

**Fiscal Year 2024
First Amendment to
Annual Appropriation Ordinance
(AAO#1)**

**Budget and Finance Policy Committee
26 October 2023**

PURPOSE AND OVERVIEW

- Recap AAO amendment purpose
- Preliminary Fiscal Year 2023 General Fund Year-End Status
- Review of AAO#1 Summary Requests and Changes
- Discussion on Funding Requests
- Timing and Next Steps

▪ FY 2024 AAO AMENDMENT

- Purpose to increase FY 24 appropriation (spending level) over adopted budget
- Includes automatic Encumbrance Rollovers of contractual obligations entered into in fiscal year 2023 which had not been paid as of June 30, 2023
- Includes establishment of new grant budgets in other funds
- Includes FY 23 carryover requests for continuation or completion of approved capital projects, programs, and priorities (such as Tier 1 items funded in FY 23)
- Includes new FY 24 funding requests over adopted budget

FY 2024 AAO#1 ALL FUNDS SUMMARY

Fund Name	Requested Encumbrance	Requested Carryover	Requested Adjustments	Total
General Fund (011)	\$16,752,951	\$10,998,938	\$10,972,229	\$38,724,118
CIP Fund (501)	\$7,933,891	\$17,570,318	\$-	\$25,504,209
All Other Funds	\$86,485,536	\$53,160,707	\$43,439,059	\$183,085,302
Total	\$111,172,378	\$81,729,963	\$54,411,289	\$247,313,629

ENCUMBERED & UNENCUMBERED TREND

TYPE OF REQUEST	FY 2018 Carryover to FY 2019 (AAO#1)	FY 2019 Carryover to FY 2020 (AAO#1)	FY 2020 Carryover to FY 2021 (AAO#1)	FY 2021 Carryover to FY 2022 (AAO#1)	FY 2022 Carryover to FY 2023 (AAO#1)	FY 2023 Carryover to FY 2024 AAO#1 (Requested/Pending)
Encumbered Rollover - General Fund	\$ 5,455,350	\$ 5,512,512	\$ 7,191,365	\$ 8,451,781	\$ 12,162,503	\$ 16,752,951
Encumbered Rollover - All Other Funds	\$ 24,845,889	\$ 59,073,746	\$ 91,541,626	\$ 92,982,670	\$ 98,466,281	\$ 94,419,427
Subtotal Encumbered Carryover	\$ 30,301,239	\$ 64,586,258	\$ 98,732,991	\$ 101,434,451	\$ 110,628,784	\$ 111,172,378
Unencumbered Carryover - General Fund	\$ 4,986,454	\$ 4,177,247	\$ 4,702,740	\$ 4,405,774	\$ 6,351,969	\$ 12,138,372
Unencumbered Carryover - All Other Funds	\$ 39,426,837	\$ 32,378,612	\$ 26,372,942	\$ 30,983,326	\$ 36,301,889	\$ 71,527,932
Subtotal Unencumbered Carryover	\$ 44,413,291	\$ 36,555,859	\$ 31,075,682	\$ 35,389,100	\$ 42,653,858	\$ 83,666,304
Total Carryover	\$ 74,714,530	\$ 101,142,117	\$ 129,808,673	\$ 136,823,551	\$ 153,282,642	\$ 194,838,682
Revised Budget - General Fund	\$ 193,698,622	\$ 220,850,532	\$ 225,624,945	\$ 228,386,656	\$ 254,981,917	\$ 289,091,383
Revised Budget - All Other Funds	\$ 393,976,291	\$ 355,489,055	\$ 432,986,055	\$ 479,849,920	\$ 547,110,869	\$ 567,480,656
Total Revised Budget	\$ 587,674,913	\$ 576,339,587	\$ 658,611,000	\$ 708,236,576	\$ 802,092,786	\$ 856,572,038
Percentage of Encumbered Carryover - General Fund to Revised Budget - General Fund	2.8%	2.5%	3.2%	3.7%	4.8%	5.8%
Percentage of Encumbered Carryover - All Other Funds to Revised Budget - All Other Funds	6.3%	16.6%	21.1%	19.4%	18.0%	16.6%
Total Percentage of Encumbered Carryover to Overall Revised Budget	5.2%	11.2%	15.0%	14.3%	13.8%	13.0%
Percentage of Unencumbered Carryover - General Fund to Revised Budget - General Fund	2.6%	1.9%	2.1%	1.9%	2.5%	4.2%
Percentage of Unencumbered Carryover - All Other Funds to Revised Budget - All Other Funds	10.0%	9.1%	6.1%	6.5%	6.6%	12.6%
Total Percentage of Unencumbered Carryover to Overall Revised Budget	7.6%	6.3%	4.7%	5.0%	5.3%	9.8%
Total Percentage of Carryover to Overall Revised Budget	12.7%	17.5%	19.7%	19.3%	19.1%	22.7%

FY 23 GENERAL FUND YEAR-END

	Preliminary FY23 Revenue	Preliminary FY 23 Expenditures	FY 23 Encumbrances	Preliminary Estimated Annual Surplus/ (Shortfall)
General Fund (excludes P & U1)	\$259,098,037	\$245,078,892	\$11,276,262	\$2,742,884

*Preliminary and based upon unaudited actuals and subject to change

- General Fund projected to use \$19M from FY 22 excess property transfer tax primarily for 1x capital projects of \$14M and pre-funding of reserves of \$5M.
- Combination of increased revenue over adopted and one-time salary savings resulting in slight surplus projected at year-end for General Fund.

FY 2023 PRELIMINARY GENERAL FUND YEAR-END: MEASURE P

Measure P*	
FY 2023 Beginning Measure P Balance	\$ 22,783,216
FY 2023 Measure P Revenues	\$ 10,199,580
FY 2023 Measure P Expenditures	\$ (13,095,374)
FY 2023 Encumbrances Restricted (AAO #1)	\$ (5,476,689)
FY 2023 Carryover (AAO #1)	\$ (220,000)
FY 2023 Other Adjustments (AAO #1)	\$ (4,500,000)
FY 2023 Ending Measure P Balance	\$ 9,690,733
*Preliminary and based upon unaudited actuals and subject to change	

- Projected use of \$2.3M in fund balance in FY 23 Adopted
 - Revenues adjusted downward in FY 23 from \$14M to \$10M
- Expenditures outpaced revenues in FY 23; shortfall of \$8.4M projected
 - \$4.5M in 2024 planned for Russell Street Residence acquisition
- Expenditures forecasted to outpace revenues in FY 24 and outyears

FY 2023 PRELIMINARY GENERAL FUND YEAR-END: MEASURE U1

Measure U1	
FY 2023 Beginning Measure U1 Balance	\$ 12,624,315
FY 2023 Measure U1 Revenues	\$ 5,844,564
FY 2023 Measure U1 Expenditures	\$ 2,723,674
FY 2023 Encumbrances Restricted (AAO #1)	\$ (1,079,379)
FY 2023 Ending Measure U1 Balance	\$ 14,665,826

*Preliminary and based upon unaudited actuals and subject to change

- Projected use of \$1.3M in fund balance in FY 23 Adopted
 - Revenues adjusted upwards in FY 23 from \$4.9M to \$5.9M
- Expenditures less than revenues in FY 23, although timing-related
- Expenditures forecasted to match revenues in FY 24 and outyears

FY 2023 PRELIMINARY GENERAL FUND YEAR-END REVENUES

	FY 2022 Actual	FY 2023 Adopted	FY 2023 Est Actual	FY 2024 Adopted Update
Revenues				
Property Taxes and Vehicle In-Lieu	88,741,015	97,107,088	104,050,835	109,743,846
Real Estate Transfer Taxes	42,901,751	34,462,172	22,878,336	22,873,786
Property Transfer Tax - Measure P	20,591,313	14,073,750	10,199,580	10,189,500
Sales Taxes	19,954,078	20,006,756	20,357,281	20,801,612
Utility Users Taxes and Franchise Fees	16,470,121	15,413,283	19,457,093	19,174,376
Vacancy Tax	0	0	0	0
Hotel and STR Taxes	5,727,046	4,900,000	8,850,350	9,774,588
Business License Taxes	26,569,061	25,300,000	28,696,329	28,460,783
Fines and Fees	8,754,104	8,339,829	11,168,398	11,150,779
Interest and Other Revenue	27,464,596	16,461,418	25,878,817	20,052,178
Transfers from Other Funds	29,445,572	22,586,148	23,605,162	14,196,894
Revenues Total	286,618,657	258,650,444	275,142,181	266,418,342

***FY 2023 Preliminary and based upon unaudited actuals and subject to change**

FY 2022 AND 2023 GENERAL FUND REVENUES

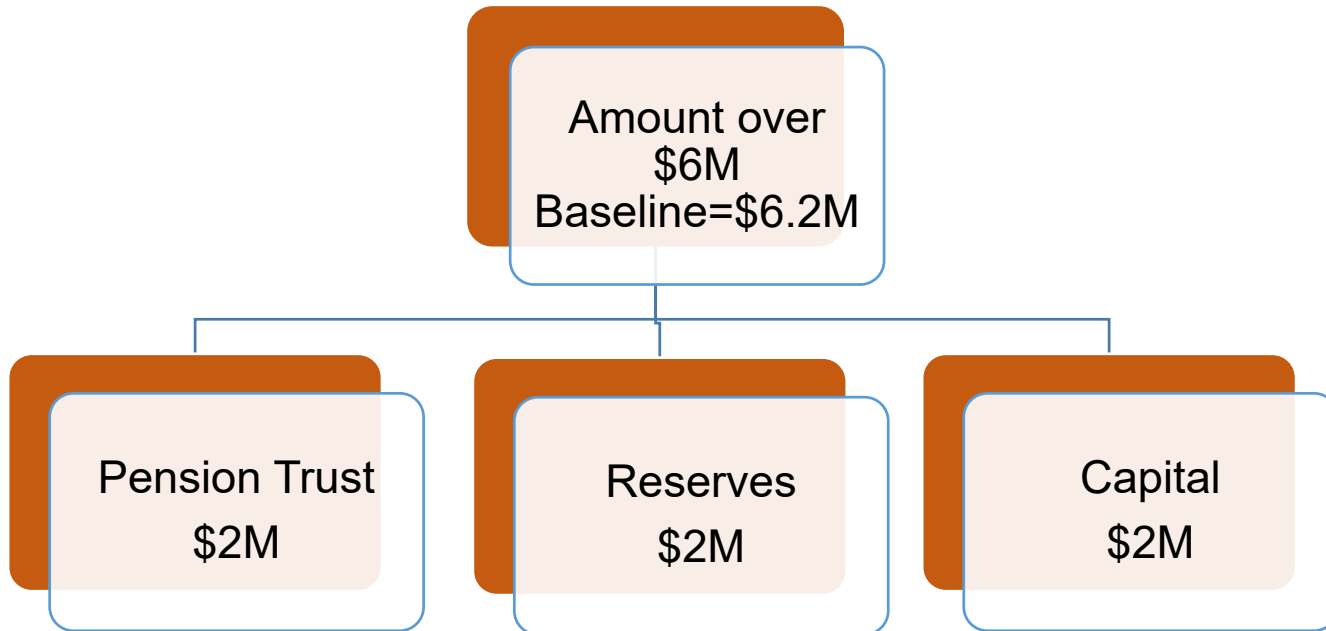
Revenue Categories	FY 2023				FY 2022				Comparison FY23 vs FY22	
	Adopted	Actual	Variance	% Received	Adopted	Actual	Variance	% Received	Amount	%
	(a)	(b)	c=(b) - (a)	(d) = (b)/(a)	(e)	(f)	g=(f) - (e)	(h) = (f)/(g)	(i) = (b) - (f)	(j) = (i)/(f)
Secured Property	\$75,664,920	\$79,260,689	\$3,595,769	104.75%	\$71,382,000	\$71,077,973	(\$304,027)	99.57%	8,182,716	11.51%
Redemptions - Regular	831,441	738,032	(93,409)	88.77%	831,441	759,808	-71,633	91.38%	(21,776)	-2.87%
Supplemental Taxes	2,000,000	3,561,752	1,561,752	178.09%	2,000,000	2,317,723	317,723	115.89%	1,244,029	53.67%
Unsecured Property Taxes	3,516,000	3,830,697	314,697	108.95%	2,625,000	4,001,922	1,376,922	152.45%	(171,225)	-4.28%
Property Transfer Tax	34,462,172	22,878,336	(11,583,836)	66.39%	21,000,000	42,901,750	21,901,750	204.29%	(20,023,414)	-46.67%
Property Transfer Tax-Measure P (New December 21, 2018)	14,073,750	10,199,580	(3,874,170)	72.47%	8,500,000	20,591,313	12,091,313	242.25%	(10,391,733)	-50.47%
Sales Taxes	19,016,546	19,194,971	178,425	100.94%	18,287,215	18,928,278	641,063	103.51%	266,693	1.41%
Soda Taxes	990,210	1,162,310	172,100	117.38%	990,210	1,025,800	35,590	103.59%	136,510	13.31%
Utility Users Taxes	13,800,000	17,634,565	3,834,565	127.79%	13,000,000	14,750,065	1,750,065	113.46%	2,884,500	19.56%
Transient Occupancy Taxes	5,000,000	7,477,911	2,477,911	149.56%	2,173,000	5,727,046	3,554,046	263.55%	1,750,865	30.57%
Short-term Rentals	1,000,000	1,372,439	372,439	137.24%	630,000	1,295,798	665,798	630,000	76,641	5.91%
Business License Tax	19,000,000	21,854,193	2,854,193	115.02%	18,498,146	20,404,397	1,906,251	110.31%	1,449,796	7.11%
Recreational Cannabis	1,400,000	997,572	(402,428)	71.26%	1,643,739	1,250,792	-392,947	76.09%	(253,220)	-20.24%
U1 Revenues	4,900,000	5,844,564	944,564	119.28%	5,120,350	4,913,872	-206,478	95.97%	930,692	18.94%
Other Taxes (excluding Redemptions-Regular)	1,800,000	4,717,855	2,917,855	262.10%	1,761,714	2,430,032	668,318	137.94%	2,287,823	94.15%
Vehicle In-Lieu Taxes	15,926,168	16,659,665	733,497	104.61%	14,959,837	15,006,003	46,166	100.31%	1,653,662	11.02%
Parking Fines-Regular Collections	4,326,450	5,875,858	1,549,408	135.81%	3,726,450	4,764,121	1,037,671	127.85%	1,111,737	23.34%
Moving Violations	132,600	149,420	16,820	112.68%	132,600	156,253	23,653	117.84%	(6,833)	-4.37%
Ambulance Fees	3,880,779	5,143,120	1,262,341	132.53%	3,154,002	3,833,730	679,728	121.55%	1,309,390	34.15%
Interest Income	6,000,000	12,117,025	6,117,025	201.95%	4,462,320	6,694,122	2,231,802	150.01%	5,422,903	81.01%
Franchise Fees	1,613,283	1,822,528	209,245	112.97%	1,613,283	1,720,056	106,773	106.62%	102,472	5.96%
Other Revenue	6,729,977	9,043,937	2,313,960	134.38%	6,729,977	7,538,980	809,003	112.02%	1,504,957	19.96%
IDC Reimbursement	5,490,000	6,758,577	1,268,577	123.11%	5,490,000	5,074,695	-415,305	92.44%	1,683,882	33.18%
Transfers	17,096,148	16,846,585	(249,563)	98.54%	27,354,923	27,354,923	0	100.00%	(10,508,338)	-38.41%
			-				0		-	
Total Revenue:	\$258,650,444	\$275,142,181	\$16,491,737	106.38%	\$236,066,207	\$284,519,452	\$48,453,245	120.53%	(\$9,377,271)	-3.30%

FY 2022 AND 2023 GENERAL FUND REVENUES

When comparing FY 23 to FY 22:

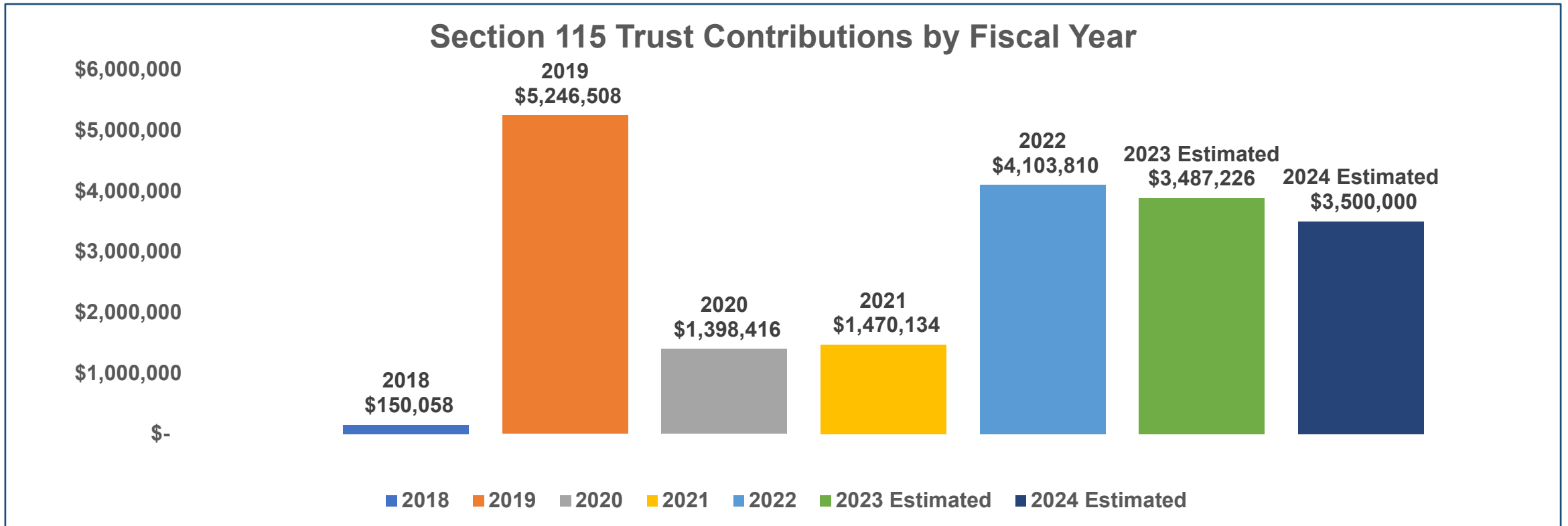
- Revenue and transfers decrease of \$9.3M, or 3.3%, from FY22
 - Property transfer tax of \$20.0M
 - Measure P Property Transfer Tax of \$10.4M
 - Transfers In of \$10.5M
- Decline in property transfer tax indicate collapse of real estate market in 3rd and 4th quarter of FY 23 in Berkeley
- Transfers reflect decline of \$10.9M in ARPA- phasing out of one-time funding of \$66M
- Decline cushioned by other revenues:
 - Secured property transfer tax (\$8.2M); Interest (\$5.4M), UUT (\$2.9M), TOT (\$1.8M), BLT (\$1.5M), Ambulance (\$1.3M), Other (\$5.6M)

INVESTMENT POLICY IMPACT



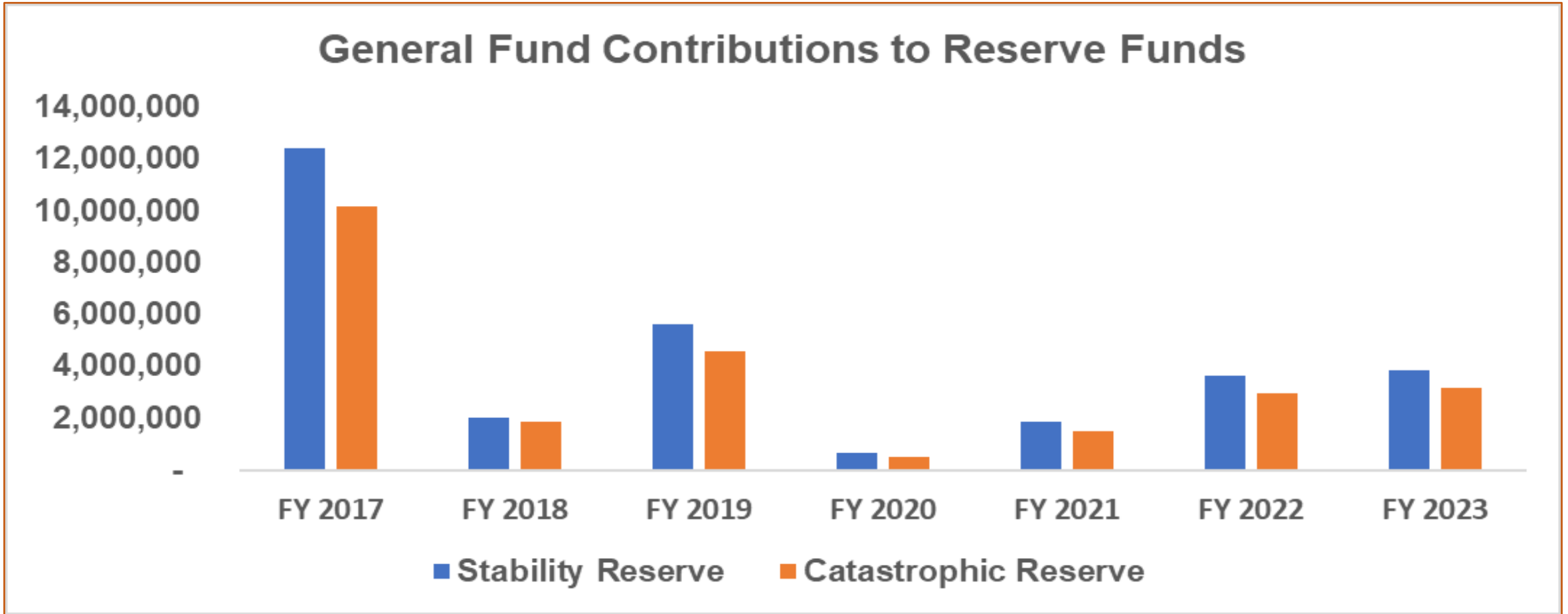
- Policy would make additional allocations to these areas per the investment policy adopted by Council in June 2022.
- Adherence to policy would achieve trust target goal of \$5.5M and also help replenish repayment to reserves to total of \$9M of \$11M borrowed
- FYE 2023 surplus estimated at \$2.3M; investment revenue currently offsetting other revenue losses and unable to fully implement policy without using fund balance

SECTION 115 TRUST STATUS



- If investment policy is followed, an additional \$2M from FYE 2023 would be added and goal of \$5.5M annual contribution will be met.

SECTION 115 TRUST STATUS



- \$7M has been allocated in FY 23 thus far. If investment policy is followed, an additional \$2M would be added from FYE 2023. If \$1M is added through excess equity, then closer to replenishing the \$11M used in the pandemic.

FY 2023 PRELIMINARY GENERAL FUND YEAR-END EXPENDITURES

Department	FY 2023 Adopted	FY 2023 Adjusted	Year-End Actuals	Balance	Percent Expended
Mayor & Council	4,785,155	4,912,933	3,939,049	973,884	80%
Auditor	3,006,058	2,905,412	2,633,228	272,184	91%
Rent Board	550,000	670,000	568,412	101,588	85%
Police Accountability	1,120,676	1,218,549	909,307	309,242	75%
City Manager	11,628,466	14,075,447	13,385,434	690,013	95%
City Attorney	4,010,250	4,711,297	3,701,943	1,009,354	79%
City Clerk	2,590,414	2,954,492	2,550,698	403,794	86%
Finance	8,022,118	8,354,606	7,075,972	1,278,634	85%
Human Resources	2,980,172	3,447,973	2,971,640	476,333	86%
Information Technology	1,526,760	1,398,069	882,432	515,637	63%
Health, Housing & Community Services	24,795,803	34,976,799	28,154,026	6,822,773	80%
Parks, Recreation and Waterfront	8,879,746	9,967,131	9,694,847	272,284	97%
Planning	3,062,324	6,326,119	2,924,669	3,401,450	46%
Public Works	5,783,759	15,302,097	7,102,952	8,199,145	46%
Police	79,269,594	80,248,184	84,895,064	(4,646,880)	106%
Fire	41,626,945	41,217,457	40,875,362	342,095	99%
Non-Departmental	77,033,053	56,404,818	45,909,230	10,495,588	81%
Total	280,671,293	289,091,383	258,174,266	30,917,117	89%

PRELIMINARY FY 2023 EXCESS EQUITY CALCULATION

FY 2023 PRELIMINARY GENERAL FUND EXCESS EQUITY BALANCE CALCULATION (EXCLUDES MEASURE P and U1)*

FY 2023 Beginning Balance	\$	51,358,401
FY 2023 Preliminary Revenues	\$	259,098,037
FY 2023 Preliminary Expenditures	\$	(245,078,892)
FY 2023 G. F. Encumbrances Restricted (AAO #1)	\$	(11,276,262)
FY 2024 MOU -BPA Adjustment (AAO#1)	\$	(4,300,000)
Investment Interest above baseline of \$6 million to Section 115 Trust	\$	(2,039,008)
Investment Interest above baseline of \$6 million to GF Reserves	\$	(2,039,008)
Investment Interest above baseline of \$6 million to Capital	\$	(2,039,008)
Excess Property Transfer Tax Available for Capital/Ops/Reserves	\$	(4,878,336)
Available Balance After Contractual and Policy Obligations	\$	38,805,924
Less:		
University Avenue Center Repayment (AAO#1 Adjustment)	\$	(813,779)
FY 2023 G.F. Carryover (AAO #1)	\$	(10,778,938)
FY 2024 Other Adjustments (AAO #1)-Visit Berkely & Medical Transport Audit	\$	(321,451)
Total Other AAO#1 Request	\$	(11,914,168)
Available Balance After Other AAO #1 Items	\$	26,891,756
Allocation to Reserves	\$	12,945,878
Excess Equity/Revised Unassigned Remaining Fund Balance	\$	13,945,878

*FY 2023 Preliminary and based upon unaudited actuals and subject to change

FISCAL CHALLENGES ON THE HORIZON

- Pending contractual obligations
- Legal/litigation
- Operational increases such as fuel, utilities, vehicles, construction costs, space needs, acquisitions
- Insurance costs including healthcare and general liability
- Cybersecurity, WIFI and other technology needs
- Unfunded federal and state mandates and regulatory changes, federal and state legislation and initiatives that could impact ability to raise revenue and/or increase cost to providing services
- Matching funds requirements to leverage funding opportunities, absorb cost increases over grant and other administrative caps
- Revenue volatility buffer
- Assist with structural deficit in future years

AAO1 GENERAL FUND REQUESTS

- FY 23 Carryover Requests
- FY 2024 Mid-Biennial Update - Mayor's Supplemental Budget Recommendation
- New Requests
- New Council Referrals (07/01/2023 - 10/10/2023)
- Unfunded Council Referrals (7/1/22-6/30/23)

AAO#1 GF ADJUSTMENT CHANGES FROM 10.12.2023

Description	Type of Request	Previous Requested Amount	Current Requested Amount	Change
Adeline Median Landscaping	Adjustment	\$75,000	\$-	(\$75,000)
University Ave Center Repayment to WC Fund	Adjustment	\$-	\$813,779	\$813,779
Total Adjustment		\$75,000	\$813,779	\$738,779

AAO#1 GF CARRYOVER CHANGES FROM 10.12.2023

Description	Type of Request	Previous Requested Amount	Current Requested Amount	Change
FY 2023 Tier 1 funding for Reimagining Public Safety Grant Assistance	Carryover	\$-	\$100,00	\$100,000
Tier 1 Economic Feasibility Analysis	Carryover	\$1,500,000	\$150,000	(\$1,350,000)
Stair Center ADA project Equitable Clean Streets & Other PW Measure P	Carryover	\$1,239,434	\$-	(\$1,239,434)
Total Carryover		\$2,739,434	\$250,000	(\$2,489,434)

NEXT STEPS

- Schedule first reading of AAO1 for December 12, 2023
- Second reading for January 14, 2024
- Consider special meeting(s) of Budget & Finance Committee
- Budget and Finance working on year-end report
- Finance working with auditors on FY 23 financial audit and annual comprehensive financial report (ACRF)

DISCUSSION

- Review of Requests
- Questions
- Discussion and Deliberation