orders related to the COVID-19 pandemic.

Interest Income (-\$2,024,465 less than FY 2020 Actual)

During FY 2021, Interest Income totaled \$5,917,722, which was \$2,024,465 or 25.5% less than the \$7,942,187 received in FY 2020. It was also \$3,066,252 more than the adopted budget amount of \$2,851,200. The decline in interest income in FY 2021 primarily resulted from the following, which was triggered by the Federal Reserve Board voting on March 15, 2020 to cut short-term interest rates back to zero, in order to mitigate the negative impact of the COVID-19 pandemic on the US economy: (1) The average book value of long-term investments were lower in FY 2021 until June 2021; (2) the average balance of investments in lower-yielding short-term investments were higher in FY 2021; and (3) the weighted-average interest rates were lower in FY 2021.

Ambulance Fees (-\$1,914,989 less than FY 2020 Actual)

For FY 2021, Ambulance Fee revenue totaled \$3,081,204, which was \$1,914,989 or 38.3% less than the \$4,996,193 received in FY 2020. This decrease was primarily due to the impact of the COVID-19 pandemic, which resulted in substantially less transports in FY 2021 than there were in FY 2020. The total of \$3,081,204 collected was \$2,022,004 less than the FY 2021 adopted budget amount of \$5,103,208.

Other Revenues (+\$2,322,963 more than FY 2020 Actual)

Other Revenues consists of licenses and permits; grants; preferential parking fees; general government charges for services; public safety charges for services; health charges for services; culture and recreation charges for services; rents and royalties; and other miscellaneous revenues that are not considered major.

Other Revenues Income for FY 2021 totaled \$10,354,768 which was \$2,322,963 or 28.9% more than the \$8,031,805 received in FY 2020. The increase was primarily due to \$1.5 million received in FY 2021 for the COVID Relief Program and \$.9 million received for the Berkeley Relief Fund.

Indirect Cost Reimbursements (-\$144,769 less than FY 2020 Actual)

During FY 2021, IDC Reimbursement \$5,345,014 which was \$144,769 or 2.6% less than the \$5,489,783 received in FY 2020. This was primarily attributable to a slight decrease in the indirect cost allocation base (i.e., total direct salaries and wages) in FY 2021. IDC Reimbursement decreases result from decreases in the indirect cost allocation base (i.e., total direct salaries and wages in the fund), a decrease in the indirect cost rate or both.

Transfers (+\$13,616,589 more than FY 2020 Actual)

During FY 2021, Transfers totaled \$21,180,762 which was \$13,616,589 or 180.0% more than the \$7,564,173 received in FY 2020. The increase was primarily due to the transfers of \$11.4 million from the reserve funds (\$6.9 million from the Stabilization Reserve Fund and \$4.5 million from the Catastrophic Reserve Fund) to mitigate the negative impacts of the COVID-19 pandemic, and \$.9 million from the IT Allocation Fund.

FY 2021 Year End Expenditures

General Fund

Department	FY 2021 Adopted	FY 2021 Adjusted	Year-End Actuals	Balance	Percent Expended
Mayor & Council	2,559,046	2,855,642	2,701,344	154,298	95%
Auditor	2,657,863	2,632,945	2,467,028	165,917	94%
Police Accountability	0	0	3,251	(3,251)	
City Manager	10,450,066	12,023,118	11,102,637	920,481	92%
City Attorney	2,587,273	2,726,031	2,760,048	(34,017)	101%
City Clerk	2,338,047	3,208,207	2,832,552	375,655	88%
Finance	5,978,002	6,292,789	6,682,935	(390,146)	106%
Human Resources	2,280,207	2,946,350	2,318,028	628,322	79%
Information Technology	580,710	1,386,095	1,330,730	55,364	96%
Health, Housing & Community Services	14,850,382	28,483,857	25,566,360	2,917,497	90%
Parks, Recreation and Waterfront	6,831,086	7,667,457	7,304,226	363,231	95%
Planning	2,178,037	2,951,159	2,567,473	383,686	87%
Public Works	4,408,589	6,975,406	5,499,277	1,476,129	79%
Police	65,460,524	71,162,137	77,270,053	(6,107,916)	109%
Fire	32,272,610	35,499,205	38,988,843	(3,489,638)	110%
Non-Departmental	39,286,268	41,576,258	37,507,026	4,069,232	90%
Total	194,718,710	228,386,655	226,901,811	1,484,844	99%

All Funds (including General Fund)

Department	FY 2021 Adopted	FY 2021 Adjusted	Year-End Actuals	Balance	Percent Expended
Mayor & Council	2,559,046	2,870,642	2,708,844	161,798	94%
Auditor	2,786,499	2,761,581	2,526,081	235,500	91%
Rent Board	6,646,209	6,095,798	5,517,190	578,609	91%
Police Accountability	0	0	3,251	(3,251)	
City Manager	13,515,943	17,246,137	14,156,797	3,089,340	82%
Library	21,846,159	24,947,180	20,255,244	4,691,936	81%
City Attorney	4,509,824	6,823,739	6,214,367	609,372	91%
City Clerk	2,839,880	3,710,040	3,194,204	515,836	86%
Finance	8,555,177	8,855,951	8,146,012	709,939	92%
Human Resources	4,072,239	4,884,263	4,078,091	806,172	83%
Information Technology	20,647,410	22,502,561	16,552,330	5,950,231	74%
Health, Housing & Community Services	53,834,105	112,751,842	81,811,330	30,940,512	73%
Parks, Recreation and Waterfront	32,561,123	70,480,018	60,795,051	9,684,967	86%
Planning	25,022,338	26,402,993	21,687,691	4,715,302	82%
Public Works	138,631,154	177,491,018	126,068,016	51,423,002	71%
Police	70,325,114	78,028,747	79,395,632	(1,366,885)	102%
Fire	41,254,373	46,138,940	49,891,701	(3,752,761)	108%
Non-Departmental	83,711,926	88,360,420	87,491,152	869,268	99%
Total	533,318,519	700,351,870	590,492,983	109,858,887	84%

FY 2021 Year-End Expenditures Variance Analysis

Significant General Fund Variances

- City Manager's Office (+\$920,481) was due to unexpending of non-personnel funds FY 2021.
- City Clerk (+\$375,655) was due to funds for regular elections and software maintenance not being fully spent in FY 2021.
- Human Resources (+\$628,322) was due to salary savings from vacant positions and funds for labor negotiations and a compensation and classification studies not being fully spent in FY 2021. The funds for labor negotiations and the compensation and classification study will be carried over to FY 2022 to deal with the issues tied to the new labor contracts approved by Council.
- Health, Housing and Community Services (+\$2,917,497) balance was non-personnel funds with \$2.2 million for a contract with the Pathways STAIR project that will be executed in FY 2022. Approximately \$380,000 in general fund has been requested in the carryforward this fiscal year.
- Parks, Recreation & Waterfront (+\$363,231) was due to not fully spending non-personnel funds in FY 2021. Most of this was an allocation of \$250,000 for the African American Holistic Resource Center project. These funds are being carried over to FY 2022.
- Planning (+\$383,686) was due to salary savings and non-personnel savings in FY 2021. A portion of the non-personnel funds was \$125,000 for the Zoning Ordinance Revision Project - Objective Standards for Density / State Housing Law Compliance. These funds are being carried over to FY 2022. Also in the unspent non-personnel funds and being carried over to FY 2022 was \$25,000 for a Planning Department Equity Consultant.
- Public Works (+\$1,476,129) was primarily due to non-personnel and capital project funds not being completely spent in FY 2021. A significant amount of these funds will be carried over to FY 2022 for the following projects:
 - Old City Hall & Veterans Building Leak Repair (+\$95,594)
 - Underground Utility District #48 Grizzly Peak (+\$385,069)
 - Public Safety Building Cooling Redundancy (+\$429,550)
 - Citywide Undergrounding (+\$162,973)
 - Clean Cities/Illegal Dumping for the Clean and Livable Commons Initiative (+\$679,813)
- Police (-\$6,107,917) began FY 2021 with uniformed staffing at approximately 173 filled positions and the funding to support approximately 154 positions. The General Fund salary savings deferral target of \$8,286,289 was deducted at the beginning of the fiscal year to help balance the FY 2021 General Fund budget. During the fiscal year, the department was given the authorization to increase hiring and provided with an overtime allocation of \$3.5 million plus an additional \$1 million dollar reserve

held outside the Police budget of which \$180,000 was used to augment overtime for the bike patrol unit (\$820,000 of the \$1 million for potential unanticipated overtime costs remained outside the Police budget in reserve and was not used). The increase in staffing which was designed to help keep public safety a priority, resulted in the salary and benefits savings for the year being limited to \$3.5 million. The additional funds added for overtime helped to generate savings in sworn overtime. These savings were offset as non-sworn overtime was over budget by a net total of \$540,000 due to vacancies in Dispatch and the Jail Unit.

In total, the Police General Fund personnel budget was over budget by \$5.4 million in FY 2021 because the deferral reduction of \$8,286,289 could not be met. The non-personnel budget deferral savings of \$500,000 was met; however, Internal Services charges (charges by other city departments for their services) were over budget by \$770,982 for vehicle maintenance and vehicle replacement.

- Fire (-\$3,489,683) was primarily the result of the personnel savings expected to be generated from the FY 2021 deferral of \$3.5 million being lifted for the department so that they could hire up to the maximum staffing capacity in FY 2021 to help keep the overtime expenses down and to deal with wildfire threats. The department managed to keep expenditures at budget outside of this target.
- Non-Departmental (+\$4,069,232) was due to not fully spending funds for the following items:
 - FLSA Labor Settlement Funds (+\$684,306)
 - Homeless Response Team (+\$746,312) as the program start up was slower than expected
 - Measure P Funds (\$315,094)
 - Police Overtime Funds (\$820,000) were held in reserve in case needed but not transferred to the Police Department budget.
 - Emergency Operations Center COVID-19 response Funds (+\$425,680)

Significant All Funds Variances

- Information Technology (+\$5,950,231) was due to FUND\$ Replacement Funds and the IT Cost Allocation Fund not being fully spent in FY 2021.
- Health, Housing & Community Services (+\$30,940,512): The vast majority of Health, Housing & Community Services' year-end fund balance consists of funds allocated to projects and programs not fully expended by the end of the fiscal year which will be carried forward to FY 2022, new positions being filled after the start of the fiscal year and vacancies throughout the department.

Of the \$31 million, half (\$15.4M) are funds designated for affordable housing. More than \$8.8 million is already allocated for housing development contracts to be encumbered in FY 2022 and approximately \$6.6 million are in the Housing Trust Fund to be disbursed for various affordable housing developments at a later date. Also, in the Housing and Community Services Division, over \$2 million in ESG-CARES Acts funds were committed to specific homeless-serving programs and were included in the carryforward request for FY 2022.

The next largest segment is about \$7.2 million from state taxes (Mental Health Service Act, Mental Health Realignment and Public Health Realignment). In addition to \$1.2 million in Medi-Cal funds, these funds were unspent due to vacancies throughout the Mental Health and Public Health Divisions (including long-term vacant, difficult-to-fill positions), new positions budgeted for the full year but not filled until later in the fiscal year, and delays in implementation of new programs. These funds were included in the added to the FY 2022 budget through the AAO #1 process.

Another \$2.2 million are related to other grant balances, including \$1 million in COVID allocations that will carry over into FY 2022 for the continuing pandemic response.

- Public Works (+\$51,423,002) were largely due to the following:
 - Sewer Fund (+\$6.0 million): \$1.8 million in personnel savings due to vacancies, \$4.0 million in continuing and deferred sewer projects scheduled for completion in FY 2022.
 - State Transportation Tax (+\$3.3 million) \$0.6 million in salary savings and \$2.5 million in project funding for various street and storm drain program projects continued for completion in FY 2022.
 - Capital Improvement Fund (+\$7.1 million): \$0.7 million in salary savings and \$5.1 million in project fund carryover for transportation, street, facilities project funds to FY 2022 due to project timing, including ADA Transition Plan Update, EV Charging Station Infrastructure, FY 21 Street Rehabilitation, and Sidewalk Repair projects.
 - Measure B (+\$1.1 million) \$0.3 million in carried over equipment purchases and \$0.8 million in street improvement projects project budget to carried over into FY 2022 for construction completion.
 - Measure BB (+3.1 million) \$0.7 million in salary savings and \$2.9 million in sidewalk and street improvement projects project budget to be carried over into FY 2022 for completion.
 - Off Street Parking (+1.7 million) \$0.5M Off -Street Parking Fund savings due to equipment budget carryover to FY 2022, \$0.7 million in Parking Management savings.
 - Parking Meter (+1.1 million): \$ \$0.7 million in Parking Management savings.
 - Caltrans Grant (+\$0.5 million) \$0.5 million in project carryover into FY 2022 for transportation projects.
 - T1 (+\$4.6 million) \$4.6 million in carryover for various T1 projects with work continuing into FY 2022.
 - Streetlight Assessment (+\$1.0 million) \$0.6 million in salary savings, and \$0.4 million in capital project carryover into FY 2022.
 - Clean Storm (+\$3.4 million) \$1.0 million in salary savings, \$1.7 million in capital project carryover into FY 2022.
 - Equipment Replacement (+\$1.4 million) \$1.4 million for replacement purchases initially scheduled for FY 2021 but to be completed in FY 2022.
 - Zero Waste (+\$6.8 million) \$0.9 million in salary savings and \$5.9 million in carried over projects into FY 2022, including the Transfer Station Replacement project environmental review and permitting.

- Parks Recreation and Waterfront (+9,684,967) had unspent funds due to personnel savings and unexpended project funds in the Playground Camp Fund, Parks Tax Fund, Capital Improvement Fund, and Measure T1 Fund. The Marina Fund also had savings of \$3.3 million most of which was due to unspent capital expenditures. Only certain unspent project funds will be carried over to FY 2021

- Library (+\$4,691,936) ended with a favorable variance from aggregated savings from miscellaneous department budget savings, staffing vacancies, deferment of Central Library stucco restoration and window resealing work to FY 2022, as well as the Central Library's replacement of rooftop air conditioning HVAC units, and the postponement of replacement of information system network switches.

General Fund Revenue and Transfer In FY 2022 1st Quarter vs FY 2021 1st Quarter Comparison

Revenue Categories	FY 2022				FY 2021				Comparison FY22 vs FY 21	
	Adopted	Actual	Variance	% Received	Adopted	Actual	Variance	% Received	Amount	%
	(a)	(b)	c = (b) - (a)	(d) = (b)/(a)	(e)	(f)	g = (f) - (e)	(h) = (f)/(g)	(i) = (b) - (f)	(j) = (i)/(f)
Secured Property	\$71,382,000	\$3,272,735	(\$68,109,265)	4.58%	\$61,165,454	\$3,298,714	(\$57,866,740)	5.39%	(25,979)	-0.79%
Redemptions - Regular	831,441	84,930	(746,511)	10.21%	534,512	123,151	-411,361	23.04%	(38,221)	-31.04%
Supplemental Taxes	2,000,000	222,865	(1,777,135)	11.14%	1,260,000	313,161	-946,839	24.85%	(90,296)	-28.83%
Unsecured Property Taxes	2,625,000	39,971	(2,585,029)	1.52%	2,250,000	(2,404)	-2,252,404	-0.11%	42,375	-1762.69%
Property Transfer Tax	21,000,000	12,299,015	(8,700,985)	58.57%	16,500,000	4,746,819	-11,753,181	28.77%	7,552,196	159.10%
Property Transfer Tax-Measure P (New December 21, 2018)	8,500,000	3,924,007	(4,575,993)	46.16%	4,747,414	1,002,599	-3,744,815	21.12%	2,921,408	291.38%
Sales Taxes	18,287,215	4,896,380	(13,390,835)	26.77%	15,786,200	3,827,061	-11,959,139	24.24%	1,069,319	27.94%
Soda Taxes	990,210	237,577	(752,633)	23.99%	970,794	260,569	-710,225	26.84%	(22,992)	-8.82%
Utility Users Taxes	13,000,000	3,311,793	(9,688,207)	25.48%	12,750,000	3,078,308	-9,671,692	24.14%	233,485	7.58%
Transient Occupancy Taxes	2,173,000	1,206,282	(966,718)	55.51%	5,070,000	539,035	-4,530,965	10.63%	667,247	123.79%
Short-term Rentals	630,000	289,862	(340,138)	46.01%	676,260	62,436	-613,824	676,260	227,426	364.25%
Business License Tax	18,498,146	494,990	(18,003,156)	2.68%	12,984,192	186,479	-12,797,713	1.44%	308,511	165.44%
Recreational Cannabis	1,643,739	532,085	(1,111,654)	32.37%	1,300,000	44,883	-1,255,117	3.45%	487,202	1085.49%
U1 Revenues	5,120,350	71,648	(5,048,702)	1.40%	2,700,000	34,236	-2,665,764	1.27%	37,412	109.28%
Other Taxes	1,761,714	361,941	(1,399,773)	20.54%	922,048	267,921	-654,127	29.06%	94,020	35.09%
Vehicle In-Lieu Taxes	14,959,837	-	(14,959,837)	0.00%	12,421,597	-	-12,421,597	0.00%	-	-
Parking Fines-Regular Collections	3,726,450	1,347,952	(2,378,498)	36.17%	5,049,000	599,640	-4,449,360	11.88%	748,312	124.79%
Parking Fines-Booting Collections										
Moving Violations	132,600	51,839	(80,761)	39.09%	190,000	15,789	-174,211	8.31%	36,050	228.32%
Ambulance Fees	3,154,002	746,006	(2,407,996)	23.65%	5,103,208	630,108	-4,473,100	12.35%	115,898	18.39%
Interest Income	4,462,320	1,369,448	(3,092,872)	30.69%	2,851,200	1,217,126	-1,634,074	42.69%	152,322	12.51%
Franchise Fees	1,613,283	177,082	(1,436,201)	10.98%	1,551,696	189,820	-1,361,876	12.23%	(12,738)	-6.71%
Other Revenue	6,729,977	2,086,510	(4,643,467)	31.00%	6,246,348	3,439,931	-2,806,417	55.07%	(1,353,421)	-39.34%
IDC Reimbursement	5,490,000	1,111,423	(4,378,577)	20.24%	5,490,000	1,221,056	-4,268,944	22.24%	(109,633)	-8.98%
Transfers	27,354,923	6,838,731	(20,516,192)	25.00%	17,274,293	4,432,641	-12,841,652	25.66%	2,406,090	54.28%
			-				0		-	
Total Revenue:	\$236,066,207	\$44,975,072	-\$191,091,135	19.05%	\$195,794,216	\$29,529,079	-\$166,265,137	15.08%	\$15,445,993	52.31%

Notes: (1) This statement is presented on a budgetary basis (i.e., cash).

(2) Current vendor no longer breaks out Regular and Booting Parking Fines Collections

The first quarter review generally focuses primarily on the major revenue fluctuation and changes that have occurred that might result in significant changes in future projections. Typically, Staff waits until the mid-year to identify General Fund revenue projections that should be revised. Staff will monitor these revenues for one more quarter and make the determination of revising the projections at the half year point.

During the first quarter of FY 2022, General Fund revenue and transfers increased by \$15,445,993 or 52.3%, from \$29,529,079 in the first quarter of FY 2021, to \$44,975,072 in the first quarter of FY 2022, due primarily to the following increases:

- Property Transfer Taxes \$ 7,552,196
- Measure P 2,921,408
- Sales Taxes 1,069,319
- Transient Occupancy Taxes (TOT) 667,247
- Parking Fines 748,312
- Transfers In 2,406,090

Secured Property Tax (-\$25,979 less than FY 2021 Actual)

During the first quarter of FY 2022, Secured Property Tax revenues totaled \$3,272,735, which was \$25,979 or .8% less than the \$3,298,714 received for the same period in FY 2021. This first quarter revenue reflects a relatively small amount received from the previous year's levy that was unpaid during that fiscal year. The amount received was typical of what is historically received in the first quarter. The FY 2022 Adopted Budget assumes a 4.72% increase for the year, while the County's Certification of Assessed Valuation reflects growth of 4.48%.

Unsecured Property Tax (+\$42,375 more than FY 2021 Actual)

During the first quarter of FY 2022, Unsecured Property Tax revenues totaled \$39,971, which was \$42,375 or 1,762.7% more than the net refund of (\$2,404) in the same period in FY 2021. The FY 2022

Adopted Budget reflected a decline of 31.4%, while the County's Certification of Assessed Valuation growth reflected growth of 1.96% for FY 2022. Staff will be increasing the FY 2022 Unsecured Property Tax revenue projection to \$3,516,000.

Property Transfer Tax (+\$7,552,196 more than FY 2021 Actual)

During the first quarter of FY 2022, Property Transfer Tax totaled \$12,299,015, which was \$7,552,196 or 159.1% more than the \$4,746,819 received for the first quarter of FY 2021. However, \$3,384,375 of that increase resulted from the late payment by the County of the May 2021 Property Transfer Taxes, which should have been received in FY 2021. As a result, the FY 2022 Property Transfer tax revenue projection was increased by \$3,384,375.

The primary reasons for the remaining \$4,167,821 increase in Property Transfer Tax were (1) The dollar value of property sales increased by 36.1% during the first quarter of FY 2022, as illustrated in the table below; and (2) The number of property sales transactions increased by 67 or 32.7% during the first quarter of FY 2022, as illustrated in the table below. Staff will closely monitor this revenue for another quarter before proposing a change in the FY 2021 projection for Property Transfer Taxes and/or Measure P taxes.

Property Sales Under \$1.5 million				
	July	August	September	Total
FY 2022	\$179,675,533	\$115,008,000	\$107,276,800	\$401,960,333
FY 2021	74,018,291	115,007,000	106,351,773	295,377,064
Change	105,657,242	1,000	925,027	106,583,269
% Change	142.7%	0.0%	0.9%	36.1%

Transactions				
	July	August	September	Total
FY 2022	114	84	74	272
FY 2021	50	82	73	205
Change	64	2	1	67
% Change	128.0%	2.4%	1.4%	32.7%

Measure P-Property Transfer Tax (+\$2,921,408 more than FY 2021 Actual)

In addition, \$3,924,007 in Measure P taxes (a tax which took effect on December 21, 2018) was collected during the first quarter of FY 2022, which was \$2,921,408 or 291.4% more compared to \$1,002,599 collected during the first quarter of FY 2021. The increase was a result of (1) The September 2020 collection of \$678,093 being recorded in October 2020; and (2) significant increases in property sales amount in FY 2022 versus those for the same period in FY 2021.

Property Sales \$1.5 million+				
	July	August	September	Total
FY 2022	\$117,712,500	\$126,787,000	\$147,899,400	\$392,398,400
FY 2021	39,265,000	60,994,900		100,259,900
Change	78,447,500	65,793,000		292,138,500
% Change	199.8%	107.9%		291.4%

Sales Tax (+\$1,069,319 more than FY 2021 Actual)

For the first quarter of FY 2022, Sales Tax revenue totaled \$4,896,380, which was \$1,069,319 or 27.9% more than the \$3,827,061 received for the first quarter of FY 2021. The increase was consistent with the following projection made by the City's Sales Tax Consultant:

Sales Tax Category	Revenue Projection
General Retail	\$ 3,582,787
Food Products	5,573,760
Transportation	2,482,737
Construction	1,227,280
Business-to-business	1,782,010
Miscellaneous	786,424
Subtotal	15,434,998
County pool	3,956,336
State pool	9,966
County sharing	(970,065) ¹
CDTFA admin.	(144,019) ²
Total	\$18,287,216

Utility Users Taxes (+\$233,485 more than FY 2021 Actual)

Utility Users Tax revenue for the first quarter of FY 2022 totaled \$3,311,793, which was \$233,485 or 7.6% more than the \$3,078,308 received for the same period in FY 2021. This increase of \$233,485 resulted from the following:

FY 2022 Actual First Quarter Revenues and FY 2021 Actual First Quarter Revenues				
	FY2022	FY 2021	\$ Change	% Change
Telephone	\$ 305,385	\$ 310,767	\$ -5,382	-1.73%
Cable	252,245	258,207	- 5,962	-2.31%
Cellular	432,303	371,264	61,039	16.44%
Electric	1,858,586	1,710,948	147,638	8.63%
Gas	463,274	427,122	36,152	8.46%
Total	\$3,311,793	\$3,078,308	\$233,485	7.58%

Transient Occupancy Tax (+\$667,247 more than FY 2021 Actual)

Transient Occupancy Tax (TOT) revenue for the first quarter of FY 2022 totaled \$1,206,282, which was \$667,247 or 123.8% more than the \$539,035 received for the first quarter of FY 2021. The increase in FY 2022 was primarily attributable to an increase of 155.8% occupancy at the five largest hotels in Berkeley during the quarter.

Short-Term Rentals (+\$227,426 more than FY 2021 Actual)

Short-Term Rentals revenue for the first quarter of FY 2022 totaled \$289,862, which was \$227,426 or 364.3% more than the \$62,436 received for the first quarter of FY 2021.

¹ The cities in Alameda County share 5% of their Bradley Burns sales taxes with the County; and,

² The CDTFA administrative fees are a percentage of taxes CDTFA charges to administer the sales tax program

Business License Taxes +(\$308,511 more than FY 2021 Actual)

Business license Taxes (BLT) revenue for the first quarter of FY 2022 totaled \$494,990, which was \$308,511 or 165.4% more than the \$186,479 received for the first quarter of FY 2021. BLT are not due yet, so it is too soon to determine what the FY 2022 trends are.

Recreational Cannabis (+\$487,202 more than FY 2021 Actual)

Recreational Cannabis revenue for the first quarter of FY 2022 totaled \$532,085, which was \$487,202 or 1,085.5% more than the \$44,883 received in the first quarter of FY 2021. This increase was primarily attributable to \$240,260 in Recreational Cannabis receipts during the first quarter of FY 2021 that did not get recorded in the General Ledger before the close of the first quarter. Recreational Cannabis taxes are not due yet, so it is too soon to determine what the FY 2022 revenue trends are.

U1 Revenues (+\$37,412 more than FY 2021 Actual)

U1 revenues for the first quarter of FY 2022 totaled \$71,648, which was \$37,412 or 109.3% more than the \$34,236 received in the first quarter of FY 2021. U1 revenues are not due yet, so it is too soon to determine what the FY 2022 U1 revenues trends are.

Vehicle In Lieu Taxes (\$0 more than FY 2021 Actual)

There was no Vehicle in Lieu Taxes (VLF) received during the first quarter of FY 2022 and FY 2021, since they are not yet due. However, the County's Certification of Assessed Valuation reflects growth of 4.48%. Changes in VLF revenues are based on the growth in assessed values.

Parking Fines (+\$748,312 more than FY 2021 Actual)

Parking Fines revenue for the first quarter of FY 2022 totaled \$1,347,952, which was \$748,312 or 124.8% more than the \$599,640 received for the first quarter of FY 2021. The primary reason for the increase was a significant increase in ticket writing. From March 2020 to June 2020, Parking Enforcement was limited in the violations they were able to write due to COVID-19. Between July 2020-August 2020, meter enforcement began again and Residential Preferential Parking renewal occurred, which allowed Parking Enforcement to begin residential parking enforcement in October 2020.

During the quarter, ticket writing increased from 23,645 or 31.1% in the first quarter of FY 2021 to 31,006 in the first quarter of FY 2022, as follows:

	July	August	Sept.	Total
FY 2022	9,548	9,674	11,784	31,006
FY 2021	6,810	7,744	9,091	23,645
Difference	+2,738	+1,930	+2,693	+7,361
% Difference	+40.2%	+24.9%	+29.6%	+31.1%

Ambulance Fees (+\$115,898 more than FY 2021 Actual)

Ambulance Fees revenue for FY 2022 totaled \$746,006, which was \$115,898 or 18.4% more than the \$630,108 received for the same period during FY 2021. This increase was primarily due to an increase in the number of transports.

Interest Income (+\$152,322 more than FY 2021 Actual)

For the first quarter of FY 2022, interest income totaled \$1,369,448, which was \$152,322 or 12.5% more than the total of \$1,217,126 received for the same period in FY 2021. This increase was primarily attributable to a significant increase in the proportion of the portfolio that was invested in long-term (i.e., one year or more) securities than in short-term securities (i.e., less than one year, which paid rates ranging from .01%-.25%), despite the decline in average interest rates.

Primarily as a result of the Fed's actions, the net interest rate earned by the City dropped from a range of 1.13%-1.17% during the first quarter of FY 2021, to a range of .912%-1.057% during the first quarter of FY 2022, as follows:

Monthly Net Interest Rate Earned			
FY	July	August	September
2022	.912%	1.028%	1.057%
2021	1.17%	1.13%	1.14%

Franchise Fees (-\$12,738 less than FY 2021 Actual)

Franchise Fees for the first quarter of FY 2022 totaled \$177,082, which was \$12,738 or 6.7% less than the \$189,820 received for the same period in FY 2021.

Transfers (+\$2,406,090 more than FY 2021 Actual)

Transfers from other funds for the first quarter of FY 2022 totaled \$6,838,731 which was \$2,406,090 or 54.3% more than the \$4,432,641 received for the same period in FY 2021. This was primarily attributable to the Transfer of \$5,742,339 from the American Rescue Plan Fund in the first quarter of FY 2022 to recover from the impact of the COVID-19 pandemic, compared to the Transfer of \$1,725,000 from the Stabilization Reserve Fund and the \$1,125,000 from the Catastrophic Reserve Fund during the FY 2021 first quarter, to mitigate the negative impact of COVID-19.

Other Revenues (-\$1,353,421 less than FY 2021 Actual)

Other Revenues consists of licenses and permits; grants; preferential parking fees; general government charges for services; public safety charges for services; health charges for services; culture and recreation charges for services; rents and royalties; and other miscellaneous revenues that are not considered major.

Other Revenues for the first quarter of FY 2022 totaled \$2,086,510 which was \$1,353,421 or 39.3% less than the \$3,439,931 received for the first quarter of FY 2021. This decrease resulted primarily from the receipt in the first quarter of FY 2021 of \$704,000 from East Bay Community Foundation for the Berkeley Relief Fund, to finance grant payments to assist businesses and nonprofit organizations impacted by the COVID-19 pandemic.

FY 2022 First Quarter Expenditures (7/1/21 – 9/30/21)

General Fund

Department	FY 2022		Year-To-Date		Percent Expended
	Adopted	Adjusted*	Actuals + Encumbrances	Balance	
Mayor & Council	3,096,559	3,111,734	812,095	2,299,639	26%
Auditor	2,705,379	2,712,758	558,180	2,154,578	21%
Office of the Director of Police Accountability	1,114,235	1,149,235	160,385	988,850	14%
City Manager	10,912,354	12,202,891	3,412,357	8,790,534	28%
City Attorney	3,434,164	3,461,854	569,862	2,891,992	16%
City Clerk	2,396,737	2,631,912	961,082	1,670,830	37%
Finance	7,041,962	8,339,474	2,700,952	5,638,522	32%
Human Resources	2,407,724	2,494,692	561,239	1,933,453	22%
Information Technology	1,526,760	2,349,381	1,592,826	756,555	68%
Health, Housing & Community Services	23,455,690	32,131,556	14,166,063	17,965,493	44%
Parks, Recreation and Waterfront	7,675,564	9,549,050	2,865,280	6,683,770	30%
Planning	2,325,367	2,757,119	614,148	2,142,971	22%
Public Works	4,742,625	8,570,415	2,281,494	6,288,921	27%
Police	73,228,172	73,712,007	17,684,603	56,027,404	24%
Fire	37,021,939	42,214,805	15,599,001	26,615,804	37%
Non-Departmental	51,669,260	38,522,652	16,406,419	22,116,233	43%
Total	234,754,491	245,911,535	80,945,985	164,965,550	33%

*FY 2022 Adjusted includes FY 2021 Encumbrance Rollover

All Funds (including General Fund)

Department	FY 2022		Year-To-Date		Percent Expended
	Adopted	Adjusted*	Actuals + Encumbrances	Balance	
Mayor & Council	3,096,559	3,119,234	812,095	2,307,139	26%
Auditor	2,805,883	2,813,262	558,180	2,255,082	20%
Rent Board	6,825,535	7,502,298	2,599,431	4,902,867	35%
Office of the Director of Police Accountability	1,114,235	1,149,235	160,385	988,850	14%
City Manager	13,852,717	15,801,843	5,041,711	10,760,132	32%
Library	25,566,341	25,680,866	6,962,853	18,718,014	27%
City Attorney	7,278,096	7,674,642	1,388,829	6,285,813	18%
City Clerk	2,901,739	3,136,914	980,902	2,156,012	31%
Finance	9,431,102	10,750,526	3,185,115	7,565,411	30%
Human Resources	4,438,053	4,551,435	924,370	3,627,065	20%
Information Technology	20,423,888	25,628,383	8,941,363	16,687,020	35%
Health, Housing & Community Services	84,514,926	125,768,762	53,014,525	72,754,237	42%
Parks, Recreation and Waterfront	52,979,556	88,305,141	33,115,957	55,189,184	38%
Planning	25,252,729	27,080,210	6,022,876	21,057,334	22%
Public Works	147,438,656	215,253,373	79,790,287	135,463,086	37%
Police	77,807,443	78,485,969	19,032,338	59,453,631	24%
Fire	60,351,430	65,815,460	18,419,306	47,396,154	28%
Non-Departmental	127,522,399	115,187,973	39,225,954	75,962,019	34%
Total	673,601,287	823,705,526	280,176,476	543,529,050	34%

*FY 2022 Adjusted includes FY 2021 Encumbrance Rollover

FY 2022 First Quarter Expenditures Variance Analysis

First Quarter Assumptions

- Personnel year-to-date actuals are through 09/30/21 and represent 21.90% expended. All departments are tracking at or below 21.90% in personnel expenditures. General Fund personnel costs represent almost 63% of the total City's General Fund budget and are tracked on a monthly basis. As in prior years, Police overtime is being carefully monitored by staff.

Generally, on a general fund and on an all funds basis, expenditures over 21.90% are related to non-personnel costs, such as encumbrances for contracts, supplies, and materials.

First Quarter Variances

General Fund

- Finance: Banking Services contracts and other professional services contracts were encumbered in the 1st Quarter.
- Information Technology: Funds encumbered for projects started in FY 2021 were rolled over to FY 2022 in the 1st Quarter along with funds for software maintenance and the City's contract with Berkeley Community Media being encumbered as well.
- Health, Housing & Community Services: Community Agency contract funds were moved from Non-Departmental so that contracts purchase orders could be created.
- Parks Recreation & Waterfront: Funds for summer youth recreation programs were expended in the first quarter.
- Public Works: Funds were encumbered for gas and electricity payments.
- Non-Departmental: Funds for the City's Outside Auditors, Legislative and Professional Services, Insurance were encumbered or paid in the first three months of FY 2022.

All Funds

- Public Works & Parks, Recreation & Waterfront: Funds were encumbered for capital improvement projects early in the fiscal year.
- Non-Departmental: Debt service and insurance payments were made in August.



**Summary of Council Referrals to the Budget Process
For the Period July 1, 2021 to June 30, 2022**

Item#	Title	Council Date	Amount	Funding Allocation	Referred By
1	Supply Bank	9/14/2021	\$ 25,000		Mayor Arreguin
2	Security Cameras in the Public Right Of Way at Intersections Experiencing Increased Violent Crime, and Environmental Safety Assessment for High Crime Areas	10/12/2021	\$ 1,330,000		Taplin and Kesarwani
3	Infrastructure and Affordable Housing Finance Plan for Adeline Corridor	10/12/2021	\$ 200,000		Bartlett
4	Allocate General Fund Revenues to Support Pilot Program Offering Free AC Transit on Sundays in Berkeley	10/12/2021	\$ 500,000		Harrison
5	Durant Parklet and Telegraph Plaza Improvements	10/26/2021	\$ 60,000		Robinson
6	Public Bank East Bay	10/26/2021	\$ 50,000		Robinson
7	Sidewalk Repair on Arterial Streets	10/26/2021	\$ 600,000		Taplin
8	Reckless Driving and Sideshow Deterrence Improvements	10/26/2021	unknown		Taplin
9	Telegraph Public Realm Plan Implementation	10/26/2021	\$ 500,000		Robinson, Mayor Arreguin, and Hahn
10	Strawberry Creek Lodge Food Program	11/9/2021	\$ 100,000		Taplin
11	Resolution Recognizing Housing as Human Right; Referring to City Manager Several Measures to Begin Developing Social Housing in the City of Berkeley	11/9/2021	\$ 300,000		Taplin, Mayor Arreguin, Harrison, and Hahn
12	Berkeley Ceasefire	11/9/2021	\$ 200,000		Taplin, Bartlett, Mayor Arreguin, and Wengraf
13	West Berkeley Residential Preferential Parking (RPP)	11/9/2021	\$ 1,590,151		Taplin
14	Solano-Peralta Park restoration and improvements	11/9/2021	\$ 80,000		Hahn
15	Homeless Outreach Coordinator for South Shattuck Avenue and Adeline Street	11/9/2021	\$ 200,000		Bartlett
16	Curtis Street Traffic Diverters	11/16/2021	\$ 100,000		Taplin
17	Budget Referral and Resolution Establishing a Pilot Existing Building Electrification Installation Incentives and Just Transition Program with Pre-Qualified Contractors Meeting Minimum Labor Standards to Assist New Property Owners, Renters and Existing Property Owners with Transition to Zero-Carbon Buildings	11/30/2021	\$ 1,500,000		Harrison and Bartlett
18	Commitment to Habitat Recovery	11/30/2021	\$ 100,000		Bartlett and Mayor Arreguin
19	Berkeley Age-Friendly Continuum	11/30/2021	\$ 20,000		Mayor Arreguin
20	Automated license plate readers for community safety improvement	11/30/2021	unknown		Taplin, Droste, and Wengraf
21	Budget Referral to the City Manager to Improve Pedestrian Safety where Sidewalks are Not Provided	11/30/2021	\$ 100,000		Wengraf
22	Pedestrian Crossing Improvements at Ashby and Acton	12/14/2021	\$ 100,000		Taplin

23	Russell Street Bicycle and Pedestrian Improvements	12/14/2021	\$ 360,000	Taplin
		Total	<u>\$ 8,015,151</u>	

November 2021 General Fund Budget Recommendations

Tier 1 Funding Requests (Council Approved Items, Critical Operational Needs, Public Safety Items, or Legislative Mandates)

Department Items

Department	Item	Amount	Comments
City Clerk	Konica Minolta Business Systems/OnBase Version Upgrade and Training	50,000	For agenda review and packet creation software; Project to start in February 2022
City Manager	City Manager Salary Increase	52,958	Council Approval on 11/16/21
City Manager	Salary Adjustments for Department Head	127,430	Council Approval on 11/16/21
City Manager	Data Entry to input pages into Website project	70,000	Funds needed to complete website project in January 2022
Finance	Deputy Director of Finance	268,812	Position is essential to managing the operations of the Finance Department and provide support to the Director of Finance
Fire Department	Priority Dispatching	83,000	Funding needed for the development of a Priority Dispatching program in Fire
Fire	FY 2015 Ground Emergency Medical Transport Overpayment	150,660	City was overpaid by the State in FY 2015 for Ground Emergency Medical Transport program and must now return those funds to the State.
Fire	Gurneys	39,714	Funds needed to maintain the City's lease contract for ambulance gurneys
Health, Housing & Community Svcs.	African American Holistic Resource Center	52,037	Funds needed for development of the African American Holistic Resource Center
Health, Housing & Community Svcs.	COLA/CalPERS PEPPRA coverage	179,551	Allocation for COLA's, CalPERS, and bonuses for HHCS that cannot be absorbed by grant funds in FY 2022 for labor contracts approved by Council.
Mayor & Council	Legislative Assistants Salary & Fringe Benefit Increase	709,695	Approved by Council on 6/15/21 with adoption of inclusion of Legislative Assistants into SEIU Community Services and Part-Time Recreation Leaders Association
Mayor & Council	Mayor and Council Annual Salary per Measure JJ	30,121	Charter Amendment approved by voters in November 2020
Non-Departmental	Transfer to Workers' Compensation Fund for Premier Cru loan repayment	406,952	Loan from Workers' Compensation Fund and repayment plan approved by Council on 3/28/17
Parks, Recreation & Waterfront	R2 Shift Training; R2 Shift Cancellation	214,000	Approved by Council on 7/29/21 with adoption of new labor contract with 1021 Community Services and Part-Time Recreation Leaders Association
Parks, Recreation & Waterfront	West Campus Pool Filters/Plaster	510,000	Approved for Pre-Funding in AAO #1 in June 2021. Work can not be delayed, otherwise we may impact summer programming or may be subject to an indefinite closure at West Campus pool.
Planning	Deputy Director of Planning	32,163	Restoring the Deputy Director position in the Planning Department is necessary to improve operations, customer service and succession planning.

Public Works	Dwight-California Intersection Improvements	323,807	Appropriate balance of Mayor/Council Budget referral from FY 2019 AAO#1 process so that project can continue. Project was put on hold.
Public Works	BerkDOT	100,000	To continue the study of potential BerkDOT or alternate organizational structure (Council referral)
Public Works	Public Restroom People's Park	83,428	Appropriate funds received from Enclave Partners for a public restroom at People's Park
Total Department Requests		3,484,328	

Council Referrals

Referred By	Item	Amount	Comment
Taplin and Kesarwani	Security Cameras in the Public Right Of Way at Intersections Experiencing Increased Violent Crime, and Environmental Safety Assessment for High Crime Areas	1,330,000	
Taplin, Mayor Arreguin, Harrison, and Hahn	Resolution Recognizing Housing as Human Right; Referring to City Manager Several Measures to Begin Developing Social Housing in the City of Berkeley	300,000	
Bartlett	Homeless Outreach Coordinator for South Shattuck Avenue and Adeline Street	100,000	
Robinson and Mayor Arreguin	Durant Parklet and Telegraph Plaza Improvements	60,000	
Taplin, Bartlett, Mayor Arreguin, and Wengraf	Berkeley Ceasefire	200,000	
Total Council Referrals		1,990,000	
Total Tier 1 Funding Requests		5,474,328	
Unspent Excess Equity Funds		397,193	

Tier 2 (Non-Critical Operational Needs that maybe on hold or have existing funding)

Department	Item	Amount	Comments
Finance	Tax Assessment System Replacement	300,000	Project on hold till FY 2023
Information Technology	IT Move to 1947 Center Street	770,000	Adjustment to FY 2022 General Fund Baseline recommended for Pre-Funding in AAO #1. Move is currently on hold
Information Technology	IT 2180 Milvia/4th Floor Rent	106,017	Adjustment to FY 2022 General Fund Baseline recommended for Pre-Funding in AAO #1. Could possibly fund from existing budget
Information Technology	Cybersecurity for Telecommuting Needs	819,000	2nd Half of \$1.638 million allocation; Initial funds still have not been fully spent yet in FY 2022
Information Technology	Enterprise Zoom License	68,832	Funds for Enterprise for Zoom Government License pilot program
Police	Police Overtime	1,000,000	Adjustment to FY 2022 General Fund Baseline recommended for Pre-Funding in AAO #1. Baseline funding for overtime may be sufficient for overtime costs in FY 2022
Police	School Crossing Guards	77,156	Hire 4 School Crossing Guard positions to fully cover all 18 Crossing Guard posts
Public Works	Ped Xing Signal @ intersection of Shattuck & Prince	100,000	Adjustment to FY 2022 General Fund Baseline recommended for Pre-Funding in AAO #1.

Public Works	Traffic Calming at MLK and Stuart Street	100,000	Adjustment to FY 2022 General Fund Baseline recommended for Pre-Funding in AAO #1.
Public Works	George Florence Park/10th Street Traffic Calming	220,000	Approved for Pre-Funding in AAO #1 in June 2021.
Total Tier 2 Items		3,561,005	

Tier 3 (Non-Urgent Operational Needs Recommend FY 2023 & FY 2024 Budget Consideration)

Department	Item	Amount	Comments
City Manager	Community Survey	85,000	Approved for Pre-Funding in AAO #1 in June 2021. Funds not needed as funds for community survey were approved with allocation for Vision 2050 plan
City Manager	Communications Specialist	116,854	Department request to add additional staff person to meet a baseline need for community engagement, daily and emergency PIO response, as well as multi-department and multi-agency coordination.
City Manager	Office of Diversity & Equity: Assistant to the City Manager	268,812	Funding to address Council referral
Fire	Medical Supplies for Life Assist	90,200	Funds for additional medical supplies for ambulances
Finance	Grant Writer	TBD	Funding to address Council referral
Police	Portable Radio Replacement	600,000	Approved for Pre-Funding in AAO #1 in June 2021. Funds not needed till FY 2023 when first payment occurs.
Public Works	Restore Deferral	1,283,765	FY 2021 General Fund Budget Deferral. Could be funded through ARPA Funds as deferral was due to General Fund budget deficit caused by COVID-19
Public Works	Citation Appeals Assistance	109,861	Funding to add an Office Specialist II position to support the Citation Appeals process
Total Tier 3 Items		2,554,492	

Measure P

Department	Item	Amount	Comments
City Manager's Office	Homeless Response Team Vehicle	33,120	Vehicle purchase was included in FY 2021 Measure P allocations. Purchase not made till FY 2022.
City Manager's Office	Off-street safe parking program for Recreational Vehicles at 742 Grayson Street and other shelter operational costs	439,420	Funding approved by Council on 10/26/21
Total Measure P Adjustments		472,540	

Measure U1

Department	Item	Amount	Comments
Non-Departmental	Transfer to U1 Fund	973,695	
Total Measure U1 Adjustments		973,695	