



**BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE  
REGULAR MEETING**

**Thursday, June 8, 2023  
10:00 AM**

2180 Milvia Street, 6<sup>th</sup> Floor, Berkeley, CA 94704 – Redwood Room

1619 Edith Street, Berkeley, CA 94703 – Teleconference Location

**Committee Members:**

Mayor Jesse Arreguin, Councilmembers Rashi Kesarwani and Kate Harrison  
Alternate: Councilmember Sophie Hahn

This meeting will be conducted in a hybrid model with both in-person attendance and virtual participation. For in-person attendees, face coverings or masks that cover both the nose and the mouth are encouraged. If you are feeling sick, please do not attend the meeting in person.

Remote participation by the public is available through Zoom. To access the meeting remotely using the internet: Join from a PC, Mac, iPad, iPhone, or Android device: Use URL - <https://cityofberkeley-info.zoomgov.com/j/1616990302>. If you do not wish for your name to appear on the screen, then use the drop down menu and click on "rename" to rename yourself to be anonymous. To request to speak, use the "raise hand" icon on the screen. To join by phone: Dial **1-669-254-5252** or **1-833-568-8864 (Toll Free)** and Enter Meeting ID: **161 699 0302**. If you wish to comment during the public comment portion of the agenda, press \*9 and wait to be recognized by the Chair.

To submit a written communication for the Committee's consideration and inclusion in the public record, email [policycommittee@cityofberkeley.info](mailto:policycommittee@cityofberkeley.info).

Written communications submitted by mail or e-mail to the Budget & Finance Committee by 5:00 p.m. the Friday before the Committee meeting will be distributed to the members of the Committee in advance of the meeting and retained as part of the official record.

# AGENDA

## Roll Call

## Public Comment on Non-Agenda Matters

## Minutes for Approval

*Draft minutes for the Committee's consideration and approval.*

### 1. Minutes - May 16, 2023 (Special)

#### Committee Action Items

*The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker.*

*Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.*

### 2. Additional Allocation of Measure P Funding to “Step Up Housing” Project From: Councilmember Bartlett (Author), Councilmember Wengraf (Co-Sponsor), Councilmember Kesarwani (Co-Sponsor)

**Referred: August 3, 2022**

**Due: June 30, 2023**

**Recommendation:** Adopt a Resolution allocating an additional \$114,660 per year for 10 years, from Measure P transfer tax receipts to support the increased costs for the lease and operation of a new permanent supportive housing project for the unhoused at the Step-Up Housing Project at 1367 University Avenue. In addition, refer to the next meeting of the Budget and Finance Policy Committee to confirm the availability of requested funding.

*On August 3, 2022, the City Council adopted Resolution No. 70,491-N.S. as amended and referred to the Budget & Finance Committee to consider future General Fund needs for this project and confirm availability of funds for the operating budget.*

**Financial Implications:** See report

Contact: Ben Bartlett, Councilmember, District 3, (510) 981-7130

### 3. FY 24 Proposed Budget (*Item contains supplemental material*)

**From: City Manager**

**Recommendation:** 1. Receive presentations from the City Auditor, City Attorney, and Office of the Director of Police Accountability on FY 24 Proposed Budget and Funding Requests; and 2. Discuss and provide recommendations to staff on the FY 24 Proposed Budget, including funding requests and Council budget referrals.

**Financial Implications:** See report

Contact: Sharon Friedrichsen, Budget Manager, (510) 981-7000

## Committee Action Items

### 4a. Recommendation for RV Lot and Waste Management on Streets for RVs

**From: Homeless Services Panel of Experts**

**Referred: April 11, 2023**

**Due: September 26, 2023**

**Recommendation:** The Homeless Services Panel of Experts recommends to Council that they refer to staff to expedite all efforts to identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson and that the new lot identified require mandatory safety inspections and fire extinguishers to be provided. The Homeless Services Panel of Experts further recommends that Council refer to staff to develop a waste management plan to be implemented for RVs currently on the streets.

**Financial Implications:** See report

Contact: Josh Jacobs, Commission Secretary, (510) 981-5400

### 4b. Companion Report to Recommendation for RV Lot and Waste Management on Streets for RVs

**From: City Manager**

**Referred: April 11, 2023**

**Due: September 26, 2023**

**Recommendation:** Refer the Homeless Services Panel of Experts' recommendation to identify and expedite a new safe RV parking location/program and develop a waste management plan for RVs on the streets to the Budget and Finance Policy Committee for consideration alongside all other homeless services priorities in the budget process.

**Financial Implications:** See report

Contact: Peter Radu, City Manager's Office, (510) 981-7000

## Unscheduled Items

*These items are not scheduled for discussion or action at this meeting. The Committee may schedule these items to the Action Calendar of a future Committee meeting.*

### 5a. Referral of two health educator positions to the COB FY 2024 budget process

**From: Peace and Justice Commission**

**Referred: April 11, 2023**

**Due: September 26, 2023**

**Recommendation:** Refer to the budget process a request for estimated \$150,000 annually, beginning in FY 2024 or as early as the AAO #2 process in spring 2023, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities, as proposed by the Peace and Justice Commission.

**Financial Implications:** See report

Contact: Okeya Vance-Dozier, Commission Secretary, (510) 981-7100

## Unscheduled Items

- 5b. Companion Report: Referral of two health educator positions to the COB FY 2024 budget process**  
**From: City Manager**  
**Referred: April 11, 2023**  
**Due: September 26, 2023**  
**Recommendation:** Refer to the Peace and Justice Commission's request for \$150,000 annually for staffing, materials, and supplies for health education and outreach to the Budget and Finance Policy Committee for further deliberation.  
**Financial Implications:** None  
Contact: Peter Radu, City Manager's Office, (510) 981-7000
- 6. Investment Report Update - Investment Policies of Other Jurisdictions**  
**From: City Manager**  
Contact: Henry Oyekanmi, Finance, (510) 981-7300
- 7. COVID-19 Emergency Rental Assistance; Presentation from the Eviction Defense Center**  
**From: City Manager**  
Contact: Lisa Warhuus, Health, Housing, and Community Services, (510) 981-5400
- 8. Accept the Risk Analysis for Long-Term Debt (Bonding Capacity) Report provided by Government Finance Officers Association (Item contains supplemental material)**  
**From: City Manager**  
**Referred: April 26, 2022**  
**Due: June 30, 2023**  
**Recommendation:**  
Accept the report titled 'Risk-Based Analysis and Stress Test of Long-Term Debt Affordability' as provided by the Government Finance Officers Association (GFOA). This report is based on their research and development of a risk-modeling tool to address issuing long-term debt related to City of Berkeley Vision 2050.  
*On April 26, 2022, the City Council referred this item to the City Manager and Budget & Finance Committee to return to Council with recommendations or analysis on as many of the following items as possible by October 2022, if feasible. 1) Consideration of reserves policies for operational funds other than the General Fund; 2) Potential reduction of the maximum indebtedness rate from 15% of assessed property value down to 4-8% range; 3) A new policy to not incur indebtedness when interest rates go above 5% or a different specific threshold; 4) Tools for increased transparency for taxpayers; 5) Updated report and discussion of pension and healthcare costs; 6) Refer the full Report to the Budget & Finance Committee for consideration.*  
**Financial Implications:** None  
Contact: Henry Oyekanmi, Finance, (510) 981-7300

## Unscheduled Items

9. **Recommendation on Climate, Building Electrification, and Sustainable Transportation Budget Priorities for Fiscal Year 2023 and 2024**  
**From: Energy Commission**  
**Referred: May 23, 2023**  
**Due: November 7, 2023**  
**Recommendation:** The Energy Commission recommends that the Berkeley City Council prioritize and include in the City's budget for the Fiscal Years Ending (FYE) 2023 and 2024 several staff positions, pilot projects, investments in electric vehicles and charging infrastructure, and other measures to ensure that the City's budget is aligned with and provides adequate and needed funding to implement the City's adopted Climate Action Plan, Electric Mobility Roadmap, Building Emissions Saving Ordinance, 2019 ban on gas in new construction, and the Existing Buildings Electrification Strategy.  
**Financial Implications:** See report  
Contact: Billi Romain, Commission Secretary, (510) 981-7400
10. **Audit Recommendation Status - Berkeley Police: Improvements Needed to Manage Overtime and Security Work for Outside Entities**  
**From: City Manager**  
**Referred: May 23, 2023**  
**Due: November 7, 2023**  
Contact: Jennifer Louis, Police, (510) 981-5900
11. **Audit Status Reports: Fleet Replacement Fund Short Millions & Rocky Road: Berkeley Streets at Risk and Significantly Underfunded**  
**From: City Manager**  
**Referred: May 23, 2023**  
**Due: November 7, 2023**  
**Recommendation:** *On May 23, 2023, the City Council referred to the Budget and Finance Policy Committee to prioritize funding to the vehicle replacement fund to make up the shortfall over time in order to stabilize the fund.*  
**Financial Implications:** See report  
Contact: Liam Garland, Public Works, (510) 981-6300

## Items for Future Agendas

- **Requests by Committee Members to add items to future agendas**

## Adjournment

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*Written communications addressed to the Budget & Finance Committee and submitted to the City Clerk Department will be distributed to the Committee prior to the meeting.*

*This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953 and applicable Executive Orders as issued by the Governor that are currently in effect. Members of the City Council who are not members of the standing committee may attend a standing committee meeting even if it results in a quorum being present, provided that the non-members only act as observers and do not participate in the meeting. If only one member of the Council who is not a member of the committee is present for the meeting, the member may participate in the meeting because less than a quorum of the full Council is present. Any member of the public may attend this meeting. Questions regarding this matter may be addressed to Mark Numainville, City Clerk, (510) 981-6900.*



**COMMUNICATION ACCESS INFORMATION:**

This meeting is being held in a wheelchair accessible location. To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at (510) 981-6418 (V) or (510) 981-6347 (TDD) at least three business days before the meeting date. Attendees at public meetings are reminded that other attendees may be sensitive to various scents, whether natural or manufactured, in products and materials. Please help the City respect these needs.

~~~~~  
I hereby certify that the agenda for this meeting of the Standing Committee of the Berkeley City Council was posted at the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way, as well as on the City's website, on Thursday, June 1, 2023.

A handwritten signature in black ink that reads "Mark Numainville".

Mark Numainville, City Clerk

**Communications**

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**BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE  
SPECIAL MEETING MINUTES**

**Tuesday, May 16, 2023  
9:00 AM**

2180 Milvia Street, 6th Floor – Redwood Room

Committee Members:

Mayor Jesse Arreguin, Councilmembers Rashi Kesarwani and Kate Harrison  
Alternate: Councilmember Sophie Hahn

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**Roll Call:** 9:08 a.m.

**Present:** Harrison, Arreguin

**Absent:** Kesarwani

Councilmember Kesarwani present at 9:11 a.m.

**Public Comment on Non-Agenda Matters** – 0 speakers.

## Minutes for Approval

*Draft minutes for the Committee's consideration and approval.*

- Minutes – May 4, 2023 (special)**  
**Action:** M/S/C (Harrison/Arreguin) to approve the minutes of 5/4/23).  
**Vote:** Ayes – Harrison, Arreguin; Noes – None; Abstain – None; Absent – Kesarwani.

## Committee Action Items

*The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker.*

*Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.*

- FY 2024 Mid-Biennial Budget Update (Item contains supplemental material)**  
**From: City Manager**  
**Recommendation:** Receive a presentation on the FY 2024 Mid-Biennial Budget Update and provide direction.  
**Financial Implications:** See report  
Contact: Sharon Friedrichsen, Budget Manager, (510) 981-7000  
**Action:** 7 speakers. Presentation made and discussion held. The Committee requested information and provided general recommendations to staff.
- Measure P FY 24 Mid-Biennial Update (Item contains supplemental material)**  
**From: City Manager**  
**Recommendation:** Receive a presentation on recommended changes to the Measure P program budget for FY 2024 and provide direction.  
**Financial Implications:** See report  
Contact: Peter Radu, City Manager's Office, (510) 981-7000  
**Action:** 3 speakers. Presentation made and discussion held. The Committee provided general recommendations to staff.



## Committee Action Items

### 4. Russell Street Residence Update

**From:** City Manager

**Recommendation:** Receive a presentation on funding options to support the requisition of the Russell Streets Residence and provide direction to staff.

**Financial Implications:** See report

Contact: Lisa Warhuus, Health, Housing, and Community Services, (510) 981-5400

**Action:** 2 speakers. Presentation made and discussion held. M/S/C

(Arreguin/Harrison) to support the recommendation of HHCS and the Homeless Services Panel of Experts to allocate \$4.5 million for the acquisition of Russell House.

**Vote:** All Ayes.

### 5a. Recommendation for RV Lot and Waste Management on Streets for RVs

**From:** Homeless Services Panel of Experts

**Referred:** April 11, 2023

**Due:** September 26, 2023

**Recommendation:** The Homeless Services Panel of Experts recommends to Council that they refer to staff to expedite all efforts to identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson and that the new lot identified require mandatory safety inspections and fire extinguishers to be provided. The Homeless Services Panel of Experts further recommends that Council refer to staff to develop a waste management plan to be implemented for RVs currently on the streets.

**Financial Implications:** See report

Contact: Josh Jacobs, Commission Secretary, (510) 981-5400

### 5b. Companion Report to Recommendation for RV Lot and Waste Management on Streets for RVs

**From:** City Manager

**Referred:** April 11, 2023

**Due:** September 26, 2023

**Recommendation:** Refer the Homeless Services Panel of Experts' recommendation to identify and expedite a new safe RV parking location/program and develop a waste management plan for RVs on the streets to the Budget and Finance Policy Committee for consideration alongside all other homeless services priorities in the budget process.

**Financial Implications:** See report

Contact: Peter Radu, City Manager's Office, (510) 981-7000

**Action:** Item continued to the next Committee meeting.

## Unscheduled Items

*These items are not scheduled for discussion or action at this meeting. The Committee may schedule these items to the Action Calendar of a future Committee meeting.*

- 6. Additional Allocation of Measure P Funding to “Step Up Housing” Project**  
**From: Councilmember Bartlett (Author), Councilmember Wengraf (Co-Sponsor), Councilmember Kesarwani (Co-Sponsor)**  
**Referred: August 3, 2022**  
**Due: May 31, 2023**  
**Recommendation:** Adopt a resolution allocating an additional \$114,660 per year for 10 years, from Measure P transfer tax receipts to support the increased costs for the lease and operation of a new permanent supportive housing project for the unhoused at the Step-Up Housing Project at 1367 University Avenue. In addition, refer to the next meeting of the Budget and Finance Policy Committee to confirm the availability of requested funding.  
*On August 3, 2022, the City Council adopted Resolution No. 70,491-N.S. as amended and referred to the Budget & Finance Committee to consider future General Fund needs for this project and confirm availability of funds for the operating budget.*  
**Financial Implications:** See report  
Contact: Ben Bartlett, Councilmember, District 3, (510) 981-7130  
**Action:** Deadline extended to June 30, 2023 at the request of the Author.
- 7a. Referral of two health educator positions to the COB FY 2024 budget process**  
**From: Peace and Justice Commission**  
**Referred: April 11, 2023**  
**Due: September 26, 2023**  
**Recommendation:** Refer to the budget process a request for estimated \$150,000 annually, beginning in FY 2024 or as early as the AAO #2 process in spring 2023, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities, as proposed by the Peace and Justice Commission.  
**Financial Implications:** See report  
Contact: Okeya Vance-Dozier, Commission Secretary, (510) 981-7100
- 7b. Companion Report: Referral of two health educator positions to the COB FY 2024 budget process**  
**From: City Manager**  
**Referred: April 11, 2023**  
**Due: September 26, 2023**  
**Recommendation:** Refer to the Peace and Justice Commission’s request for \$150,000 annually for staffing, materials, and supplies for health education and outreach to the Budget and Finance Policy Committee for further deliberation.  
**Financial Implications:** None  
Contact: Peter Radu, City Manager's Office, (510) 981-7000

## Unscheduled Items

**8. Investment Report Update - Investment Policies of Other Jurisdictions**

**From: City Manager**

Contact: Henry Oyekanmi, Finance, (510) 981-7300

**9. COVID-19 Emergency Rental Assistance; Presentation from the Eviction Defense Center**

**From: City Manager**

Contact: Lisa Warhuus, Health, Housing, and Community Services, (510) 981-5400

**10. Accept the Risk Analysis for Long-Term Debt (Bonding Capacity) Report provided by Government Finance Officers Association (Item contains**

*supplemental material)*

**From: City Manager**

**Referred: April 26, 2022**

**Due: May 31, 2023**

**Recommendation:** Accept the report titled 'Risk-Based Analysis and Stress Test of Long-Term Debt Affordability' as provided by the Government Finance Officers Association (GFOA). This report is based on their research and development of a risk-modeling tool to address issuing long-term debt related to City of Berkeley Vision 2050.

*On April 26, 2022, the City Council referred this item to the City Manager and Budget & Finance Committee to return to Council with recommendations or analysis on as many of the following items as possible by October 2022, if feasible. 1)*

*Consideration of reserves policies for operational funds other than the General Fund; 2) Potential reduction of the maximum indebtedness rate from 15% of assessed property value down to 4-8% range; 3) A new policy to not incur indebtedness when interest rates go above 5% or a different specific threshold; 4) Tools for increased transparency for taxpayers; 5) Updated report and discussion of pension and healthcare costs; 6) Refer the full Report to the Budget & Finance Committee for consideration.*

**Financial Implications:** None

Contact: Henry Oyekanmi, Finance, (510) 981-7300

**Action:** Deadline extended to June 30, 2023 at the request of the City Manager.

## Items for Future Agendas

- None

## Adjournment

**Action:** M/S/C (Arreguin/Kesarwani) to adjourn the meeting.

**Vote:** All Ayes.

Adjourned at 12:22 p.m.

I hereby certify that the foregoing is a true and correct record of the Budget & Finance Committee meeting held on May 16, 2023.

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Mark Numainville, City Clerk

## **Communications**

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**BEN BARTLETT**

CITY COUNCILMEMBER, DISTRICT 3

CONSENT CALENDAR

August 3, 2022

To: Honorable Mayor and Members of the City Council  
 From: Councilmember Ben Bartlett (Author), Councilmember Susan Wengraf and  
 Councilmember Rashi Kesarwani (Co-Sponsors)  
 Subject: Additional Allocation of Measure P Funding to “Step Up Housing” Project

RECOMMENDATION

Adopt a resolution allocating an additional \$114,660 per year for 10 years, from Measure P transfer tax receipts to support the increased costs for the lease and operation of a new permanent supportive housing project for the unhoused at the Step-Up Housing Project at 1367 University Avenue. In addition, refer to the next meeting of the Budget and Finance Policy Committee to confirm the availability of requested funding.

BACKGROUND

California has the highest real world poverty rate of any state, 17.2% over the previous three years and much higher than the national rate.<sup>1</sup> A major contributing factor to the state’s high poverty indices is that many California residents spend much of their income on housing due to high construction costs.<sup>2</sup> Throughout the state, many affordable housing development projects are stalled, burdened, and have incurred higher than the median costs for development.

For example, in Alameda, CA, Everett Commons, which is a low-income development that provides housing for only 20 families, costs \$947,000 per unit.<sup>3</sup> The notoriously high price of land and the rising cost of construction materials are contributing factors. On the other hand, the Step-Up Housing Initiative uses an efficient and cost-effective modular construction model that provides 39 individuals with not only stable housing, but a safe and supportive environment where they can access critical employment, health, substance abuse, and community resources and services. Berkeley can help address the shortage of homes and effectively alleviate the City’s homelessness crisis through this innovative and practical project.

CURRENT SITUATION

On October 13, 2020 the Council unanimously passed Resolution # 69,586-N.S. to authorize use of \$900,000 a year to fund a new 39-unit Step Up Supportive Housing project at 1367 University Ave. (See attachment.) BOSS is the operator of the facility, and Panoramic Interests/Swinerton Builders would construct and furnish it.

Since then, dramatic increases in construction prices and materials, supply chain complications and dramatic increases in interest fees have caused the project construction costs to rise more than 50%. At current rents of \$1,400 per unit per month, the project is infeasible and cannot be financed. If, however, rents can be raised to \$1,645 per month, the project can proceed. The higher rents would justify a larger construction loan to finance the additional costs.

To cover these increased rents, additional Measure P funds of \$114,660 per year are needed, beyond the \$900,000 already allocated. This is an increase of 12.7%.

A RECAP OF THE PROJECT -

The project will include 39 fully furnished studio apartments, private bathrooms for each studio, a 400-square-foot community room, a community kitchen, two offices for support staff and services, permanent on-site property management, and 24/7 security. The building will be constructed with modular units built around an approximately 615-square foot private central courtyard.

BOSS will provide services for Step-Up Supportive Housing including connecting residents to mental health resources, substance abuse recovery services, employment, education, and legal services and will accompany them to service providers when appropriate. The program will ensure participants obtain health insurance coverage and connect them to primary care providers. Opportunities for socialization and peer support will be provided through the organization of on-site support groups, learning workshops, social activities, community meals, and service visits by outside providers. BOSS will also manage an on-site food pantry in collaboration with Alameda County Community Food Bank. These services will help residents maintain stable housing, improve mental and physical health, and decrease social isolation. On-site service hours will be provided Monday-Friday, 9 am-5 pm, but the case manager or designated staff will be on-call as needed at all times.

The program will be staffed by several employees, including a program manager, housing manager, property manager, cook, maintenance worker, and overnight monitor.

#### REVIEW OF EXISTING POLICIES AND PLANS

Berkeley voters overwhelmingly passed Measure P in November 2018 with 72% of the vote. The Measure raised the transfer tax on property sales over \$1.5 million from 1.5% to 2%, which is expected to generate approximately \$6-8 million annually. These funds were intended to be allocated towards various homeless services, including permanent housing, supportive services, and navigation centers.

Measure P also created an independent commission, the Homeless Services Panel of Experts, to provide recommendations on funding allocations to the City Council. In December 2019, the Homeless Services Panel of Experts published its first set of recommendations for initial investments from the General Fund to address homelessness in Berkeley. The Panel's recommendations prioritized certain categories of activities and set forth a percentage of funding for each category. Permanent housing was listed as the top priority, with 30% of the funds recommended to be allocated towards such projects. The remainder was recommended to be allocated towards shelter and temporary accommodations, immediate street conditions and hygiene, supportive services, flexible housing subsidies, and infrastructure. The City Council approved on June 30, 2020, Measure P allocations for FY 2020-21 that included \$2.5 million for permanent housing subsidy.

In 2017, the City Council also referred staff to create a 1000 Person Plan, which seeks to end homelessness for 1000 people in Berkeley. In 2019, City staff responded to this referral and concluded that the Council needed to provide up-front investments in targeted homelessness prevention, light-touching housing problem-solving, rapid rehousing, and permanent subsidies. This proposal to lease and operate the StepUp Housing initiative at 1367 University would help move forward the 1000 Person Plan and accomplish the Homeless Services Panel's top priority of providing stable and permanent supportive housing for individuals experiencing homelessness.

In addition, this project also fulfills the goals of the original StepUp Housing initiative, which passed unanimously on February 14, 2017.

#### CONSULTATION/OUTREACH OVERVIEW

Councilmember Bartlett's office collaborated with BOSS and Panoramic Interests to ensure the long-term success of this new permanent supportive housing project, the StepUp Housing initiative. By bringing together BOSS's expertise in the field of supportive services and Panoramic's efficient modular construction model, this project can be operational and begin providing stable housing to 39 individuals within twelve months of receiving this funding commitment, resulting in dramatic savings in costs and delivery time.

BOSS was founded in Berkeley in 1971 to serve severe and persistent mentally ill homeless individuals and their families, and has since expanded to serve over 3,000 families and individuals per year across Alameda County, including persons experiencing homelessness, mental illness, former incarceration/justice system involvement, domestic or community violence, unemployment, and other crises. BOSS has 49 years of experience serving the target population, and 45 years of experience operating emergency, transitional, and permanent housing programs. Panoramic Interests has been building high density infill development projects in the Bay Area since 1990. Its work in downtown Berkeley and San Francisco includes 15 projects, adding more than 1,000 new units of housing, and 100,000 square feet of commercial space. From 1998-2004, Panoramic built seven new mixed-use apartment buildings in downtown Berkeley. During this time, Panoramic housed more than 80 Section 8 tenants, making it the largest private provider of Section 8 housing in the city.

This collaborative effort between the city, the service provider, and the developer can serve as a regional model for future permanent supportive housing projects in Berkeley and throughout the Bay Area.

#### RATIONALE FOR RECOMMENDATION

The City committed to funding a Step-Up Supportive Housing facility in October of 2020. The project was expected to be completed sometime in 2021-2022 but saw escalating prices, supply chain complications and rising interest rates as the final budgets were established.

The additional project costs rose by more than 50% making the project infeasible, at the original rents of \$1,400 per unit per month. (See attached documents.)

The City's additional funding commitment will enable the project to be completed as planned. It will help the homelessness crisis by allowing for the long-term and stable housing of 39 individuals experiencing homelessness as well as the provision of on-site services to help those individuals retain housing, improve their mental and physical health, connect with employment and education opportunities, and decrease social isolation. In addition, this project will serve as a regional model for other jurisdictions to consider when dealing with the homelessness crisis in their cities.

#### FISCAL IMPACTS

The new permanent supportive housing project, known as the Step-Up Housing at 1367 University

is requesting an additional \$114,660 per year for 10 years to cover an increase in the rental rate from \$1,400 per unit per month to \$1,645 per unit per month. The \$114,660 allocation represents a 12.74% increase from the original allocation of \$900,000 per year.

#### ENVIRONMENTAL SUSTAINABILITY

The project itself was determined by the Planning Department to be categorically exempt from the provisions of the California Environmental Quality Act pursuant to Section 15332 (In-Fill Development Projects) of the CEQA Guidelines.

#### CONTACT PERSON

Councilmember Ben Bartlett

510-981-7130

James Chang

[jchang@cityofberkeley.info](mailto:jchang@cityofberkeley.info)

#### ATTACHMENTS AND MATERIALS

1. Proposed Resolution
2. Letter from Donald Frazier, Exec. Dir. BOSS to Mayor Arreguin, 6-6-22
3. Budget from Swinerton Builders, June 3, 2002 showing cost increases of \$3M+.
4. Past Resolution NO. 69,586-N.S. October 13, 2020
5. Articles: “Soaring material prices, supply chain delays spook owners and developer.” Construction Dive, 4-12-21. “Mortgage rates spike to their highest level in nearly 13 years.” Washington Post, 5-5-22. Step Up Housing Council Item from February 14, 2017:
6. Additional Links
  - a. <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-272.pdf>
  - b. <https://www.sacbee.com/article245815115.html>
  - c. <https://www.latimes.com/homeless-housing/story/2020-04-09/california-low-income-housing-expensive-apartment-coronavirus>
  - d. <https://drive.google.com/file/d/1sUgEAKJfpRaNMBAzSFdd9ajV9CA06HOe/view?usp=sharing>



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

ALLOCATING AN ADDITIONAL \$114,660 ANNUALLY FOR 10 YEARS OF MEASURE P FUNDS TO LEASE AND OPERATE THE NEW PERMANENT SUPPORTIVE HOUSING PROJECT FOR THE HOMELESS AT 1367 UNIVERSITY AVE.

WHEREAS, the City Council passed unanimously the original Step Up Housing Initiative introduced by Councilmember Bartlett, Councilmember Wengraf, Councilmember Kesarwani, and Mayor Arreguin on October 13, 2020; and

WHEREAS, Measure P was passed by Berkeley voters in November 2018 to raise the transfer tax on roughly the top-third of properties from 1.5% to 2% and allocate those funds towards various homeless services, including permanent housing, supportive services, and navigation centers; and

WHEREAS, Measure P designated the Homeless Services Panel of Experts to advise the Council on expenditures for homeless services; and

WHEREAS, in December 2019 the Homeless Services Panel of Experts published their recommendations for initial allocations under Measure P, including highlighting permanent housing as the City's top priority and recommending 30% of Measure P funds be allocated to permanent housing; and

WHEREAS, the City Council approved on June 30, 2020 Measure P allocations for FY 2020-21 that included \$2.5 million for permanent housing subsidy; and

WHEREAS, the Berkeley Zoning Adjustments Board approved the permanent supportive housing development project at 1367 University on July 9, 2020.

WHEREAS, construction costs, materials costs, and interest rates have increased dramatically in the past 18 months, making the project infeasible at the current rent of \$1,400 per unit per month

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the following be approved for the StepUp Housing at 1367 University Ave:

- A reservation of approximately an additional \$114,660 year in ongoing funds annually for 10 years for the leasing and operation of the proposed project, with funding adjusted annually based on the Consumer Price Index for Oakland-Hayward-Berkeley, CA.
- In the event BOSS is unable to perform its function as the service provider, an alternative qualified service provider may operate the project with the review and approval of the City Manager, or her designee.
- Further, the City's commitment is contingent upon the funding of the balance of the project.

BE IT FURTHER RESOLVED that the City Manager, or her designee, is hereby authorized to execute all original or amended documents or agreements to effectuate this action; a signed copy of said documents, agreements, and any amendments will be kept on file in the Office of the City Clerk.



June 6, 2022

Mayor Jesse Arreguin  
2180 Milvia St.  
Berkeley, CA 94704

Re: Permanent supportive housing at 1367 University Avenue, Resolution No. 69,586-N.S.

Dear Mayor Arreguin,

I am writing to request an additional **\$245 per unit, per month**, for our permanent supportive housing project for the homeless at 1367 University Ave.

Since the Resolution was signed in October of 2020, construction costs have skyrocketed. Our development partner has experienced a 65% increase in construction costs since we signed our master lease with them 3 years ago. Additionally, interest rates for construction loans have almost doubled. In order to keep this housing project moving ahead, we are requesting that an additional \$245/unit/month be made available to BOSS as an amendment to Resolution No. 69,586-N.S.

1. \$245/unit/month:  $\$245 \times 39 \text{ units} \times 12 \text{ months} = \$114,660/\text{year}$
2. Exhibit 1: Actual construction costs are on the following page (produced by Swinerton)
  - a. 2019: Construction costs = \$5,929,731
  - b. 2022: Construction costs = \$9,860,277
3. Exhibit 2: Resolution No. 69,586-N.S. is included for your reference
4. Exhibit 3: Recent news clippings about construction costs and interest rates

Please let me know what else you need from us to make this amendment to the Resolution.

Most Respectfully,

A handwritten signature in blue ink, appearing to read 'Donald Frazier', is written over a light blue circular stamp.

Donald Frazier  
Executive Director

Cc: Colleen Chawla, Alameda County Health Care Service



Exhibit 2

RESOLUTION NO. 69,586-N.S.

ALLOCATING APPROXIMATELY \$900,000 ANNUALLY FOR 10 YEARS AND A ONE-TIME AMOUNT OF APPROXIMATELY \$32,975 OF MEASURE P FUNDS TO LEASE AND OPERATE THE NEW PERMANENT SUPPORTIVE HOUSING PROJECT FOR THE HOMELESS AT 1367 UNIVERSITY AVE.

WHEREAS, the City Council passed unanimously the original Step Up Housing Initiative introduced by Councilmember Bartlett on February 14, 2017; and

WHEREAS, Measure P was passed by Berkeley voters in November 2018 to raise the transfer tax on roughly the top-third of properties from 1.5% to 2% and allocate those funds towards various homeless services, including permanent housing, supportive services, and navigation centers; and

WHEREAS, Measure P designated the Homeless Services Panel of Experts to advise the Council on expenditures for homeless services; and

WHEREAS, in December 2019 the Homeless Services Panel of Experts published their recommendations for initial allocations under Measure P, including highlighting permanent housing as the City's top priority and recommending 30% of Measure P funds be allocated to permanent housing; and

WHEREAS, the City Council approved on June 30, 2020 Measure P allocations for FY 2020-21 that included \$2.5 million for permanent housing subsidy; and

WHEREAS, the Berkeley Zoning Adjustments Board approved the permanent supportive housing development project at 1367 University on July 9, 2020.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it approves the following for the project at 1367 University Ave:

- A reservation of approximately \$32,975 in Measure P funds for start-up costs associated with the project.
- A reservation of approximately \$900,000 in ongoing funds annually for 10 years for the leasing and operation of the proposed project, with funding adjusted annually based on the Consumer Price Index for Oakland-Hayward-Berkeley, CA.
- In the event BOSS is unable to perform its function as the service provider, an alternative qualified service provider may operate the project with the review and approval of the City Manager, or her designee.
- Further, the City's commitment is contingent upon the funding of the balance of the project.


BE IT FURTHER RESOLVED that the City Manager, or her designee, is hereby authorized to execute all original or amended documents or agreements to effectuate this action; a signed copy of said documents, agreements, and any amendments will be kept on file in the Office of the City Clerk.

The foregoing Resolution was adopted by the Berkeley City Council on October 13, 2020 by the following vote:

Ayes: Bartlett, Davila, Droste, Hahn, Harrison, Kesarwani, Robinson, Wengraf, and Arreguin.

Noes: None.

Absent: None.

  
\_\_\_\_\_  
Jesse Arreguin, Mayor

Attest:   
\_\_\_\_\_  
Mark Numainville, City Clerk

DEEP DIVE

## Soaring material prices, supply chain delays spook owners and developers

The rising cost of many materials and increased sourcing headaches have project owners rethinking their return to normalcy and threaten to derail construction's expected resurgence.

Published April 12, 2021



**Joe Bousquin**  
Senior Reporter



The Washington Post

## Mortgage rates spike to their highest level in nearly 13 years

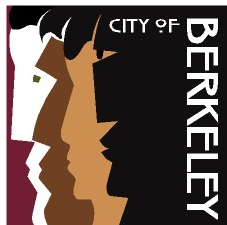
The 30-year fixed average hasn't been this high since August 2009



By Kathy Dorn

May 5, 2022 at 10:12 a.m. EDT





Kate Harrison  
Councilmember, District 4

## REVISED AGENDA MATERIAL

**Meeting Date:** May 16, 2023

**Item number:** 2

**Item Description:** Referral to the June 2023 Budget Process for Funding Harold Way Placemaking Project Schematic Design

**Submitted by:** Councilmember Harrison

The City Attorney's Office confirmed that SOSIP fee proceeds can be used to fund additional Downtown Berkeley open space and improve pedestrian safety. SOSIP fees are paid by developers in the Downtown to improve street safety and open space. The referral has been updated accordingly for the Budget Committee's consideration.



Kate Harrison  
Councilmember, District 4

CONSENT CALENDAR  
April 11, 2023

To: Honorable Mayor and Members of the City Council  
From: Councilmember Harrison  
Subject: Referral to the June 2023 Budget Process for Funding Harold Way Placemaking Project Schematic Design

RECOMMENDATION

Refer \$100,000 Using Street and Open Space Improvement Plan (SOSIP) Proceeds to the June 2023 Budget Process to develop more pedestrian friendly and safe open space in Berkeley's downtown through funding the Harold Way Placemaking Project Schematic Design.

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CURRENT SITUATION, EFFECTS, AND RATIONALE FOR RECOMMENDATION

The one-block long Harold Way connects Allston Way and Kittredge Street, linking the Berkeley Central Branch Library and the Downtown Berkeley YMCA. Over the years Harold Way has been the site of a variety of community events and cultural celebrations including the Asian Cultural Festival, Día de los Muertos celebration, the Harold Way Pumpkin Patch, the Lunar New Year Celebration, and Berkeley Bliss: the Silent Disco Experience. The streetscape is quite plain at present, discouraging its use outside of events but is ideal for creating an urban oasis in our busy Downtown with the addition of design features, trees, seating areas, and a public restroom.

BACKGROUND

On March 19, 2022 Berkeley Design Advocates (BDA) and Downtown Berkeley Association (DBA) co-sponsored a Harold Way Placemaking Workshop in anticipation of two housing projects bringing new life to this quiet one-block street in the heart of Downtown Berkeley. Input was received from the Berkeley design community, neighbors, nearby property owner, and other community members. BDA volunteer architect Ryan Call developed a Workshop Report and Three Initial Options.<sup>1</sup> Subsequently, BDA and DBA have met with City staff, City elected officials, and other community members to review the report and options. The response has been generally favorable for all three options. (See "Blended Options" below.)

<sup>1</sup><https://static1.squarespace.com/static/5f868525cd65db169e0e9bf7/t/6307cde3d1394f428fbc2b6b/1661455861813/2022+0704+Harold+Way+Workshop+Results-sm.pdf>

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E-Mail: KHarrison@cityofberkeley.info



Referral to the June 2023 Budget Process for Funding Harold Way Placemaking  
Schematic Design

CONSENT CALENDAR  
April 11, 2023

This request seeks funding of up to \$100,000 for a consultant to develop a Preferred Design Option/Schematic Design for a pedestrianized Harold Way between Kittredge Street and Allston Way. BDA and DBA have received a proposal of approximately \$60,000 plus expenses from a respected urban landscape design firm but are open to other design firms that might be selected by the City. It would be prudent to allocate up to \$100,000 due to additional expenses, inflation, and possible additional scope or tasks required by the City. It is anticipated that funding would come from the Street and Open Space Plan (SOSIP) fund, which had a balance of \$1,755,944 as of February 27, 2023. Construction of several large housing projects in the Downtown over the next few years is expected to grow the SOSIP fund significantly. Final Design and Construction Documents are estimated to be in the range in the \$200,000-\$300,000, with the cost of construction dependent on design selected, inflation, materials, and other factors.

The development of the Schematic Design would not be limited to the three initial "blended options," but may borrow elements for any of these options as deemed appropriate. The scope of the consultant Schematic Design project would include:

- Extensive community outreach (at least three meetings)
- Pre-design meetings with key stakeholders
- Review of existing conditions, climate, building plans, trees, utilities, drainage
- Understanding of City requirements and operating/maintenance constraints
- Three programming designs with up to three revisions based on community input
- Presentation of final preferred schematic design
- Preliminary opinion of probable construction costs

This Schematic Design project is estimated to take six to nine months to complete, with final presentation to Berkeley City Council for approval.

Design Options

# blended option 1

- Food! Invite local vendors / Food Trucks
- Keep it simple! Let the community "set the stage".
- Ramp up at both ends for the full width of the street right of way. Pave the entire elevated "stage" with a nice material, and set the stage for events with whatever is needed for the party (event!)
- Consider a diversity of plaza experiences such as an open plaza towards the Library on Kitredge Street with food trucks, and a more serene tree plaza towards Alliston.
- Replace / relocate existing trees ( which are spaced rather far apart) with trees spaced 32' on center with offset rows.
- Extend a simple but elegant paving material from building to building to provide programing flexibility and a sense of space that feels larger and less cluttered.
- Convert south facade of parking structure on Alliston to art wall installation, possibly including media screens for outdoor movies.
- Activate ground floor of new east side Harold Way building with live/work workshops and storefronts and organize entries to complement street activities. Locate amenity uses at north and south ends of new building.
- Encourage café at new westside building to spill out into Harold Way
- Eliminate vehicular traffic on Harold Way
- Bollards at Kitredge Street and Alliston Way



# blended option 2

- Food! Invite local vendors / Food Trucks
- Keep it simple! Let the community "set the stage".
- Ramp up at both ends for the full width of the street right of way. Pave the entire elevated "stage" with a nice material, and set the stage for events with whatever is needed for the party (event!)
- Treat Harold Way as an urban garden with gathering areas to spill out into street, building off gardens/ activities at garden/plaza between library and housing at Kitredge terminus of Harold Way.
- Retain existing trees along Harold Way. Keep roadway clear of trees and open for gatherings.
- Pitch raised roadways to a series of rain gardens at entries and along western side of Harold Way. Use gardens to frame building and plaza entries.
- Convert south facade of parking structure on Alliston to art wall installation, possibly including media screens for outdoor movies.
- Activate ground floor of new east side Harold Way building with live/work workshops and storefronts and organize entries to complement street activities. Locate amenity uses at north and south ends of new building.
- Encourage café at new westside building to spill out into Harold Way
- Eliminate vehicular traffic on Harold Way
- Bollards at Kitredge Street and Alliston Way



# blended option 3

- Children's reading area
- Possible play sculpture(s) for kids (Women and children are key elements to creating a welcoming environment for everyone!)
- Flexible seating - chess and games
- Keep it simple! Let the community 'set the stage'
- Ramp up at both ends for the full width of the street right of way. Pave the entire elevated "stage" with a nice material, and set the stage for events with whatever is needed for the party (event!)
- Treat Harold Way as an urban garden with gathering areas to spill out into street, building off gardens/activities at garden/plaza between library and housing at Kittredge terminus of Harold Way.
- Retain existing trees along Harold Way. Keep roadway clear of trees and open for gatherings.
- Pitch raised roadways to a series of rain gardens at entries and along western side of Harold Way. Use gardens to frame building and plaza entries.
- Convert south façade of parking structure on Allston to art wall installation, possibly including media screens for outdoor movies.
- Activate ground floor of new east side Harold Way building with live/work workshops and storefronts and organize entries to complement street activities. Locate amenity uses at north and south ends of new building.
- Encourage café at new westside building to spill out into Harold Way.
- Eliminate vehicular traffic on Harold Way
- Bollards at Kittredge Street and Allston Way



## FISCAL IMPACTS OF RECOMMENDATION

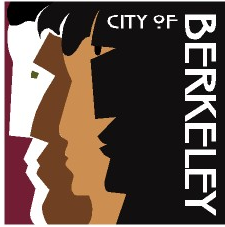
\$100,000 Using Street and Open Space Improvement Plan (SOSIP) Proceeds toward the Harold Way Placemaking Project Schematic Design.

## ENVIRONMENTAL SUSTAINABILITY

Creating a livable, walkable Downtown adds to Berkeley's environmental sustainability. The Harold Way block is very close to transit (both BART and AC Transit), Downtown amenities and the U.C. Berkeley campus.

## CONTACT PERSON

Councilmember Kate Harrison, (510) 981-7140



Kate Harrison  
Councilmember, District 4

## REVISED AGENDA MATERIAL

**Meeting Date:** May 16, 2023

**Item number:** 2

**Item Description:** Referral to the June 2023 Budget Process for \$100,000 to Fund an Engineering and Design Process for a Mast Arm and Signal Head for the MLK and Haste Intersection

**Submitted by:** Councilmember Harrison

The City Attorney's Office confirmed that SOSIP fee proceeds can be used to fund traffic calming and measures to improve pedestrian safety. SOSIP fees are paid by developers in the Downtown to improve street safety and open space. The referral has been updated accordingly for the Budget Committee's consideration.



Kate Harrison  
Councilmember, District 4

CONSENT CALENDAR  
April 25, 2023

To: Honorable Mayor and Members of the City Council  
From: Councilmember Harrison  
Subject: Referral to the June 2023 Budget Process for \$100,000 to Fund an Engineering and Design Process for a Mast Arm and Signal Head for the MLK and Haste Intersection

RECOMMENDATION

Referral to the June 2023 Budget Process for \$100,000 using Street and Open Space Improvement Plan (SOSIP) proceeds- to promote traffic calming and measures to improve pedestrian safety through funding an engineering evaluation and design process for a mast arm and signal head at the MLK and Haste intersection in conjunction with planned crosswalk and other safety improvements.

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CURRENT SITUATION, EFFECTS, AND RATIONALE FOR RECOMMENDATION

The MLK and Haste intersection is just blocks from Berkeley High School and Washington Elementary, and has been the subject of a number of traffic safety incidents, including a recent injury crash involving a senior.

MLK is a major thoroughfare for the Downtown and the broader City, and lack of safety features at this particular intersection, like MLK and Addison, is of particular concern for District 4 residents. According to residents, it appears that there is no traffic arm that extends over MLK for northbound drivers to see, as there are at all other intersections for northbound drivers between Ashby and University (Haste ends in a "T" at MLK, unlike other streets at intersections with traffic lights on MLK between Ashby and University which have four-way traffic). A traffic arm that would extend over the intersection would be much easier to see for northbound drivers than the current light at Haste on the northeast corner.

This intersection serves as an important corridor for seniors, elementary, middle, high school and college students, shoppers, and inhabitants of existing and new housing.

Transportation Division staff recommend a longer-term project to install a mast arm and signal head (same as Martin Luther King Jr Way - SB) on Martin Luther King Jr Way (NB) at the intersection of Haste St. This measure is expected to enhance the visibility of the traffic signal for the northbound direction, however, since this would involve a reconstruction of at least one corner of the intersection and pouring a new foundation, it would need to be included as part of a capital project with the necessary funding. The

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E-Mail: KHarrison@cityofberkeley.info

Referral to the June 2023 Budget Process for \$100,000 to Fund an Engineering and Design Process for Mast Arm and Signal Head for the MLK and Haste Intersection

CONSENT CALENDAR  
April 25, 2023

City will be on the lookout for suitable opportunities for including this improvement in a future Capital Improvement Plan project. This item includes \$100,000 for the planning phase which will help determine the cost for construction. The timeline for implementation of the longer-term measures is also dependent on Public Works staffing and vacancies. The City Attorney's Office confirmed that SOSIP fee proceeds can be used to fund traffic calming and measures to improve pedestrian safety. SOSIP fees are paid by developers in the Downtown to improve street safety and open space.

In terms of interim measures, Transportation staff conducted a detailed investigation and a site visit assessment for this intersection. The investigation included a review of the collision history, assessment of the site configuration and sight lines, and City's relevant transportation improvement plans, specifically the pedestrian master plan and Vision Zero Plan.

Based on the available collision history data, the most common collision pattern has been "Traffic Signals and Signs", which has also been considered the primary collision factor (PCF) within the last decade. This usually indicates inattention to traffic signal indication. As a result of this assessment and evaluation of sight lines the following measures are going to be implemented on a quick-build basis by the Traffic Maintenance division and the Parks Department in an effort to improve the visibility of the traffic signal, and to enhance the visibility of the intersection in general:

**Quick build measures:**

1. Install reflective tape around the signal backplates in order to improve signal visibility.
2. Install pavement skip marks to delineate the separation of the double-left turn exiting Haste onto and through the intersection.
3. Refresh pavement striping in all directions such as stop bars, red curbs and any other markings that will need improvement along this intersection.
4. Install High-Visibility Crosswalks (aka triple-four) in all directions to increase conspicuity of pedestrian crossing locations. This measure is also identified in the Vision Zero Action Plan.
5. Install a "One Way" sign (R6-1) on Haste St WB (north-east of the intersection).
6. Remove tree branches that may be impacting visibility of signal heads and traffic signs.

These measures are already fully funded and are anticipated to be implemented within 8-10 weeks given the current work queue for Traffic Maintenance group.

**FISCAL IMPACTS OF RECOMMENDATION**

\$100,000 in SOSIP funds for traffic safety improvements at the intersection of Martin Luther King Jr. Way and Haste Street.

**ENVIRONMENTAL SUSTAINABILITY**

Referral to the June 2023 Budget Process for \$100,000 to Fund an Engineering and Design Process for Mast Arm and Signal Head for the MLK and Haste Intersection

CONSENT CALENDAR  
April 25, 2023

Transportation accounts for a substantial portion of Berkeley's total emissions. The City is committed to increasing the modal share of walking and biking to reduce vehicle miles traveled through safety improvements.

CONTACT PERSON

Councilmember Kate Harrison, (510) 981-7140

# FY 2024 Mid-Biennial Update (FY 2024 Proposed Budget)

Budget and Finance Policy Committee  
16 May 2023



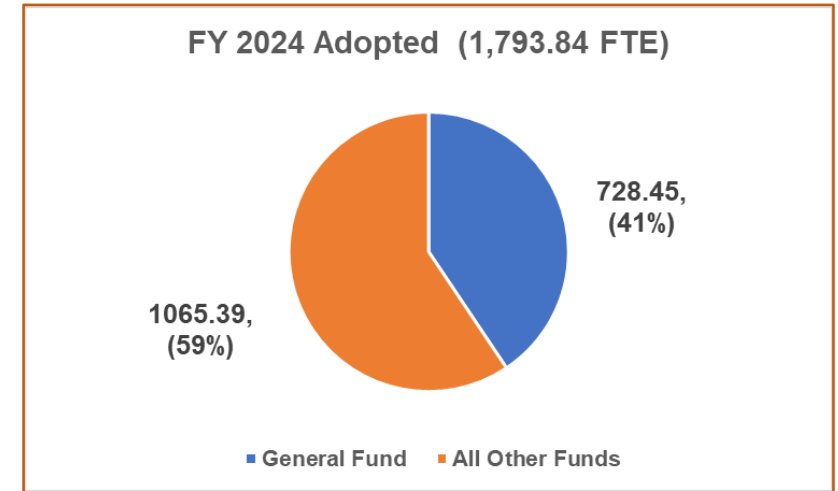
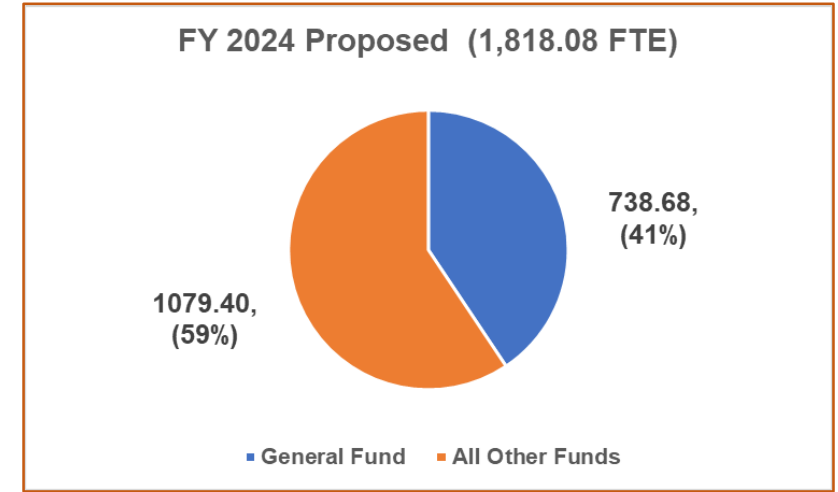
- **Citywide All Funds Update**
  - Summary of FY 2024 Adopted & Proposed
  - Summary of FY 2024 Expenditures by Department
  
- **General Fund Update**
  - General Fund Revenues
  - General Fund Expenditures by Department
  - Existing and New Funding Requests
  
- **Recommendations and Next Steps**
  
- **Discussion**

# FY 2024 ALL FUNDS SUMMARY

	FY 24 Adopted	FY 24 Proposed
Revenues Total	\$603,820,083	\$615,840,590
Use of Fund Balance	122,152,907	102,301,908
Expenditures Total	725,972,990	718,142,498

# FY 2024 SUMMARY STAFFING BY DEPARTMENT

DEPARTMENT	FY 2024		FY 2024 Proposed	
	Adopted	Total	General Fund	All Other Funds
City Attorney	17.00	17.00	15.5	1.50
City Auditor	14.75	14.75	14.25	0.50
City Clerk	10.00	10.00	9.47	0.53
City Manager	45.50	46.50	45.50	1.00
Economic Development	8.00	8.00	7.12	0.88
Finance	56.00	56.00	45.75	10.25
Fire Department	203.00	203.00	129.11	73.89
Health, Housing & Community Services	265.58	274.68	79.37	195.31
Human Resources	22.00	25.00	16.70	8.30
Information Technology	52.00	51.00	0.00	51.00
Library	115.60	119.35	0.00	119.35
Mayor and Council	19.00	19.00	19.00	0.00
Office of the Director of Police Accountability	5.00	5.00	5.00	0.00
Parks, Recreation & Waterfront	165.62	166.62	28.74	137.88
Planning & Development	118.04	119.04	15.99	103.05
Police Department	313.20	313.20	282.00	288.02
Public Works	340.00	344.94	25.18	62.94
Rent Board	23.55	25.00	0.00	25.00
<b>Full Time Equivalent Employee (FTE) Total</b>	<b>1793.84</b>	<b>1818.08</b>	<b>738.68</b>	<b>1079.40</b>



# FY 2024 ALL FUNDS EXPENDITURES

Department/Agency	FY 2024 Adopted	FY 2024 Proposed
Library	\$25,182,279	25,024,425
Rent Board	7,406,431	7,450,280
Mayor and Council	4,835,380	4,772,190
City Auditor	3,124,862	3,231,099
Office of Director of Police Accountability	1,374,911	1,142,593
City Attorney	8,553,021	8,106,984
City Manager	11,763,275	9,833,653
Office of Economic Development	6,380,895	6,526,434
City Clerk	3,190,547	3,159,486
Finance	11,669,774	10,607,143
Human Resources	5,124,741	5,442,688
Information Technology	22,500,474	22,237,720

# FY 2024 ALL FUNDS EXPENDITURES

Department/Agency	FY 2024 Adopted	FY 2024 Proposed
Fire	\$63,450,868	61,509,205
Health, Housing & Community Services	93,913,527	99,294,430
Non-Departmental	96,618,910	88,003,369
Parks, Recreation & Waterfront	53,954,977	51,977,645
Planning	27,993,361	31,267,162
Police	88,658,439	88,181,161
Public Works	190,276,318	190,374,829
<b>Total</b>	<b>725,972,990</b>	<b>718,142,498</b>

## **FY 20-21 Budget**

- Projected \$40M General Fund deficit
  - Hiring freeze/maintaining vacant positions
  - Delay capital
  - One-time use of \$11M in reserves

## **FY 22 Budget**

- Projected General Fund deficit of \$27M
  - One-time use of \$23M in ARPA funds
  - \$4M in expenditure reductions

## **FY 23-24 Budget**

- Projected General Fund deficit of \$22M in FY23 and \$12M in FY24
  - Salary savings target to 8.5% for most departments
  - One-time use of fund balance from projected FY 22 Excess Property Transfer Tax
  - Use of fund balance for Measure P and U1 related expenditures

# FY 2024 GENERAL FUND SUMMARY

BASELINE GENERAL FUND	FY 24 Adopted	FY 24 Proposed
Revenues Total	\$242,752,565	\$248,225,496
FY 22 Excess Property Transfer Tax/Fund Balance	9,860,280	0
Expenditures Total	252,612,845	247,825,076

MEASURE P	FY 24 Adopted	FY 24 Proposed
Revenues Total	\$14,073,750	\$14,073,750
Fund Balance	2,361,767	11,211,678*
Expenditures Total	17,085,243	24,563,015*

MEASURE U1	FY 24 Adopted	FY 24 Proposed
Revenues Total	\$4,900,000	\$4,900,000
Fund Balance	1,016,963	952,006
Expenditures Total	5,916,963	5,852,006

# FY 2024 GENERAL FUND REVENUES

	Adopted FY 2024	Proposed FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027
Secured Property	\$78,691,517	\$81,859,450	\$84,724,531	\$86,689,889	\$90,759,035
Unsecured Property	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000
Supplemental Taxes	2,000,000	2,300,000	2,300,000	2,300,000	2,300,000
Property Transfer Tax	18,000,000	18,000,000	16,000,000	16,000,000	16,000,000
Property Transfer Tax for Capital Improvements	16,462,172	10,962,172	13,541,415	13,541,415	14,132,244
<i>Property Transfer Tax - Measure P</i>	<i>14,073,750</i>	<i>14,073,750</i>	<i>14,073,750</i>	<i>14,073,750</i>	<i>14,073,750</i>
Sales Tax	19,790,997	19,391,714	20,231,914	21,146,495	22,043,410
Soda Tax	990,210	1,025,800	1,025,800	1,025,800	1,025,800
Business License	19,000,000	19,000,000	19,380,000	19,767,600	19,767,600
Business License - Cannabis Recreation	1,400,000	1,400,000	1,428,000	1,456,560	1,456,560
<i>Measure U1</i>	<i>4,900,000</i>	<i>4,900,000</i>	<i>4,998,000</i>	<i>5,097,960</i>	<i>5,097,960</i>
Utility Users Tax	13,800,000	15,000,000	15,000,000	15,000,000	15,000,000
Hotel Tax	4,900,000	7,725,000	7,956,750	8,195,453	8,441,316
Vehicle In-Lieu	16,563,215	17,208,584	17,810,884	18,434,265	19,079,464
Parking Fines	4,326,450	4,800,000	4,800,000	4,800,000	4,800,000
Moving Violations	132,600	132,600	135,252	137,957	137,957
Interest	6,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Ambulance Fees	3,880,779	5,350,779	3,880,779	3,880,779	3,880,779
Franchise Fees	1,613,283	1,720,056	1,720,056	1,720,056	1,720,056
Other Revenue	10,661,418	18,251,417	18,251,418	19,251,418	17,738,518
Transfers	21,023,924	13,581,924	4,472,621	4,562,074	4,562,074
<b>TOTAL</b>	<b>\$261,726,315</b>	<b>\$267,199,246</b>	<b>\$262,247,170</b>	<b>\$267,597,471</b>	<b>\$272,532,523</b>



# FY 2024 GENERAL FUND EXPENDITURES

Department	FY 2024 Adopted	FY 2024 Proposed
Mayor and Council	4,835,380	4,772,190
City Auditor	3,124,862	3,136,323
Office of Director of Police Accountability	1,374,911	1,142,593
City Attorney	4,741,679	4,304,039
City Manager	11,763,275	9,433,592
Office of Economic Development	3,343,968	3,4522,094
City Clerk	2,676,728	2,547,276
Finance	9,213,830	8,179,370
Human Resources	3,113,206	3,467,541
Information Technology	1,526,760	1,526,760

# FY 2024 GENERAL FUND EXPENDITURES

Department/Agency	FY 2024 Adopted	FY 2024 Proposed
Fire	\$42,304,032	39,546,063
Health, Housing & Community Services	27,412,701	31,679,102
Non-Departmental	55,945,792	53,112,659
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Planning	3,380,891	3,277,246
Police	83,845,693	83,606,570
Public Works	6,504,892	6,558,529
<b>Total</b>	<b>273,948,362</b>	<b>269,428,380</b>

# FY 2024 FUNDING REQUESTS

Category	Amount
Unfunded Tier 2 & 3 FY 23 & FY 24 Requests	\$22,667,837
New Department Requests	13,644,010
New Council Budget Referrals*	12,765,512
<b>Total Requests</b>	<b>49,077,360</b>

\* Council Budget Referrals through 04/25/2023

- City General Liability & Property Insurance Premium Increases
- Operational Expenses for Public Safety
- Personnel/Labor Costs
- Measure T1 Funding Shortfall
- Additional funding for actuarial recommendation of Section 115 Trust (Goal of an additional \$3.5M over current \$2.0M in budget for \$5.5M)
- Additional funding for actuarial recommendation to fully-fund OPEB (Goal of an additional \$8.8M over current \$6.5M in budget for goal of \$15M)

# MEASURE U1 FORECAST

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Beginning Fund Balance</b>	<b>\$11,189,667</b>	<b>\$12,624,316</b>	<b>\$8,360,709</b>	<b>\$4,114,956</b>	<b>\$4,170,573</b>	<b>\$3,836,445</b>	<b>\$3,502,317</b>	<b>\$3,168,189</b>
Revenue	17,077,234	17,524,316	13,260,709	9,014,956	9,070,573	8,736,445	8,402,317	8,068,189
Expenditures	4,452,918	9,163,607	6,315,248	4,844,383	5,234,128	5,234,128	5,234,128	5,234,128
Fiscal Year Surplus (Shortfall)	1,434,649	-4,263,607	-1,415,248	55,617	-334,128	-334,128	-334,128	-334,128
<b>Ending Fund Balance</b>	<b>\$12,624,316</b>	<b>\$ 8,360,709</b>	<b>\$ 6,945,461</b>	<b>\$4,170,573</b>	<b>\$3,836,445</b>	<b>\$ 3,502,317</b>	<b>\$ 3,168,189</b>	<b>\$ 2,834,061</b>

## Next Steps

- Update FY 23 Projections for Revenues and Expenditures
- Review and update FY 24 Revenue Projections
- Review and discuss funding requests and budget referrals starting in May
- Council receive FY 24 Proposed Budget on May 16
- Committee and Council meetings in May and June
- FY 24 AAO Adoption June 27, 2023

## Recommendations

- Defer new funding requests until AAO#1 unless critical to fund on 7/1

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate
<b>Revenues</b>								
<b>Beginning Fund Balance</b>	\$11,189,667	\$12,624,316	\$8,360,709	\$4,114,956	\$4,170,573	\$3,836,445	\$3,502,317	\$3,168,189
ADD: U1 Fund Balance transferred from the General Fund	-	-	-	-	-	-	-	-
ADD: Revenues	5,887,567	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000
<b>Total Revenues and Available Fund Balance</b>	<b>17,077,234</b>	<b>17,524,316</b>	<b>13,260,709</b>	<b>9,014,956</b>	<b>9,070,573</b>	<b>8,736,445</b>	<b>8,402,317</b>	<b>8,068,189</b>
<b>LESS: Total Expenses</b>	<b>4,452,918</b>	<b>9,163,607</b>	<b>6,315,248</b>	<b>4,844,383</b>	<b>5,234,128</b>	<b>5,234,128</b>	<b>5,234,128</b>	<b>5,234,128</b>
<b>Personnel Costs</b>								
Rent Board	438,368	913,677	1,344,383	1,344,383	1,734,128	1,734,128	1,734,128	1,734,128
HHCS (Measure O/Housing Trust Fund)	198,147	510,465	474,600	474,600	474,600	474,600	474,600	474,600
HHCS Staffing Study Phase 2	-	-	463,242	463,242	463,242	463,242	463,242	463,242
HHCS Staffing Study Phase 3	-	-	-	-	389,745	389,745	389,745	389,745
Finance (Rev Dev Position & Admin Costs)	240,222	403,212	406,541	406,541	406,541	406,541	406,541	406,541
<b>Non-Personnel and Other Program Costs</b>								
2001 Ashby predev (RCD) - Contract # 32000049	-	-	-	-	-	-	-	-
2527 San Pablo Ave (SAHA) - Contract pending	-	500,000	-	-	-	-	-	-
2012 Berkeley Way reserves (BRIDGE/BFHP) - Contract #32000250	-	3,023,365	-	-	-	-	-	-
Housing Trust Fund Program	-	2,500,000	4,870,865	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Development of New Housing Programs</b>								
Organizational Capacity Bldg (BACLТ)	200,000	200,000	100,000	100,000	100,000	100,000	100,000	100,000
Berkeley Unified School District Planning Grant	-	-	-	-	-	-	-	-
New Housing Programs/Land Trust/Coops	-	150,000	-	-	-	-	-	-
Review and Develop a Social Housing policy (Councilmember Taplin, Mayor Arreguin, Councilmembers Harrison and Hahn)	-	300,000	-	-	-	-	-	-
<b>Anti-Displacement</b>								
Rent Board (EDC & EBCLC)	570,830	-	-	-	-	-	-	-
East Bay Community Law Center (EBCLC)	-	-	-	275,000	275,000	275,000	275,000	275,000
Housing Retention Program (EBCLC)	-109,409	-	-	250,000	250,000	250,000	250,000	250,000
Eviction Defense Center (EDC)	250,000	-	-	275,000	275,000	275,000	275,000	275,000
Housing Retention Program / Eviction Defense	-	-	-	-	-	-	-	-
Flexible Housing Subsidy Pool (BACS)	100,000	-	-	100,000	100,000	100,000	100,000	100,000
<b>Additional City Priorities</b>								
Berkeley Relief Fund	-	-	-	-	-	-	-	-
Landlord Incentives for Section 8 Participation	100,000	-	-	-	-	-	-	-
1001, 1011 University Ave. acquisition	946,163	-	-	-	-	-	-	-
Fiscal Year Surplus (Shortfall)	<b>1,434,649</b>	<b>-4,263,607</b>	<b>-1,415,248</b>	<b>55,617</b>	<b>-334,128</b>	<b>-334,128</b>	<b>-334,128</b>	<b>-334,128</b>
Ending Fund Balance	<b>12,624,316</b>	<b>8,360,709</b>	<b>6,945,461</b>	<b>4,170,573</b>	<b>3,836,445</b>	<b>3,502,317</b>	<b>3,168,189</b>	<b>2,834,061</b>

Notes:

(1) In FY 2021, a separate fund was created for Measure U1 with the General Fund revenues being transferred into the fund. Beginning negative fund balance due to split payroll charges to FY 2020.

# FY 2024 Mid-Biennial Update (FY 2024 Proposed Budget)

Budget and Finance Policy Committee  
4 May 2023



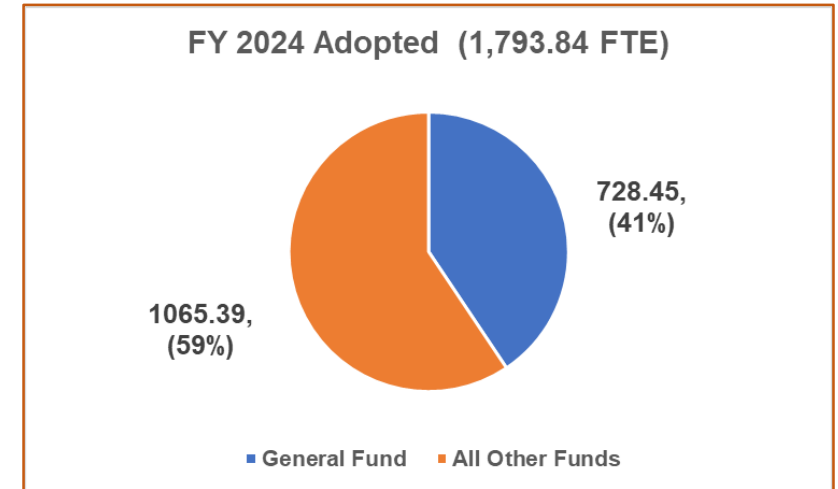
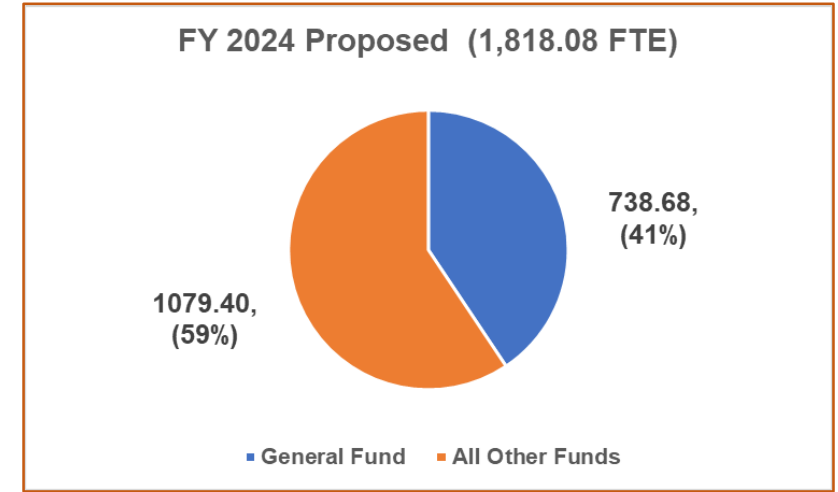
- **Citywide All Funds Update**
  - Summary of FY 2024 Adopted & Proposed
  - Summary of FY 2024 Expenditures by Department
  
- **General Fund Update**
  - General Fund Revenues
  - General Fund Expenditures by Department
  - Existing and New Funding Requests
  
- **Recommendations and Next Steps**
  
- **Discussion**

# FY 2024 ALL FUNDS SUMMARY

	FY 24 Adopted	FY 24 Proposed
Revenues Total	\$603,820,083	\$615,840,590
Use of Fund Balance	122,152,907	102,301,908
Expenditures Total	725,972,990	718,142,498

# FY 2024 SUMMARY STAFFING BY DEPARTMENT

DEPARTMENT	FY 2024	FY 2024 Proposed		
	Adopted	Total	General Fund	All Other Funds
City Attorney	17.00	17.00	15.5	1.50
City Auditor	14.75	14.75	14.25	0.50
City Clerk	10.00	10.00	9.47	0.53
City Manager	45.50	46.50	45.50	1.00
Economic Development	8.00	8.00	7.12	0.88
Finance	56.00	56.00	45.75	10.25
Fire Department	203.00	203.00	129.11	73.89
Health, Housing & Community Services	265.58	274.68	79.37	195.31
Human Resources	22.00	25.00	16.70	8.30
Information Technology	52.00	51.00	0.00	51.00
Library	115.60	119.35	0.00	119.35
Mayor and Council	19.00	19.00	19.00	0.00
Office of the Director of Police Accountability	5.00	5.00	5.00	0.00
Parks, Recreation & Waterfront	165.62	166.62	28.74	137.88
Planning & Development	118.04	119.04	15.99	103.05
Police Department	313.20	313.20	282.00	288.02
Public Works	340.00	344.94	25.18	62.94
Rent Board	23.55	25.00	0.00	25.00
<b>Full Time Equivalent Employee (FTE) Total</b>	<b>1793.84</b>	<b>1818.08</b>	<b>738.68</b>	<b>1079.40</b>



# FY 2024 ALL FUNDS EXPENDITURES

Department/Agency	FY 2024 Adopted	FY 2024 Proposed
Library	\$25,182,279	25,024,425
Rent Board	7,406,431	7,450,280
Mayor and Council	4,835,380	4,772,190
City Auditor	3,124,862	3,231,099
Office of Director of Police Accountability	1,374,911	1,142,593
City Attorney	8,553,021	8,106,984
City Manager	11,763,275	9,833,653
Office of Economic Development	6,380,895	6,526,434
City Clerk	3,190,547	3,159,486
Finance	11,669,774	10,607,143
Human Resources	5,124,741	5,442,688
Information Technology	22,500,474	22,237,720

# FY 2024 ALL FUNDS EXPENDITURES

Department/Agency	FY 2024 Adopted	FY 2024 Proposed
Fire	\$63,450,868	61,509,205
Health, Housing & Community Services	93,913,527	99,294,430
Non-Departmental	96,618,910	88,003,369
Parks, Recreation & Waterfront	53,954,977	51,977,645
Planning	27,993,361	31,267,162
Police	88,658,439	88,181,161
Public Works	190,276,318	190,374,829
<b>Total</b>	<b>725,972,990</b>	<b>718,142,498</b>

## FY 20-21 Budget

- Projected \$40M General Fund deficit
  - Hiring freeze/maintaining vacant positions
  - Delay capital
  - One-time use of \$11M in reserves

## FY 22 Budget

- Projected General Fund deficit of \$27M
  - One-time use of \$23M in ARPA funds
  - \$4M in expenditure reductions

## FY 23-24 Budget

- Projected General Fund deficit of \$22M in FY23 and \$12M in FY24
  - Salary savings target to 8.5% for most departments
  - One-time use of fund balance from projected FY 22 Excess Property Transfer Tax
  - Use of fund balance for Measure P and U1 related expenditures

# FY 2024 GENERAL FUND SUMMARY

<b>BASELINE GENERAL FUND</b>	<b>FY 24 Adopted</b>	<b>FY 24 Proposed</b>
Revenues Total	\$242,752,565	\$248,225,496
FY 22 Excess Property Transfer Tax/Fund Balance	9,860,280	0
Expenditures Total	252,612,845	247,825,076

<b>MEASURE P</b>	<b>FY 24 Adopted</b>	<b>FY 24 Proposed</b>
Revenues Total	\$14,073,750	\$14,073,750
Fund Balance	2,361,767	11,211,678*
Expenditures Total	17,085,243	24,563,015*

<b>MEASURE U1</b>	<b>FY 24 Adopted</b>	<b>FY 24 Proposed</b>
Revenues Total	\$4,900,000	\$4,900,000
Fund Balance	1,016,963	952,006
Expenditures Total	5,916,963	5,852,006

# FY 2024 GENERAL FUND REVENUES

	Adopted FY 2024	Proposed FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027
Secured Property	\$78,691,517	\$81,859,450	\$84,724,531	\$86,689,889	\$90,759,035
Unsecured Property	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000
Supplemental Taxes	2,000,000	2,300,000	2,300,000	2,300,000	2,300,000
Property Transfer Tax	18,000,000	18,000,000	16,000,000	16,000,000	16,000,000
Property Transfer Tax for Capital Improvements	16,462,172	10,962,172	13,541,415	13,541,415	14,132,244
<i>Property Transfer Tax - Measure P</i>	<i>14,073,750</i>	<i>14,073,750</i>	<i>14,073,750</i>	<i>14,073,750</i>	<i>14,073,750</i>
Sales Tax	19,790,997	19,391,714	20,231,914	21,146,495	22,043,410
Soda Tax	990,210	1,025,800	1,025,800	1,025,800	1,025,800
Business License	19,000,000	19,000,000	19,380,000	19,767,600	19,767,600
Business License - Cannabis Recreation	1,400,000	1,400,000	1,428,000	1,456,560	1,456,560
<i>Measure U1</i>	<i>4,900,000</i>	<i>4,900,000</i>	<i>4,998,000</i>	<i>5,097,960</i>	<i>5,097,960</i>
Utility Users Tax	13,800,000	15,000,000	15,000,000	15,000,000	15,000,000
Hotel Tax	4,900,000	7,725,000	7,956,750	8,195,453	8,441,316
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Franchise Fees	1,613,283	1,720,056	1,720,056	1,720,056	1,720,056
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# MEASURE U1 FORECAST

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Beginning Fund Balance</b>	<b>\$11,189,667</b>	<b>\$12,624,316</b>	<b>\$8,360,709</b>	<b>\$4,114,956</b>	<b>\$4,170,573</b>	<b>\$3,836,445</b>	<b>\$3,502,317</b>	<b>\$3,168,189</b>
Revenue	17,077,234	17,524,316	13,260,709	9,014,956	9,070,573	8,736,445	8,402,317	8,068,189
Expenditures	4,452,918	9,163,607	6,315,248	4,844,383	5,234,128	5,234,128	5,234,128	5,234,128
Fiscal Year Surplus (Shortfall)	1,434,649	-4,263,607	-1,415,248	55,617	-334,128	-334,128	-334,128	-334,128
<b>Ending Fund Balance</b>	<b>\$12,624,316</b>	<b>\$ 8,360,709</b>	<b>\$ 6,945,461</b>	<b>\$4,170,573</b>	<b>\$3,836,445</b>	<b>\$ 3,502,317</b>	<b>\$ 3,168,189</b>	<b>\$ 2,834,061</b>

## Next Steps

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- Review and update FY 24 Revenue Projections
- Review and discuss funding requests and budget referrals starting in May
- Council receive FY 24 Proposed Budget on May 9
- Committee and Council meetings in May and June
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## Recommendations

- Defer new funding requests until AAO#1 unless critical to fund on 7/1

	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate
<b>Revenues</b>								
<b>Beginning Fund Balance</b>	\$11,189,667	\$12,624,316	\$8,360,709	\$4,114,956	\$4,170,573	\$3,836,445	\$3,502,317	\$3,168,189
ADD: U1 Fund Balance transferred from the General Fund	-	-	-	-	-	-	-	-
ADD: Revenues	5,887,567	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000
<b>Total Revenues and Available Fund Balance</b>	<b>17,077,234</b>	<b>17,524,316</b>	<b>13,260,709</b>	<b>9,014,956</b>	<b>9,070,573</b>	<b>8,736,445</b>	<b>8,402,317</b>	<b>8,068,189</b>
<b>LESS: Total Expenses</b>	<b>4,452,918</b>	<b>9,163,607</b>	<b>6,315,248</b>	<b>4,844,383</b>	<b>5,234,128</b>	<b>5,234,128</b>	<b>5,234,128</b>	<b>5,234,128</b>
<b>Personnel Costs</b>								
Rent Board	438,368	913,677	1,344,383	1,344,383	1,734,128	1,734,128	1,734,128	1,734,128
HHCS (Measure O/Housing Trust Fund)	198,147	510,465	474,600	474,600	474,600	474,600	474,600	474,600
HHCS Staffing Study Phase 2	-	-	463,242	463,242	463,242	463,242	463,242	463,242
HHCS Staffing Study Phase 3	-	-	-	-	389,745	389,745	389,745	389,745
Finance (Rev Dev Position & Admin Costs)	240,222	403,212	406,541	406,541	406,541	406,541	406,541	406,541
<b>Non-Personnel and Other Program Costs</b>								
2001 Ashby predev (RCD) - Contract # 32000049	-	-	-	-	-	-	-	-
2527 San Pablo Ave (SAHA) - Contract pending	-	500,000	-	-	-	-	-	-
2012 Berkeley Way reserves (BRIDGE/BFHP) - Contract #32000250	-	3,023,365	-	-	-	-	-	-
Housing Trust Fund Program	-	2,500,000	4,870,865	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Development of New Housing Programs</b>								
Organizational Capacity Bldg (BACLTL)	200,000	200,000	100,000	100,000	100,000	100,000	100,000	100,000
Berkeley Unified School District Planning Grant	-	-	-	-	-	-	-	-
New Housing Programs/Land Trust/Coops	-	150,000	-	-	-	-	-	-
Review and Develop a Social Housing policy (Councilmember Taplin, Mayor Arreguin, Councilmembers Harrison and Hahn)	-	300,000	-	-	-	-	-	-
<b>Anti-Displacement</b>								
Rent Board (EDC & EBCLC)	570,830	-	-	-	-	-	-	-
East Bay Community Law Center (EBCLC)	-	-	-	275,000	275,000	275,000	275,000	275,000
Housing Retention Program (EBCLC)	-109,409	-	-	250,000	250,000	250,000	250,000	250,000
Eviction Defense Center (EDC)	250,000	-	-	275,000	275,000	275,000	275,000	275,000
Housing Retention Program / Eviction Defense	-	-	-	-	-	-	-	-
Flexible Housing Subsidy Pool (BACS)	100,000	-	-	100,000	100,000	100,000	100,000	100,000
<b>Additional City Priorities</b>								
Berkeley Relief Fund	-	-	-	-	-	-	-	-
Landlord Incentives for Section 8 Participation	100,000	-	-	-	-	-	-	-
1001, 1011 University Ave. acquisition	946,163	-	-	-	-	-	-	-
Fiscal Year Surplus (Shortfall)	<b>1,434,649</b>	<b>-4,263,607</b>	<b>-1,415,248</b>	<b>55,617</b>	<b>-334,128</b>	<b>-334,128</b>	<b>-334,128</b>	<b>-334,128</b>
Ending Fund Balance	<b>12,624,316</b>	<b>8,360,709</b>	<b>6,945,461</b>	<b>4,170,573</b>	<b>3,836,445</b>	<b>3,502,317</b>	<b>3,168,189</b>	<b>2,834,061</b>

Notes:

(1) In FY 2021, a separate fund was created for Measure U1 with the General Fund revenues being transferred into the fund. Beginning negative fund balance due to split payroll charges to FY 2020.

**Summary of FY 2024 Request**

Unfunded Tier II & III Requests	\$	22,667,837
New Department General Fund Requests	\$	13,644,010
New Unfunded Council Referrals	\$	12,665,512
<b>Total</b>	<b>\$</b>	<b>48,977,360</b>



Item #	Requestor and Funding Category	Budget Referral	Expenditure Type/Description	Requesting Amount	FY 23 Request	FY 24 Request	Reason for Request
<b>Reimaging Public Safety</b>							
<b>Tier 2</b>							
1	Police		5 Parking Enforcement Officers	1,283,950	641,975	641,975	Address parking/traffic matters that do not necessitating a sworn officer response. Expanded Preferential Parking Program Required supervision for added Parking Enforcement Officers
2	Police		1 Parking Enforcement Supervisor	300,700	150,350	150,350	
<b>Subtotal Tier 2 Unfunded Requests</b>				<b>1,584,650</b>	<b>792,325</b>	<b>792,325</b>	
<b>Total Unfunded Reimaging Public Safety Requests</b>				<b>1,584,650</b>	<b>792,325</b>	<b>792,325</b>	
<b>Staffing Augmentation</b>							
<b>Tier 2</b>							
3	City Manager's Office		Communications Specialist	417,552	208,776	208,776	Backup PIO coverage for emergencies
4	City Manager's Office		Code Enforcement Officer I	312,200	156,100	156,100	Reduce response time to complaints
5	Office of Economic Development		Sr Economic Development Project Coordinator	549,328	274,664	274,664	Work on special projects and Council identified priorities
6	Office of Director of Police Accountability		Police Accountability Investigator	385,360	192,680	192,680	Meet work demands of department
7	Parks, Recreation & Waterfront		CIP staffing: 40% Associate Civil Engineer	169,308	84,654	84,654	To offset existing staff costs to implement CIP funded projects
8	Parks, Recreation & Waterfront		CIP staffing: 60% Associate Civil Engineer	288,493	144,247	144,247	To offset staff costs to implement proposed CIP Waterfront projects
9	Public Works		Engineering: AOSIII	26,778	13,389	13,389	Support Real Property, lease tracking and agreements, payment collection
10	Public Works		Transportation: OSII - Parking Citation Review	220,000	110,000	110,000	Support citation review program, address backlog
11	Public Works		CIP Manager	150,686	75,343	75,343	Will coordinate CIP efforts for Transportation/Engineering. Contingent on passage of revenue measure.
12	Councilmember Harrison	x	Community Development Project Coordinator	209,726	104,863	104,863	To assist HHCS with Workforce Standards and Enforcement
13	Councilmember Taplin	x	West Berkeley Park Ambassadors	600,000	300,000	300,000	Funding for Park Ambassadors:2-3 part time positions for one year at San Pablo Park, Strawberry Creek Park and Aquatic Park seven days a week
<b>Subtotal Tier 2 Unfunded Requests</b>				<b>3,329,431</b>	<b>1,664,716</b>	<b>1,664,716</b>	
<b>Tier 3</b>							
14	Planning		50% GIS Specialist	147,087	73,544	73,544	Assistant Planner/Geographic Information Systems Analyst. 2 year term
15	Public Works		Applications Programmer Analyst I	52,078	26,039	26,039	Streets & Utilities: Implement NexGen and Assetworks
16	Public Works		Transportation Manager	278,392	139,196	139,196	Restoring Transportation Division Manager classification after Reclass of previous Transportation Manager to Deputy Director
17	Councilmember Droste, Parks and Waterfront & Public Works Commission	x	Adopt-A-Spot Program	1,000,000	500,000	500,000	Volunteer coordinator and entry level position coordinator- Recommending partial funding for 1 position in Tier 1
<b>Subtotal Tier 3 Unfunded Requests</b>				<b>1,477,557</b>	<b>738,779</b>	<b>738,779</b>	
<b>Total Unfunded Personnel Requests</b>				<b>4,806,989</b>	<b>2,403,494</b>	<b>2,403,494</b>	
<b>Non-Personnel Operating Budget</b>							
<b>Tier 2</b>							
18	Public Works		Updating Engineering Standard Specifications	100,000	100,000		\$100k add'l split across other funds to update specifications
19	Councilmember Harrison	x	Fund Mayoral Budgetary Analyses	200,000	100,000	100,000	Certified public accountant to provide supplemental budgetary assistance
20	Councilmember Taplin	x	West Berkeley Transportation Plan	300,000	300,000	-	Consultant to conduct a study and draft a comprehensive plan for transportation in West Berkeley through 2050
<b>Subtotal Tier 2 Unfunded Requests</b>				<b>600,000</b>	<b>500,000</b>	<b>100,000</b>	
<b>Tier 3</b>							
21	City Manager's Office		Web producers to help transition launch	70,000	70,000	-	Website launch assistance/website contingency
22	Planning		Equitable Engagement for Climate Action	20,000	20,000	-	Facility rental, food, and facilitation services for Climate Action events
23	Planning		Racial Equity in Planning services and staffing	75,000	75,000	-	Workplan for services centered on racial equity; recruit/retain diverse staff
24	Landmarks Preservation Commission	x	City-wide Historic Context Statement	275,000	275,000	-	Berkeley's first City-wide Historic Context Statement.
<b>Subtotal Tier 3 Unfunded Requests</b>				<b>440,000</b>	<b>440,000</b>	<b>-</b>	
<b>Total Unfunded Operating Requests</b>				<b>1,040,000</b>	<b>940,000</b>	<b>100,000</b>	
<b>Capital</b>							
<b>Tier 2</b>							
25	Parks, Recreation & Waterfront		J&K Parking Lot	1,150,000	1,150,000		To complete J&K parking lot, which needs full reconstruction. Will support revenue generation for berthers, charters and restaurants
26	Public Works		Fire Truck Lease Payment	1,300,000	1,300,000		FY 21 deferral of payment Equipment Replacement Fund for fire truck
27	Public Works		CIP Project Management & Planning Software	200,000	200,000	-	One time funding, 5 Year cost of \$1.2M; cost share PW/PRWT1 or bond
28	Public Works		Parking Meters Replacement	7,000,000	3,000,000	4,000,000	Replacement of outdated meters, assist in generating new revenue
29	Public Works		Equipment Replacement Funding	4,000,000	2,000,000	2,000,000	\$18M needed to fund at appropriate level. Ongoing request for 10 years
30	Councilmembers Taplin, Droste, and Wengraf	x	Automated license plate readers (ALPR)				ALPRs- amount to be determined based on number of vehicles
31	Councilmember Taplin	x	Pedestrian Crossing Improvements at Ashby and Acton	100,000	100,000	-	Rectangular Rapid Flashing Beacons at Ashby Avenue and Acton Street; an estimated \$50,000 and an estimated \$50,000 for 10 years of maintenance
32	Councilmember Taplin	x	Russell Street Improvements	360,000	360,000	-	Bicycle and pedestrian improvements along Russell Street
33	Councilmember Harrison	x	Transportation Network Company User Tax to Support Priority Mobility Infrastructure,	1,800,000	1,800,000	-	Transportation Network Company User Tax General Fund revenue for the construction and maintenance of Tier 1 protected bicycle lanes and crossings, Priority pedestrian street crossings and quick-build public transit projects under the Street Repair Program.
34	Councilmember Taplin	x	West Berkeley Residential Preferential Parking Program	2,092,018	1,046,009	1,046,009	Staffing (6 Officers and 1 Supervisor) 6 new parking enforcement vehicles with automated license plate recognition systems and signage installation
<b>Subtotal Tier 2 Unfunded Requests</b>				<b>18,002,018</b>	<b>10,956,009</b>	<b>7,046,009</b>	
<b>Tier 3</b>							

**Page 44 of 65**  
**Fiscal Years 2023 and 2024 Adopted Budget**  
**Funding Requests Tiers 2 & 3**

Item #	Requestor and Funding Category	Budget Referral	Expenditure Type/Description	Requesting Amount	FY 23 Request	FY 24 Request	Reason for Request
35	Parks, Recreation & Waterfront		Bike Park on University Ave.	600,000	600,000		Install a bike park adjacent to University Ave at the Waterfront; establishes the City's only bike park and creates a destination to attract more people to the Waterfront. \$100,000 currently available for design; conceptual process finished by FY22. Request for design development and construction.
<b>Subtotal Tier 3 Unfunded Requests</b>				600,000	600,000	-	
<b>Total Unfunded Capital Requests</b>				18,602,018	11,556,009	7,046,009	
<b>Grand Total</b>				26,033,657	15,691,828	10,341,828	
<b>Remaining Unfunded Requests</b>				22,667,837			

**City of Berkeley  
FY 2024 NEW General Fund Resources Funding Request**

Department	Expenditure Type	Requesting Amount	Type of Request	Reason for Request
<b>PERSONNEL</b>				
City Attorney	Deputy City Attorney IV (7 FTEs)	\$ 377,359	On-Going	Reallocation of 7 DCA III to DCA IV position
CMO - Neighborhood Svcs.	Community Services Specialist I	\$ 167,595	On-Going	Homeless Response Team Unit
CMO - Neighborhood Svcs.	Community Services Specialist III	\$ 235,458	On-Going	Homeless Response Team Unit
HHCS	Senior Community Development Project Coordinator	\$ 215,121	On-Going	HCS staffing study recommendation
HHCS	Program Manager II	\$ 238,121	On-Going	HCS staffing study recommendation
Human Resources	Assistant HR Analyst	\$ 180,952	On-Going	Position request through Employer of Choice Initiative to support Workers' Compensation
Human Resources	HR Technician	\$ 170,652	On-Going	Position request through Employer of Choice Initiative to support Training / Workforce Development
Human Resources	HR Technician	\$ 170,652	On-Going	Position request through Employer of Choice Initiative to support Transactions
ODPA	Police Accountability Investigator	\$ 220,916	On-Going	To reach parity with the IAB and have 2 dedicated full-time investigators for the highly complex misconduct investigations.
ODPA	Communications Specialist	\$ 211,456	On-Going	To assist the DPA in the outreach to the community as referenced in section (14)(m) of the charter
PRW	Associate Civil Engineer	\$ 266,968	On-Going	To cover project management costs of CIP Funded projects
PRW	DEI Internships	\$ 101,000	On-Going	To cover costs of 6 DEI / Connectedness internships
Planning	Green Building Program Manager	\$ 128,671	On-Going	Convert position from temporary to permanent. Full Cost of the position - \$257,342; General Fund portion is \$128,671
Public Works	Parking Enforcement Personnel -Parking Meter Fund	\$ 2,800,000	On-Going	Shifting PEO direct personnel costs from on-street parking fund to General Fund
Public Works	OS II - (100% GF)	\$ 123,137	On-Going	Transportation: Parking Citation Review. Support to citation review program, continuing backlog with current staffing levels
Public Works	Applications Programmer Analyst I (GF - 15%)	\$ 29,459	On-Going	Streets & Utilities: To support implementation of NexGen, Assetworks, Zonar and Mobile Device Management.
Public Works	Transportation Manager (GF - 12.5%, 501 - 12.5%)	\$ 79,593	On-Going	Transportation - Restoring Transportation Division Manager classification after Reclass of previous Transportation Manager to Dept Deputy Director over Transportation and Engineering. Funded for 1/2 year in FY 23 with Department only funds. Request for GF/CIP reduced from 50 to 25%
<b>Sub-Total Personnel</b>		<b>\$ 5,717,110</b>		
<b>NON-PERSONNEL</b>				
CMO - Communications	Replacement for Citywide Email system	\$ 100,000	One-Time	IT and Communications have developed requirements to match capabilities of current system with refinements to upgrade system
CMO - Neighborhood Svcs.	Traffic barricades rental	\$ 75,000	On-Going	for large street closures on special events
Fire	Motorola Radio Lease	\$ 177,796	On-Going	Required funding per Council resolution
Fire	Personnel Protective Equipment	\$ 88,310	On-Going	Operational necessity
Fire	Gurneys	\$ 34,286	On-Going	Operational necessity
Fire	Fire Department Training Academy	\$ 353,658	On-Going	Operational necessity
Fire	Recruitment & Retention- Priority 1	\$ 45,000	One-Time	First-in Fire Camp (Women's Focused 2-Day Fire Camp)
Fire	Recruitment & Retention- Priority 2	\$ 48,600	One-Time	Counseling Services Retainer
Fire	Recruitment & Retention- Priority 3	\$ 30,000	One-Time	Paid Tuition for Five Members to Attend Post Trauma Retreat
Fire	Recruitment & Retention- Priority 4	\$ 70,000	One-Time	Budget for Recruitment Marketing
Fire	Recruitment & Retention- Priority 5	\$ 200,000	One-Time	Retention & Referral Program (Paramedic)- based on 10
Fire	Recruitment & Retention- Priority 6	\$ 200,000	One-Time	Retention & Referral Program (Firefighter)- based on 10
HHCS	Supplies, Equipment, Cubicles, etc.	\$ 10,000	On-Going	Costs associated with adding new staff
Human Resources	LEARN Module for Training	\$ 50,000	One-Time	Training Citywide
Human Resources	Consulting Fee - data analysis	\$ 50,000	On-Going	Threat Assessment and Workplace Violence Prevention
Human Resources	Consulting Fee - data analysis	\$ 100,000	One-Time	Class & Comp, Recruitment Project Management, Data Analysis
Information Technology	Berkeley Community Media	\$ 54,000	On-Going	BCM's operations funding has remained static since 2005. Increase requested due to increase in operational expenditures.
Information Technology	City-wide Facilities Wi-Fi	\$ 350,000	One-Time	Improve connectivity for all City facilities, including outdoor areas, such as, Marina and other offsite facilities
Information Technology	MS Teams and SharePoint	\$ 100,000	One-Time	Enterprise solution for collaboration on broader scale to increase productivity and efficiencies.
OED	Civic Arts Grants	\$ 41,685	On-Going	Increases Civic Arts Grants Budget to annual amount of \$200,000

City of Berkeley				
FY 2024 NEW General Fund Resources Funding Request				
Department	Expenditure Type	Requesting Amount	Type of Request	Reason for Request
PRW	Camp Scholarships / DEI Programs	\$ 154,450	On-Going	FY 24 budget at \$75,000. Request for additional funding to cover the cost of camp scholarships, per new policy, and DEI programs
PRW	Utilities: PG&E/EBMUD	\$ 150,000	On-Going	To cover higher-than-expected PG&E rate increases; afterschool rec programs and sports field esp. hard hit by PG&E peak pricing
PRW	Marina Fund	\$ 1,500,000	On-Going	To cover gap in FY24 operations costs; fund balance is depleted
PRW	Training, conferences, certifications	\$ 128,115	On-Going	Training for PRW staff
PRW	Online registration software	\$ 28,000	On-Going	To cover costs of new server and doc mgmt. system, required to meet increased online recreation registration needs
Planning	Historic Context Statement OR Historic Resource Evaluation	\$ 275,000	One-Time	Provide funding for a citywide Historic Context Statement (HCS) per Landmarks Preservation Commission budget request in 2022
Police	Police Training Academy	\$ 480,000	On-Going	Estimated Academy cost, Body Armor and equipment, Hotel, Per Diem, various training supplies, etc. per recruit (12 recruits)
Police	Police Recruitment and Retention Pilot Program	\$ 307,000	On-Going	Costs for retention and referral pilot programs
Public Works	Maintenance for (3) new public restrooms	\$ 48,000	On-Going	FY24 for all three bathrooms is \$48,000 for Jan – June 2024 for two new restrooms + Channing Restroom
Public Works	Sewer Low Income Discount/Subsidy	\$ 55,000	One-Time	FY24 EBMUD Berkeley participation CIP low income cap program
Public Works	Parking enforcement non-personnel- Parking Meter Fund	\$ 700,000	On-Going	Shifting PEO non-personnel costs from on-street parking fund to General Fund
Public Works	Zero Waste Low Income Discount/Subsidy	\$ 100,000	On-Going	Proposed ZW rate discount for low income customers
Public Works	ISF Request	\$ 1,603,000	On-Going	Projected General Fund impact of all four ISF funds updated for FY 24 at full levels. Future costs to be determined
<b>Sub-Total Non-Personnel</b>		<b>\$ 7,706,900</b>		
<b>CAPITAL</b>				
Police	Jail Bus Replacement	\$ 220,000	One-Time	Shortfall to support the anticipated replacement cost. Researching cost for an electric or hybrid option as well.
<b>Sub-Total Capital</b>		<b>\$ 220,000</b>		
<b>TOTAL DEPARTMENT FUNDING REQUEST</b>		<b>\$ 13,644,010</b>		

**Page 47 of 65**  
**Summary of Council Referrals to the Budget Process**  
**For the Period July 1, 2022 to June 30, 2023**

Item#	Title	Council Date	2023	2024	Funding Details	Funding Allocation	Referred By
1	<a href="#">Restoring and Improving Access to City of Berkeley Website and Archival Materials</a>	9/20/2022	\$ 50,000		Refer to the November 2022 Budget Update up to \$50,000 for staff support for Council/Mayor offices to locate documents previously accessed via now-expired links, and request that the City Manager consult Councilmembers and the Mayor to offer the scope of assistance available and identify potential needs.	funded through CMO Salary Savings	Hahn, Taplin, and Bartlett
2	<a href="#">Additional Traffic Calming at MLK and Addison</a>	10/11/2022	\$ 50,000		Referral to the November 2022 AAO1 Budget Process for \$50,000 in additional traffic calming at MLK and Addison.	AAO1 (Mayor's recommendation)	Harrison
3	<a href="#">Reconsideration of Hopkins Corridor Plan in Light of Newly Available Material Information</a>	10/11/2022		\$ 400,000	Refer \$400,000 to the FY 2024 budget process to fund a comprehensive, independent study of the McGee to Gilman portion of Hopkins Street, as specified below under Alternatives to be Considered and Independent Study Specifications.		Hahn and Wengraf
4	<a href="#">No Right on Red Signs</a>	11/3/2022	\$ 135,000		Implementation of "No Right on Red" signs to all intersections with traffic lights. Refer the necessary appropriations of \$135,000 to the 2022 November Annual Appropriations Ordinance.		Taplin and Wengraf
5	<a href="#">Down Payment Assistance (DPA) and Closing Cost Assistance Revolving Loan Fund Pilot</a>	11/3/2022	\$ 500,000		Refer to the budget process \$500,000 for a local Down Payment Assistance (DPA) and Closing Cost Assistance Revolving Loan Fund Pilot Program, providing third-lien shared appreciation loans (SALs) to cover down payments and closing costs for qualifying applicants in a racial equity and reparative justice framework consistent with regulations for local, state, federal, and nonprofit DPA programs including, but not limited to: California Dream For All (CalHFA), AC Boost (Alameda County), Community Seconds (Fannie Mae), and Black Wealth Builders Fund.		Taplin, Harrison, and Hahn
6	<a href="#">Commitment to La Peña Cultural Center</a>	11/3/2022	\$ 150,000		Refer to the AAO#1 Budget Process \$150,000 to support the recovery and renovations of La Peña Cultural Center, a cultural hub and historic community building space within the city of Berkeley.	AAO1 (Mayor's recommendation)	Bartlett, Mayor Arreguin, and Hahn
7	<a href="#">Commitment to the Completion of Affordable Housing at 1638 Stuart Street</a>	11/3/2022	\$ 50,000		Refer to the AAO#1 Budget Process \$50,000 to support the Completion of Affordable Housing at 1638 Stuart Street so it can complete exterior renovations and continue to provide eight units of permanently affordable housing for households earning less than 80% of area median income.	AAO1 <b>Measure U1</b> per Mayor's recommendation)	Bartlett, Mayor Arreguin, Harrison, and Hahn

**Page 48 of 65**  
**Summary of Council Referrals to the Budget Process**  
**For the Period July 1, 2022 to June 30, 2023**

Item#	Title	Council Date	2023	2024	Funding Details	Funding Allocation	Referred By
8	<a href="#">Harriet Tubman Terrace Tenant Support</a>	11/3/2022	\$ 100,000		Budget referral of up to \$100,000 to fund a tenant advocate position for Harriet Tubman Terrace	AAO1	Housing Advisory Commission
9	<a href="#">Adopt an Ordinance Adding a Chapter 11.62 to the Berkeley Municipal Code to Regulate the Use of Carryout and Produce Bags and Promote the Use of Reusable Bags</a>	11/15/2022	\$ 350,000		Refer to the Fiscal Year 2023 AAO #1 Budget Process up to \$350,000 per year for staffing for this ordinance and other plastic reduction ordinances.		Harrison and Hahn
10	<a href="#">Establishing an Electric Bike Rebate Program and Expanding Low-Income E-Bike Ownership through the Climate Equity Action Fund</a>	11/15/2022	\$ 500,000		Refer \$500,000 to the FY 2023 AAO #1 process as follows: <ul style="list-style-type: none"> <li>•\$400,000 for the point of sale rebate program</li> <li>•\$100,000 in supplementary funding towards the Climate Equity Action Fund (CEAF) to further facilitate e-bike ownership among low-income Berkeley residents.</li> </ul>		Robinson, Harrison, Taplin, and Hahn
11	<a href="#">Closing the Southside Complete Streets Funding Gap</a>	11/15/2022	\$ 1,000,000		Refer \$1,000,000 to the FY 2023 AAO #1 process to contribute to closing the funding gap for the Southside Complete Streets project to ensure that construction on Bancroft, Dana, & Fulton can proceed on schedule and to prevent the loss of \$7.3M in federal funding.	AAO1 (Mayor's recommendation)	Robinson, Mayor Arreguin, and Hahn
12	<a href="#">Berkeley Junior Jackets Field Use Expenses</a>	11/15/2022	\$ 6,000		To provide Berkeley Junior Jackets' the necessary funds to cover expenses associated with the use of Berkeley Unified School District facilities in the operation of their youth sports program.	AAO1 (Mayor's recommendation)	Taplin
13	<a href="#">Fair Workweek Ordinance; Adding Berkeley Municipal Code Chapter 13.102</a>	11/21/2022	\$ 280,000	\$ 390,000	<b>FY23:</b> <u>\$50,000</u> for outreach and technical assistance; <u>\$230,000</u> for a Community Development Project Coordinator in HHCS to assist with enforcement of Citywide labor laws and regulations and the Fair Work Week legislation. <b>FY24:</b> <u>\$240,000</u> for citywide predictability pay (up to \$218,000 for PRW and up to \$22,000 for other departments); <u>\$150,000</u> for a PRW Accounting Office Specialist III to implement scheduling systems.	AAO1 (Mayor's recommendation)	Harrison
14	<a href="#">Strawberry Creek Lodge Food Program</a>	11/29/2022	\$ 50,000		Budget referral for Strawberry Creek Lodge Food Program.	AAO1 (Mayor's recommendation)	Mayor Arreguin and Taplin
15	<a href="#">Office of Racial Equity: Re-Entry Employment and Guaranteed Income Programs</a>	12/6/2022		\$ 50,000	Refer \$50,000 to the Budget Process to engage a consultant to recommend a Universal Income Pilot for Berkeley.		Taplin, Harrison, Hahn, and Robinson

**Page 49 of 65**  
**Summary of Council Referrals to the Budget Process**  
**For the Period July 1, 2022 to June 30, 2023**

Item#	Title	Council Date	2023	2024	Funding Details	Funding Allocation	Referred By
16	<a href="#">Parking/Towing Fines &amp; Fees Reform</a>	1/31/2023		\$ 383,512	Ongoing annual funding to the FY 2024 Mid-Biennial Budget Update for 2 Associate Management Analyst FTEs to administer and expand the indigent payment plan program.		Robinson, Harrison, Bartlett, and Hahn
17	<a href="#">Southside Impact Fee Nexus Study</a>	2/14/2023		\$ 250,000	Consultant to be engaged over a two-year process, starting in 2024, to assist with the vision, capital list, nexus study, fee schedule, and other requirements.		Robinson, Bartlett, Harrison, and Humbert
18	<a href="#">Vision 2050 Complete Streets Parcel Tax Community Engagement and Program Plan</a>	3/14/2023		\$ 400,000	\$400,000 in General Fund impacts with an estimated \$100,000 in cost to conduct community outreach, and an additional \$300,000 to develop a final 2050 Program Plan.		Taplin
19	<a href="#">Post COVID-19 Rental Assistance/Anti-Displacement</a>	3/21/2023		\$ 2,000,000	Augment the Housing Retention Program, (administered by the Eviction Defense Center, EDC) as part of the City's anti-displacement programs (launched in 2017), for the purpose of providing rental assistance to tenants due to the COVID-19 eviction moratorium expiration and rent debt due to inflation and rental increases. (Measure P - proposed funding source)		Mayor Arreguin
20	<a href="#">Grant Program for Retaining and Improving Creative Spaces</a>	3/21/2023		\$ 300,000	Annual allocation of \$300,000 for funding the Civic Arts program to administer an annual Capital Projects Grant Program for Berkeley-based nonprofit arts and cultural organizations in order to retain and sustain the vitality of Berkeley's arts sector through real estate and capital project support.		Civic Arts Commission
21	<a href="#">Pedestrian Safety Upgrades for Arlington Avenue</a>	3/21/2023		\$ 35,000	Allocation of \$35,000 for traffic control measures on Arlington Avenue from The Circle to Mendocino Avenue, to enhance pedestrian safety at hidden crosswalks and where paths cross mid-block, and refresh painted markings that narrow lanes and encourage reduced speeds.		Hahn and Taplin
22	<a href="#">Speed Feedback Signs for Arlington Avenue</a>	3/21/2023		\$ 40,000	Allocation of \$40,000 for two Speed Feedback Signs on Arlington Avenue between The Circle and Mendocino Avenue, to encourage slower speeds on a stretch with numerous hidden and mid-block crosswalks.		Hahn and Taplin
23	<a href="#">Funds to Study Berkeley's Affordable and Social Housing Needs and Programmatic and Funding Opportunities</a>	4/11/2023		\$ 250,000	Study and report to include a plan to meet Berkeley's Affordable and Social Housing needs and requirements and recommendations for additional funds, programs, and other measures to meet needs over the next decade.		Hahn, Bartlett, and Taplin

**Page 50 of 65**  
**Summary of Council Referrals to the Budget Process**  
**For the Period July 1, 2022 to June 30, 2023**

Item#	Title	Council Date	2023	2024	Funding Details	Funding Allocation	Referred By
24	<a href="#">Fully Fund the City's 50-50 Sidewalk Repair Program</a>	4/11/2023		\$ 2,200,000	Fully funding clearance of the existing backlog in Berkeley's 50-50 Sidewalk Repair Program. <u>Refer an additional \$1 million per year (above the existing \$1 million baseline funding for sidewalk repair) to future budget processes</u> to ensure all of Berkeley's sidewalks are kept in a state of good repair.		Humbert and Robinson
25	<a href="#">Harold Way Placemaking Project Schematic Design</a>	4/11/2023		\$ 100,000	Fund Harold Way Placemaking Project Schematic Design.		Harrison
26	<a href="#">Staffing Costs Associated with Acquisition of and Prevention of Displacement from Multi-Family Housing</a>	4/11/2023		\$ 579,000	Refer \$579,000 to the June 2023 Budget Process for annual City staffing costs and for allied non-profits to implement and administer programs associated with acquisition and prevention of displacement from multi-family housing including the Small Sites Program, and implementation of other programs to allow purchases by the city, non-profits and or residents to maintain affordability		Harrison
27	<a href="#">Yield Signs at Two Unmarked Intersections</a>	4/11/2023		\$ 30,000	Install "YIELD" signs at two unmarked intersections at Shasta and Queens and Quail and Queens.		Wengraf
28	<a href="#">Handrails, Lights and Signage for City Pedestrian Path Network</a>	4/11/2023		\$ 150,000	Installation of lighting, handrails and signage on paths deemed most critical for safe evacuation throughout Berkeley.		Wengraf, Hahn, Humbert, and Taplin
29	<a href="#">Design a Comprehensive Berkeley Police Early Intervention and Risk Management System</a>	4/11/2023		\$ 100,000	Contract to design and assist with implementing a comprehensive Berkeley Police Department Early Intervention and Risk Management System to provide necessary data and help in implementing fair and impartial policing policies and public safety		Harrison and Bartlett
30	<a href="#">Increase Capacity for Berkeley Community Media</a>	4/11/2023		\$ 54,000	reimagining Increase personnel funding for Berkeley Community Media advancing two current part time employees to full time.		Harrison and Bartlett
31	<a href="#">Sole source procurement contract for Two Full-Time Social Workers for Social Justice Collaborative</a>	4/11/2023		\$ 147,000	Sole source procurement contract for annual staffing costs associated with funding two social workers to provide low-income immigrants, asylum seekers, unaccompanied children, young dreamers, and displaced families with direct legal services and legal representation.		Harrison
32	<a href="#">Two health educator positions to the COB FY 2024 budget process</a>	4/11/2023		\$ 150,000	Request for estimated \$150,000 annually, beginning in FY 2024 or as early as the AAO #2 process in spring 2023, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities, as proposed by the Peace and Justice Commission		George Lippman, Chairperson, Peace and Justice Commission



**Page 51 of 65**  
**Summary of Council Referrals to the Budget Process**  
**For the Period July 1, 2022 to June 30, 2023**

Item#	Title	Council Date	2023	2024	Funding Details	Funding Allocation	Referred By
33	<a href="#">Staffing Costs Associated with Administering the Empty Homes Tax</a>	4/25/2023	\$	372,000	Refer \$372,000 to the June 2023 Budget Process for annual City staffing costs to administer the Empty Homes Tax: Accounting Office Specialist III (Finance) 0.25 FTE - \$38,750 Associate Planner (Rent Stabilization Board) 1 FTE - \$185,670 Office Specialist II (Rent Stabilization Board) 1 FTE - \$115,000 Mailing Costs for Outreach and Noticing (Rent Stabilization Board) \$10,000 7.4% Overhead Costs for Counselors, General Counsel, and Office of Executive Director (Rent Stabilization Board) \$22,750		Harrison
34	<a href="#">Berkeley Waterfront Bike Park</a>	4/25/2023	\$	800,000	Design and implement the construction of a Berkeley Waterfront Bike Park		Taplin
35	<a href="#">Dreamland for Kids Playground Design</a>	4/25/2023	\$	300,000	Conceptual design of the reconstruction of the Dreamland for Kids Playground at Aquatic Park		Taplin
36	<a href="#">Berkeley Marina J&amp;K Parking Lot</a>	4/25/2023	\$	1,500,000	Design and implementation of the Marina's J&K Parking Lot reconstruction.		Taplin
37	<a href="#">Shorebird Park Playground Design</a>	4/25/2023	\$	200,000	Conceptual design of the reconstruction of the Shorebird Park Playground.		Taplin
38	<a href="#">Traffic Safety Upgrades for the MLK and Haste Intersection</a>	4/25/2023	\$	100,000	Referral to the June 2023 Budget Process for \$100,000 in traffic safety improvements at MLK and Haste.		Harrison
<b>Request Total</b>			<b>\$ 3,221,000</b>	<b>\$ 11,280,512</b>			
<b>Funded Council Referrals</b>			<b>\$ 1,836,000</b>	<b>\$ -</b>			
<b>TOTAL UNFUNDED COUNCIL REFERRAL</b>			<b>\$ 1,385,000</b>	<b>\$ 11,280,512</b>			

# FY 2024 Mid-Biennial Update (FY 2024 Proposed Budget)

Budget and Finance Policy Committee  
27 April 2023

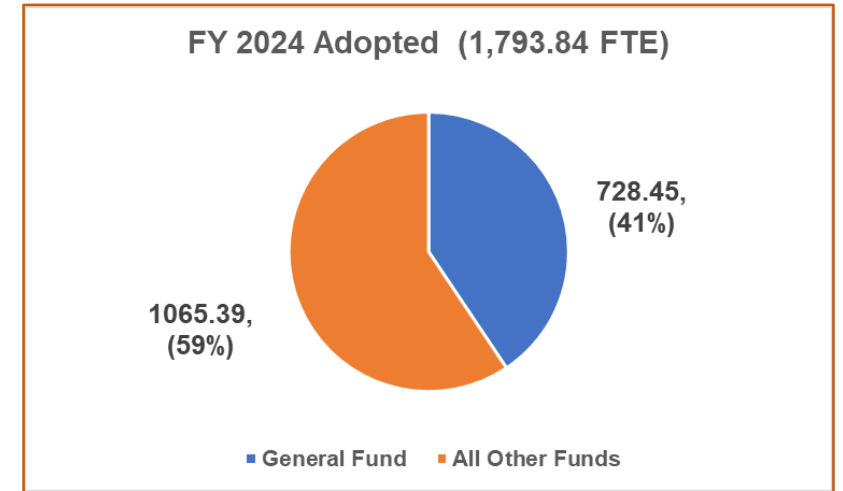
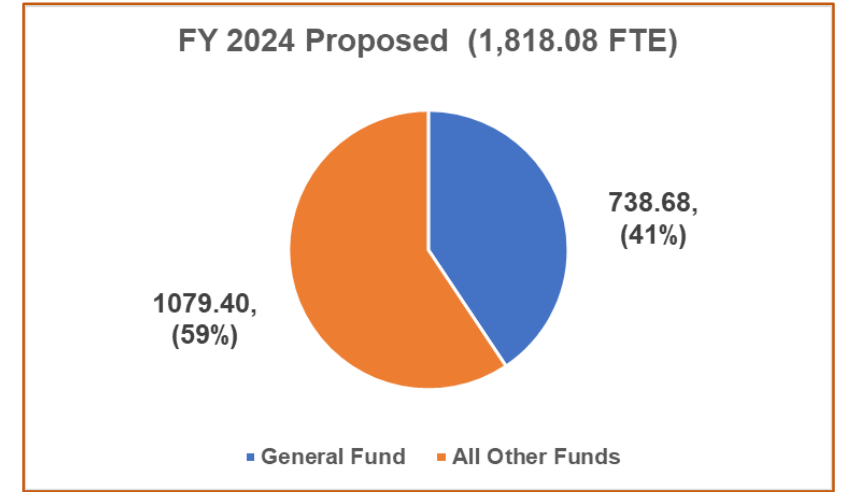
- **Citywide All Funds Update**
  - Summary of FY 2024 Adopted & Proposed
  - Summary of FY 2024 Expenditures by Department
  
- **General Fund Update**
  - General Fund Revenues
  - General Fund Expenditures by Department
  - Existing and New Funding Requests
  
- **Recommendations and Next Steps**
  
- **Discussion**

# FY 2024 ALL FUNDS SUMMARY

	FY 24 Adopted	FY 24 Proposed
Revenues Total	\$603,820,083	\$615,840,590
Use of Fund Balance	122,152,907	102,301,908
Expenditures Total	725,972,990	718,142,498

# FY 2024 SUMMARY STAFFING BY DEPARTMENT

DEPARTMENT	FY 2024		FY 2024 Proposed	
	Adopted	Total	General Fund	All Other Funds
City Attorney	17.00	17.00	15.5	1.50
City Auditor	14.75	14.75	14.25	0.50
City Clerk	10.00	10.00	9.47	0.53
City Manager	45.50	46.50	45.50	1.00
Economic Development	8.00	8.00	7.12	0.88
Finance	56.00	56.00	45.75	10.25
Fire Department	203.00	203.00	129.11	73.89
Health, Housing & Community Services	265.58	274.68	79.37	195.31
Human Resources	22.00	25.00	16.70	8.30
Information Technology	52.00	51.00	0.00	51.00
Library	115.60	119.35	0.00	119.35
Mayor and Council	19.00	19.00	19.00	0.00
Office of the Director of Police Accountability	5.00	5.00	5.00	0.00
Parks, Recreation & Waterfront	165.62	166.62	28.74	137.88
Planning & Development	118.04	119.04	15.99	103.05
Police Department	313.20	313.20	282.00	288.02
Public Works	340.00	344.94	25.18	62.94
Rent Board	23.55	25.00	0.00	25.00
<b>Full Time Equivalent Employee (FTE) Total</b>	<b>1793.84</b>	<b>1818.08</b>	<b>738.68</b>	<b>1079.40</b>



# FY 2024 ALL FUNDS EXPENDITURES

Department/Agency	FY 2024 Adopted	FY 2024 Proposed
Library	\$25,182,279	25,024,425
Rent Board	7,406,431	7,450,280
Mayor and Council	4,835,380	4,772,190
City Auditor	3,124,862	3,231,099
Office of Director of Police Accountability	1,374,911	1,142,593
City Attorney	8,553,021	8,106,984
City Manager	11,763,275	9,833,653
Office of Economic Development	6,380,895	6,526,434
City Clerk	3,190,547	3,159,486
Finance	11,669,774	10,607,143
Human Resources	5,124,741	5,442,688
Information Technology	22,500,474	22,237,720

# FY 2024 ALL FUNDS EXPENDITURES

Department/Agency	FY 2024 Adopted	FY 2024 Proposed
Fire	\$63,450,868	61,509,205
Health, Housing & Community Services	93,913,527	99,294,430
Non-Departmental	96,618,910	88,003,369
Parks, Recreation & Waterfront	53,954,977	51,977,645
Planning	27,993,361	31,267,162
Police	88,658,439	88,181,161
Public Works	190,276,318	190,374,829
<b>Total</b>	<b>725,972,990</b>	<b>718,142,498</b>

## FY 20-21 Budget

- Projected \$40M General Fund deficit
  - Hiring freeze/maintaining vacant positions
  - Delay capital
  - One-time use of \$11M in reserves

## FY 22 Budget

- Projected General Fund deficit of \$27M
  - One-time use of \$23M in ARPA funds
  - \$4M in expenditure reductions

## FY 23-24 Budget

- Projected General Fund deficit of \$22M in FY23 and \$12M in FY24
  - Salary savings target to 8.5% for most departments
  - One-time use of fund balance from projected FY 22 Excess Property Transfer Tax
  - Use of fund balance for Measure P and U1 related expenditures



# FY 2024 GENERAL FUND SUMMARY

BASELINE GENERAL FUND	FY 24 Adopted	FY 24 Proposed
Revenues Total	\$242,752,565	\$248,225,496
FY 22 Excess Property Transfer Tax/Fund Balance	9,860,280	0
Expenditures Total	252,612,845	247,825,076

MEASURE P	FY 24 Adopted	FY 24 Proposed
Revenues Total	\$14,073,750	\$14,073,750
Fund Balance	2,361,767	11,211,678*
Expenditures Total	17,085,243	24,563,015*

MEASURE U1	FY 24 Adopted	FY 24 Proposed
Revenues Total	\$4,900,000	\$4,900,000
Fund Balance	1,016,963	952,006
Expenditures Total	5,916,963	5,852,006

# FY 2024 GENERAL FUND REVENUES

	Adopted FY 2024	Proposed FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027
Secured Property	\$78,691,517	\$81,859,450	\$84,724,531	\$86,689,889	\$90,759,035
Unsecured Property	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000
Supplemental Taxes	2,000,000	2,300,000	2,300,000	2,300,000	2,300,000
Property Transfer Tax	18,000,000	18,000,000	16,000,000	16,000,000	16,000,000
Property Transfer Tax for Capital Improvements	16,462,172	10,962,172	13,541,415	13,541,415	14,132,244
<i>Property Transfer Tax - Measure P</i>	<i>14,073,750</i>	<i>14,073,750</i>	<i>14,073,750</i>	<i>14,073,750</i>	<i>14,073,750</i>
Sales Tax	19,790,997	19,391,714	20,231,914	21,146,495	22,043,410
Soda Tax	990,210	1,025,800	1,025,800	1,025,800	1,025,800
Business License	19,000,000	19,000,000	19,380,000	19,767,600	19,767,600
Business License - Cannabis Recreation	1,400,000	1,400,000	1,428,000	1,456,560	1,456,560
<i>Measure U1</i>	<i>4,900,000</i>	<i>4,900,000</i>	<i>4,998,000</i>	<i>5,097,960</i>	<i>5,097,960</i>
Utility Users Tax	13,800,000	15,000,000	15,000,000	15,000,000	15,000,000
Hotel Tax	4,900,000	7,725,000	7,956,750	8,195,453	8,441,316
Vehicle In-Lieu	16,563,215	17,208,584	17,810,884	18,434,265	19,079,464
Parking Fines	4,326,450	4,800,000	4,800,000	4,800,000	4,800,000
Moving Violations	132,600	132,600	135,252	137,957	137,957
Interest	6,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Ambulance Fees	3,880,779	5,350,779	3,880,779	3,880,779	3,880,779
Franchise Fees	1,613,283	1,720,056	1,720,056	1,720,056	1,720,056
Other Revenue	10,661,418	18,251,417	18,251,418	19,251,418	17,738,518
Transfers	21,023,924	13,581,924	4,472,621	4,562,074	4,562,074
<b>TOTAL</b>	<b>\$261,726,315</b>	<b>\$267,199,246</b>	<b>\$262,247,170</b>	<b>\$267,597,471</b>	<b>\$272,532,523</b>

# FY 2024 GENERAL FUND EXPENDITURES

Department	FY 2024 Adopted	FY 2024 Proposed
Mayor and Council	4,835,380	4,772,190
City Auditor	3,124,862	3,136,323
Office of Director of Police Accountability	1,374,911	1,142,593
City Attorney	4,741,679	4,304,039
City Manager	11,763,275	9,433,592
Office of Economic Development	3,343,968	3,4522,094
City Clerk	2,676,728	2,547,276
Finance	9,213,830	8,179,370
Human Resources	3,113,206	3,467,541
Information Technology	1,526,760	1,526,760

# FY 2024 GENERAL FUND EXPENDITURES

Department/Agency	FY 2024 Adopted	FY 2024 Proposed
Fire	\$42,304,032	39,546,063
Health, Housing & Community Services	27,412,701	31,679,102
Non-Departmental	55,945,792	53,112,659
Parks, Recreation & Waterfront	9,353,573	9,136,433
Planning	3,380,891	3,277,246
Police	83,845,693	83,606,570
Public Works	6,504,892	6,558,529
<b>Total</b>	<b>273,948,362</b>	<b>269,428,380</b>

# FY 2024 FUNDING REQUESTS

Category	Amount
Unfunded Tier 2 & 3 FY 23 & FY 24 Requests	\$22,667,837
New Department Requests	13,644,010
New Council Budget Referrals	12,665,512
<b>Total Requests</b>	<b>48,977,360</b>

- City General Liability & Property Insurance Premium Increases
- Operational Expenses for Public Safety
- Personnel/Labor Costs
- Measure T1 Funding Shortfall
- Additional funding for actuarial recommendation of Section 115 Trust  
(Goal of an additional \$3.5M over current \$2.0M in budget for \$5.5M)
- Additional funding for actuarial recommendation to fully-fund OPEB  
(Goal of an additional \$8.8M over current \$6.5M in budget for goal of \$15M)

## Next Steps

- Update FY 23 Projections for Revenues and Expenditures
- Review and update FY 24 Revenue Projections
- Review and discuss funding requests and budget referrals starting in May
- Council receive FY 24 Proposed Budget on May 9
- Committee and Council meetings in May and June
- FY 24 AAO Adoption June 27, 2023

## Recommendations

- Defer new funding requests until AAO#1 unless critical to fund on 7/1







Homeless Services  
Panel of Experts

ACTION CALENDAR  
April 11, 2023

To: Honorable Mayor and Members of the City Council  
 From: Homeless Services Panel of Experts  
 Submitted by: Carole Marasovic, Chair, Homeless Services Panel of Experts  
 Subject: Recommendation for RV Lot and Waste Management on Streets for RVs

RECOMMENDATION

The Homeless Services Panel of Experts recommends to Council that they refer to staff to expedite all efforts to identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson and that the new lot identified require mandatory safety inspections and fire extinguishers to be provided. The Homeless Services Panel of Experts further recommends that Council refer to staff to develop a waste management plan to be implemented for RVs currently on the streets.

FISCAL IMPACTS OF RECOMMENDATION

This two-part recommendation needs to be evaluated by City staff and the Council Budget and Finance Committee to assess the costs of implementation.

CURRENT SITUATION AND ITS EFFECTS

The SPARK RV lot at 742 Grayson closed at the same time that Horizon at 742 Grayson closed at the end of December, 2022. While arrangements were made for the residents of Horizon to move into the Berkeley Inn, no lot could be identified to hold the residents of the SPARK lot.

The SPARK lot was a successful endeavor with a capacity of 40 RVs. Safety inspections were not required which may have led to a fire of a vehicle.

RVs formerly in the lot have been left to roam the streets with health and safety risks to the dwellers who formerly resided there and with complaints from the larger community.

RV dwellers have the legal right to shelter in their vehicles. They require a lot to do so. Despite the land limitations, the City needs to amp up efforts to identify another lot to be overseen by a social services provider. Fire extinguishers must be provided and there should be safety inspections.

For health and sanitation purposes, remaining RVS on the street should have waste management services provided. Waste management services were provided at SPARK,

should be provided at the new RV lot and for the health and sanitation of the RV dwellers and the larger community should be provided to RV dwellers living on the streets given the limited capacity of the RV lot provided.

**BACKGROUND**

On February 1, 2023, the Homeless Services Panel of Experts recommended as follows:

**Action:** M/S/C Marasovic/Johnson recommends to Council that they refer to staff to expedite all efforts to identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson and that the new lot identified require mandatory safety inspections and fire extinguishers to be provided. The Homeless Services Panel of Experts further recommends that Council refer to staff to develop a waste management plan to be implemented for RVs currently on the streets.

**Vote:** Ayes: Johnson, Jones, Marasovic, Feller, Kealoha-Blake, and Meany.  
Noes: None. Abstain: None. Absent: Bookstein.

**ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS**

The benefits to the environment in terms of health and safety for the RV dwellers and the larger community, as to both recommendations, are indisputable.

**RATIONALE FOR RECOMMENDATION**

The need for the RV lot for the health and safety of the RV dwellers and larger community is stated above.

**ALTERNATIVE ACTIONS CONSIDERED**

Overnight lots, City or faith-based, could be explored but they are difficult to manage particularly by a single provider. In addition, they leave RV dwellers to wander the Berkeley streets during the day.

**CITY MANAGER**

See Companion Report.

**CONTACT PERSON**

Josh Jacobs, Homeless Services Coordinator, Neighborhood Services, (510) 981-5435



Office of the City Manager

ACTION CALENDAR

April 11, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Peter Radu, Assistant to the City Manager

Subject: Companion Report to Recommendation for RV Lot and Waste Management on Streets for RVs

RECOMMENDATION

Refer the Homeless Services Panel of Experts' recommendation to identify and expedite a new safe RV parking location/program and develop a waste management plan for RVs on the streets to the Budget and Finance Policy Committee for consideration alongside all other homeless services priorities in the budget process.

FISCAL IMPACTS OF RECOMMENDATION

As the Homeless Services Panel of Experts mention in their report, this recommendation needs to be evaluated by City staff and the Council Budget and Finance Committee to assess the costs of implementation. Costs will vary depending on locations, number of vehicles served, and breadth of social services offered to participants.

CURRENT SITUATION AND ITS EFFECTS

Staff do not disagree with the spirit of the Homeless Services Panel of Experts recommendation to quickly identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson, that the new lot identified require mandatory safety inspections and fire extinguishers, and to develop a management plan to be implemented for RVs currently on the streets. However, this plan would require funding that is not currently identified. Moreover, as staff presented to the Budget and Finance Policy Committee on February 9, 2023, Measure P (the most likely source for implementing this recommendation) is projecting serious structural deficiencies over the remaining 5 years of its lifespan, and staff have recommended new shelter programs (such as the proposed master lease of the Super 8 at 1619 University Ave, which has the opportunity to leverage State funding on a 1:1 match basis) be prioritized first.

For these reasons, and given the limited staff capacity to identify, design, lease up and contract multiple new programs at once, we recommend sending this request to the Budget and Finance Committee for consideration in the budget process.

BACKGROUND

On February 1, 2023, the Homeless Services Panel of Experts recommended as follows:

**Action:** M/S/C Marasovic/Johnson recommends to Council that they refer to staff to expedite all efforts to identify a location for another RV lot(s) to take the place of the now closed SPARK lot at 742 Grayson and that the new lot identified require mandatory safety inspections and fire extinguishers to be provided. The Homeless Services Panel of Experts further recommends that Council refer to staff to develop a waste management plan to be implemented for RVs currently on the streets.

**Vote:** Ayes: Johnson, Jones, Marasovic, Feller, Kealoha-Blake, and Meany.  
Noes: None. Abstain: None. Absent: Bookstein.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no environmental concerns with the recommendation to refer this item to the Budget and Finance Policy Committee. This recommendation is consistent with emergency preparedness needs for the unhoused community.

RATIONALE FOR RECOMMENDATION

The resources available to the unhoused community are extremely limited and spending funding on a recreational vehicle lot needs to be weighed against the other funding priorities for our homeless services.

ALTERNATIVE ACTIONS CONSIDERED

Alternative sites could also be identified to expand current shelter capacity which may alleviate the need for additional lot space.

CONTACT PERSON

Josh Jacobs, Homeless Services Coordinator, Neighborhood Services, (510) 225-8035



Peace and Justice Commission

ACTION CALENDAR  
APRIL 11, 2023

To: Honorable Mayor and Members of the City Council

From: Peace and Justice Commission

Submitted by: George Lippman, Chairperson, Peace and Justice Commission

Subject: Referral of two health educator positions to the COB FY 2024 budget process

RECOMMENDATION:

Refer to the budget process a request for estimated \$150,000 annually, beginning in FY 2024 or as early as the AAO #2 process in spring 2023, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities, as proposed by the Peace and Justice Commission.

FISCAL IMPACTS OF RECOMMENDATION

Estimated annual cost: \$150,000. This estimate was given by Dr. Lisa Warhuus, HHCS Director, for staffing, materials, and supplies to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities.

CURRENT SITUATION AND ITS EFFECTS:

According to HHCS Director Dr. Lisa Warhuus, “the overriding health challenge in Berkeley are health disparities....For many years, we have seen significant disparities between the health status of our white community members (generally well above national averages), and our BIPOC community members. Geographically, this shows up with generally excellent health outcomes for people living in the hills, with less ideal outcomes in zip codes in South and West Berkeley (although this is shifting somewhat with gentrification). In recent years, other high-risk populations would include people experiencing homelessness and, to some extent, the LGBTQ+ community (though we need more research on the latter as it can very dependent upon circumstances).

“One of the biggest challenges we have in addressing health disparities is in the communications and outreach (prevention) component of the work. We need to do more culturally responsive outreach to those most negatively impacted by disparities, **engage and listen to what people feel is most needed**, and work with them to fill that gap. In doing so over the years, our Public Health division has often found that what is most missing is trust in the system, information and education done in a culturally responsive way, and clear access points for medical insurance, coverage, and a medical home.

“For instance, in a health assessment conducted by the Public Health Division in 2018, the highest priority identified by Berkeley participants to achieve a healthy community was communities that had access to basic needs and services (i.e. healthcare, housing, healthy food, transportation, etc.), felt connected and was treated with openness, tolerance, and inclusion, and had resources and up to date information on services. “The greatest threats to optimal health that community members identified were high costs of living, food security, and stress/mental wellness with recurring barriers being lack of or limited information and resources available to community members.”

At its regular meeting January 9, 2023, the Peace and Justice Commission adopted the following recommendation proposing the hiring of two health educator positions for the next fiscal year.

M/S/C: Bohn, Jaquin.

Ayes: Lippman, Jacquelin, Bohn, Lee, Morizawa, Gussmann.

Noes: None.

Abstain: Maran.

Absent: Leon-Maldonado.

#### ENVIRONMENTAL SUSTAINABILITY

N/A

#### BACKGROUND

Peace and Justice commissioners, along with members of the Commission on the Status of Women and the Community Health Commission, recently met with HHCS Director Dr. Lisa Warhuus and Public Health Manager Janice Chin, at Council’s request, to discuss resources for and obstacles to reproductive health services and education. Dr. Warhuus clarified that “from the lens of HHCS, the work in Berkeley needs to be centered on health disparities in the larger context first,” and to “ensure that our Public Health Division continuously includes Reproductive and Sexual Health (RSH) work as a part of their broader health education, prevention, and outreach strategy.”

HHCS is bringing on a consultant who will organize and engage community members and other stakeholders to create a Community Health Assessment and a Community Health Improvement Plan, including a pilot program to create a health innovation zone to work toward remedying severe health inequities. Performance measures will be tracked through a new web-based population data health platform that will be rolled out as part of this process.

RATIONALE FOR RECOMMENDATION

HHCS would benefit from hiring staff and paying for materials and supplies out of general fund to be able to more broadly and flexibly conduct health education, prevention, and outreach to reduce health disparities.

The department is facing the lack of sufficient resources to do culturally responsive outreach, engagement, and prevention on an unconstrained basis. Engagement of these educators would assist with Reproductive and Sexual Health (RSH) outreach as part of the larger health outreach program.

ALTERNATIVE ACTIONS CONSIDERED

None

CITY MANAGER

See companion report.

CONTACT PERSON

George Lippman, Chairperson, Peace and Justice Commission  
Okeya Vance-Dozier, Commission Secretary, (510) 684-0503







Office of the City Manager

ACTION CALENDAR

April 11, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Peter Radu, Assistant to the City Manager

Subject: Companion Report: Referral of two health educator positions to the COB FY 2024 budget process

RECOMMENDATION:

Refer to the Peace and Justice Commission's request for \$150,000 annually for staffing, materials, and supplies for health education and outreach to the Budget and Finance Policy Committee for further deliberation.

FISCAL IMPACTS OF RECOMMENDATION

There are no fiscal impacts associated with this recommendation.

CURRENT SITUATION AND ITS EFFECTS:

The Peace and Justice Commission has requested \$150,000 annually to fund two health educator positions. The City Manager does not disagree with the potential merit of this request, but rather recommends that Council clearly identify concrete impacts and outcomes for the positions, as well as a budget source, before referring them for funding. Moreover, further deliberation allows Council to work with staff to identify any existing baseline services that could be supplemented, which may provide a more cost-efficient means of meeting outstanding needs than hiring new staff.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no environmental benefits nor challenges associated with this recommendation.

BACKGROUND

At its regular meeting January 9, 2023, the Peace and Justice Commission adopted the following recommendation proposing the hiring of two health educator positions for the next fiscal year.

M/S/C: Bohn, Jaquelin.

Ayes: Lippman, Jacquelin, Bohn, Lee, Morizawa, Gussmann.

Noes: None.

Abstain: Maran.

Absent: Leon-Maldonado.

RATIONALE FOR RECOMMENDATION

A clearer picture of desired impacts and outcomes associated with this request compared to baseline services, as well as financial implications, should be identified at the Committee level before recommending them to the full Council for funding.

ALTERNATIVE ACTIONS CONSIDERED

Council could refer this request directly to the budget process.

CONTACT PERSON

Peter Radu, Assistant to the City Manager, (510) 981-7045.



Office of the City Manager

Date: June 23, 2022  
To: Budget and Finance Policy Committee  
From: Dee Williams-Ridley, City Manager  
Submitted by: Henry Oyekanmi, Finance Director  
Subject: Investment Policies of Other Jurisdictions

The City's investment policy is a formal document which provides the guidelines for investments and operational structure in the management of public funds and is confirmed annually by the City Council.

One of the components of the City's investment policy is the section for responsible investing. This provides a list of identified restrictions that were ratified by the City Council. It is extremely important that the investment officer regards these as requirements when making decisions for investment purchase.

Each year the City's investment policy is updated to add all the responsible investing policies passed by city council throughout the year. Throughout the many years, the City has accumulated seven policy restrictions for responsible investing.

Most cities' have the three main statutory objectives in managing the investment programs which are safety, liquidity and return. However, due to the restrictions in City of Berkeley's investment, the investment program considers responsible investing as an additional objective. Compliance to these restrictions is highly regarded as a requirement for its investments. These results in limiting the type of investment offering the investment officer can purchase. Restrictions has a direct impact on diversification of funds and the rate of returns on investments.

On January 27, 2022 while discussing the Fourth Quarter Investment report, the Budget and Finance Committee asked that Finance conduct a comparison study in investment restriction for other cities in California. The Finance Department researched and reviewed the investment policies of the various cities to identify the investment restrictions for their investment program. Finance took the cities that it currently uses to benchmark the rate of returns on the City's quarterly investment report and identified the restrictions on their cities' investment policies.

Below is a summary of the findings from the research:

VARIOUS CALIFORNIA CITIES INVESTMENT RESTRICTIONS											
City	Rates Earned	DIVESTMENT FROM COMPANIES/MANUFACTURERS								INTEGRATE	
		Tobacco Products	Firearms	Fossil Fuels	Nuclear Power	Private Prison and Immigration Detention	Weapons	Oppressive States	Companies for Mexico Border Wall	Environment, social and governance principle	Investing Community Well Being
Palo Alto	1.58%	X	X	X							
Los Angeles	1.09%										
San Jose	1.08%										X
Sacramento	0.99%										
Torrance	0.98%										
San Diego	0.83%										
Berkeley	0.80%	X	X	X	X	X	X	X	X	X	
Santa Monica	0.54%	X	X	X	X						
San Francisco	0.48%	X	X		X						
Oakland	0.19%	X	X	X							

**Research Analysis:**

The study shows that there is a direct correlation between the number of restrictions to the rate of returns for various jurisdictions. The cities that have no restrictions or encouraged restrictions without it being mandated are the cities that have higher rate of return on their investment. Cities with restrictions are the ones who have lower rate of return. The City of Berkeley rate of returns still remains fairly high amidst the restrictions in the investment policy.

As a result of the differences in the investment policies of different cities, including responsible investing policies, maturity restrictions, investment restrictions, etc., it is difficult for any City to come up with a reasonable performance measure for pooled cash investments. In order to provide some measure of the relative performance of the City’s investment returns, past City Councilmembers requested that information about the rates earned by other California cities be included in the quarterly investment reports for comparison purposes, despite the differences in the investment policies of the various cities.



There is no material for this item.

**City Clerk Department**  
2180 Milvia Street  
Berkeley, CA 94704  
(510) 981-6900

**The City of Berkeley Budget and Finance Policy Committee Webpage:**

<https://berkeleyca.gov/your-government/city-council/council-committees/policy-committee-budget-finance>





Office of the City Manager

Date: April 25, 2023  
 To: Budget & Finance Policy Committee  
 From: Dee Williams-Ridley, City Manager  
 Submitted by: Sharon Friedrichsen, Budget Manager  
 Henry Oyekanmi, Finance Director  
 Subject: Risk Analysis for Long-Term Debt (Bonding Capacity) Report

### RECOMMENDATION

Receive a status update on recommendations and analysis related to the Risk Analysis for Long-Term Debt (Bonding Capacity) Report and provide direction to staff.

### BACKGROUND

On April 26, 2022, the City Council considered accepting a report titled 'Risk-Based Analysis and Stress Test of Long-Term Debt Affordability' as provided by the Government Finance Officers Association (GFOA). Upon receiving the report, City Council referred this item to the City Manager and Budget & Finance Policy Committee to return to Council with recommendations or analysis on as many of the following items as possible by October 2022, if feasible. The purpose of this action item is to receive an update on the status of these items.

1. Consideration of reserves policies for operational funds other than the General Fund

**Status:** The City Manager's Office is working with the GFOA on a risk-based probability model to assess the appropriate level of General Fund reserves. The outcome of this model will be used to help establish reserve policies for other citywide funds. An internal working group comprised of the City Manager's Office, Finance, Planning, PRW and Public Works has been formed to develop reserve policies for enterprise funds. The draft policies will be presented to the Budget and Finance Policy Committee and then Council for adoption once completed.

2. Potential reduction of the maximum indebtedness rate from 15% of assessed property value down to 4-8% range

**Status:** The analysis is currently being conducted and completion is targeted for the June 27, 2023 Council date in conjunction with the statutory Annual GAAN Limit and Investment policy changes.

3. A new policy to not incur indebtedness when interest rates go above 5% or a different specific threshold

**Status:** This scope is also being reviewed especially with the current interest rate regime of the Federal Reserve Board and the markets. The target of completion is June 27, 2023.

4. Tools for increased transparency for taxpayers

**Status:** The City Manager's Office has begun research on cloud-based budget and performance management software systems that would allow a more interactive interface and transparency regarding the City's budget. However, additional time is needed to continue to explore these systems as well as other tools for increased transparency.

5. Updated report and discussion of pension and healthcare costs

**Status:** The Unfunded Liability Obligations and Unfunded Infrastructure Needs report, which includes a discussion on pension and other-post employment benefits, including retiree healthcare costs, was placed on the April 11, 2023 Council agenda. The item is being rescheduled for a future meeting date.

6. Refer the full Report to the Budget & Finance Committee for consideration

**Status:** The report has been submitted to the Committee for consideration.

#### ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects or opportunities associated with receiving an update on the bonding capacity report.

#### CONTACT PERSON

Sharon Friedrichsen, Budget Manager, City Manager's Office, 981-7000  
Henry Oyekanmi, Finance Director, 981-7200





Office of the City Manager

ACTION CALENDAR  
April 26, 2022

To: Honorable Mayor and Members of the City Council  
From: Dee Williams-Ridley, City Manager  
Submitted by: Henry Oyekanmi, Director, Finance  
Subject: Accept the Risk Analysis for Long-Term Debt (Bonding Capacity) Report provided by Government Finance Officers Association

RECOMMENDATION

Accept the report titled 'Risk-Based Analysis and Stress Test of Long-Term Debt Affordability' as provided by the Government Finance Officers Association (GFOA). This report is based on their research and development of a risk-modeling tool to address issuing long-term debt related to City of Berkeley Vision 2050.

FISCAL IMPACTS OF RECOMMENDATION

There are no fiscal impacts of accepting the report

CURRENT SITUATION AND ITS EFFECTS

The Risk-Based Analysis and Stress Test of Long-Term Debt Affordability (Bonding Capacity) report is a Strategic Plan Priority Project, advancing our goal to:

- Provide an efficient and financially-healthy City government

The City engaged GFOA to conduct this analysis of the City's bonding capacity through their risk-modeling approach. This analysis will support the City's later development of a thirty-year borrowing plan, which will enable the City to replace its aging infrastructure assets, maintain its General Obligation Bond rating at AA+ at S & P Global and Aa1 at Moody's, and keep the bond property tax rate at an affordable level (which was .0540% at June 30, 2020). The GFOA's risk model and report look at a comprehensive financial analysis with particular focus on options to maintain the City's debt affordability within the framework of the City's huge unfunded pensions and other post-employment benefits (OPEB) and overall City operations.

The study and report are intended to help develop recommendations for a combination of infrastructure-focused revenue measures slated for November 2022 and beyond.

The context provided for GFOA to build the risk model and draft the subsequent report was framed through initially providing these items to GFOA:

1. Vision 2050
2. Unfunded Liabilities Report
3. Capital Improvement Plan in the most recent biennial budget and five-year planning horizon
4. Annual Comprehensive Financial Reports (ACFR)
5. GO Bonds, Revenue Bonds, and Certificates of Participation Debt Repayment Schedules
6. Current Bond Authority and Outstanding Amounts (GO Bonds for the past 20 years as of 7/12/21)
7. City's Debt Policy
8. S and P Global Ratings Letter Re: GO Bonds
9. S and P Global Ratings Letter Re: Lease Revenue Bonds
10. Analysis of City's Debt and Contingent Liability Profile
11. GO Rating Report – April 2021
12. GO Rating Report – February 2020

The GFOA report details these and additional factors that GFOA researched and incorporated into their construction of the risk model and their drafting of the final report.

### BACKGROUND

The City has an extensive portfolio of capital assets and infrastructure, including 95 public buildings; 254 miles of public sanitary sewer mains and 130 miles of public sewer laterals; 52 parks, two pools; three camps; and 42 different facilities served by the City's IT systems. Maintaining these assets is costly and requires significant resources and constant attention. As an older city, 50% of Berkeley's \$837 million of capital assets have exceeded their useful life.

The City's FY 2021 Capital Plan called for spending of \$57 million/year on capital and maintenance needs. Even at this increased level of funding, Berkeley's infrastructure will deteriorate faster than it is being repaired and replaced, and construction cost escalation at four (4) percent/year will significantly increase replacement costs.

To modernize these old physical structures with resilient, durable, and climate-smart infrastructure will require substantial new investments. To adequately address the \$882 million in unfunded infrastructure liabilities, the City needs to double its annual capital spending over the next decade to \$80 million/year. Capital expenditures are typically funded through a combination of debt financing (pay-as-you-use) and cash (pay-as-you-go). Paying in cash avoids the cost of interest, but requires the City to accumulate sufficient cash to fund the project, while construction costs escalate. Using debt to finance capital projects incurs interest expense but allows the project to start earlier, thereby avoiding escalation costs.

The City has an infrastructure system that has allowed it to thrive for over 100 years. Now, the City wants to incorporate new technologies and be able to adapt to meet environmental trends so that the infrastructure systems can continue to support the City for another 100 years. The risk analysis report shows the potential impact of multiple factors on the City's capacity to issue debt during the next thirty years.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable effects or opportunities associates with this item.

RATIONALE FOR RECOMMENDATION

The City administered Request for Proposals #21-11459-C for consulting services to determine the City's bonding capacity. The RFP was published twice with neither publication generating responses from the market. In the course of staff researching why no responses were received, staff met with GFOA. GFOA provided their relatively new risk-modeling approach to the bonding capacity topic. Thus, it was determined, since a traditional RFP was not generating market response, that it would be advantageous to contract with GFOA for their services to research and develop the risk-model for City of Berkeley to evaluate its capacity for issuance of long-term debt.

ALTERNATIVE ACTIONS CONSIDERED

Not conducting the study

CONTACT PERSON

Henry Oyekanmi, Director, Finance, 981-7326

Attachments:

1: Report: Risk-Based Analysis and Stress Test of Long-Term Debt Affordability (from GFOA, 2022)

A Risk-Based Analysis and Stress Test of Long-Term Debt Affordability for the City of Berkeley, California

April 2022

Produced by:

**The Government Finance Officers Association**



# Table of Contents

Section 1 – Introduction.....	3
Section 2 – Defining What is “Affordable” Debt.....	5
Section 3 – Key Financial Indicators and Assumptions.....	6
Section 4 – Results of the Analysis and Recommendations .....	15
Section 5 – Conclusion and Summary.....	23
Appendix 1 – Limitations of GFOA’s Analysis.....	25

## Section 1 – Introduction

Long-term debt is an important tool for municipal governments to invest in long-term assets that serve their community. The City of Berkeley, California (City) is considering seeking authorization from its voters on a large amount of long-term debt, perhaps up to \$600 million, to support the City of Berkeley’s infrastructure needs included in its Vision 2050 plan. The debt would be used to fund assets like streets, public buildings, and more. This would be the largest amount of debt the City has sought to authorize in at least the last 20 years.<sup>1</sup> Therefore, the City has, prudently, decided to analyze the long-term affordability of this debt and has engaged the Government Finance Officers Association (GFOA) to perform this analysis.

GFOA is a non-profit association of more than 21,000 state and local government finance professionals and elected officials from across the United States and Canada. A key part of GFOA’s mission is to promote best practices in public finance, including analyzing important financial risks like the affordability of long-term debt. GFOA’s approach to risk analysis is distinctive because we use the same basic methods used by insurance companies and climate scientists to evaluate risk. We use computer simulation to build hundreds, if not thousands, of scenarios of how the City’s financial situation could play out over 30 years. Each scenario changes important variables that influence how affordable the City’s debt might be. For example, each scenario features a different interest rate environment. The variation in these variables is governed by parameters we set, where the parameters keep the variation within the realm of possibility. To continue our interest rate example, we gathered data on the rate of change in bond interest rates since 1970. This information was used to create the parameters for the interest rate environments generated for each scenario. We then see how often the City’s debt remains affordable over those thousands of scenarios. If the debt is shown to be affordable under a high proportion of those scenarios, then that suggests there is a good chance that the debt will ultimately be affordable in the real world. Conversely, if the debt is not affordable under a high portion of the scenarios that suggests the debt is unlikely to be affordable in the real world. This computer simulation is built in Microsoft Excel using open standards for the data.<sup>2</sup> We’ll refer to this computer simulation as the GFOA “Risk Model”. The Risk Model is completely available to the City to use as it sees fit, including the ability to adjust many of the assumptions utilized for the simulations.

The rest of this report is divided into the following sections:

- **Defining What is “Affordable” Debt.** This section describes our rationale for using a typical bond ratings analysis as the basis for determining what is “affordable” for the City government.
- **Key Financial Indicators and Assumptions.** This section examines the key indicators of debt affordability that are taken into consideration by bond ratings companies and our method of approximating how the indicators suggest debt affordability in our simulation of the City government’s future.

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<sup>1</sup> History of the City’s bond issuances compiled with the help of the City Clerk.

<sup>2</sup> Visit [probabilitymanagement.org](http://probabilitymanagement.org) for more information on the standards we use.

- **Results of the Analysis and Recommendations.** In this section, we will address the findings from our analysis, including recommendations to help the City retain its credit rating.

## Section 2 – Defining What is “Affordable” Debt

The definition of what is “affordable” debt is at the foundation of this analysis.

The first step to defining what is affordable is defining the type of debt the City is considering. The City is considering “general obligation (GO) debt”. This debt is paid for by a dedicated property tax levy. Thus, the City **does not** have to pay for this debt out of its existing revenue streams. This means that taking on more general obligation debt **will not** have a **direct** impact on the City’s operating budget. There is **indirect** impact – for example, perhaps the higher tax bills faced by taxpayers would cause them to vote against future tax measures intended to support the operating budget. Or, maybe residents or businesses feel the impact of higher taxes in their businesses or personal finances and decide to move. These are important considerations, but are outside the scope of this analysis, which is focused on the **direct** impacts to City government. That said, the financial indicators we will examine do include measures of personal income and the size of the tax base relative to the size of the population, which do provide some insight into affordability to taxpayers. It is also worth remembering that, according to California law, debt like the City is considering must be approved by two-thirds of voters in an election. If approval is not obtained, the debt cannot be issued. Thus, taxpayers evaluate the affordability of the proposed debt themselves by choosing to approve it or not. However, affordability to the taxpayers might not be that simple. We’ll have more to say on this topic later in the report.

The impact of general obligation debt on the City government’s finances is to add to the City’s total debt burden. Generally, the more debt a City takes on the less attractive its debt becomes to investors, all else being equal.<sup>3</sup> This is because, in theory, the more debt a City has, the less likely it is that it will be able to pay it all back. This is important because if the City’s debt becomes too unattractive, it will need to offer higher interest rates to investors. That would make it more expensive to borrow and, thus, more expensive for the City to make future investments in long-term assets. **Thus, we will define debt affordability as the extent to which issuing more debt in support of any City Council program might cause the City’s debt to cross a threshold point where the City has to offer a higher interest rate to attract investors.**

Threshold points where higher interest rates must be offered are known as bond ratings. There are three major agencies that issue bond ratings: Moody’s Investors Service, Standard and Poor’s, and Fitch Ratings. Each rating agency has its own approach, but there are broad similarities between all three. For purposes of this analysis, we will focus on Moody’s approach. This is because Moody’s method is: A) well documented; and B) makes use of quantitative financial information to help standardize the approach to issuing ratings. This means we can collect the same financial information Moody’s would collect and evaluate it in a similar, albeit much simplified, manner. By doing this, our Risk Model was able to essentially duplicate the City’s current rating, which is “Aa”, according to Moody’s. Aa is the second best rating on Moody’s scale (which is similar to the scales used by the other rating agencies). The complete scale is shown in the accompanying table. The reader should note that rating agencies also make finer grained distinctions within the rating tiers. For example, technically, the City’s rating is “Aa1”, which

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<sup>3</sup> Municipal governments might issue more debt, but their tax base and revenues might also continue to grow. In this case, all else has not remained equal so the debt of that municipality may not become less attractive.



indicates the City is a strong Aa or at the upper end of what is considered Aa. An Aa2 would be in the middle and Aa3 would be considered a weak Aa. For the majority of this report we will not refer to these finer grained distinctions. This is, first, in the interest of simplicity. Using just the ratings scale showing in our accompanying table, the reader will be required to track six different categories of ratings. Multiplying the number of categories by three might make this analysis much more difficult to follow. Second, we do not have access to reliable historical data on how big a difference these finer distinctions would make on the interest rate the City could obtain for its bonds. We have data back to 1970 for the differences between the tiers shown in our table. Therefore, most the analysis will take place at the level of these six tiers. Occasionally, though, we will refer to the finer distinctions (e.g., Aa1 vs. Aa2 vs. Aa3) to discuss how the City’s credit rating could change in response to different conditions.

If the City’s debt were to be downgraded to an “A” we would expect the City to have to pay a higher interest rate on future debt. How much more would depend on the interest rate environment at the time. Historically, the difference between the interest rate of Aa and A has ranged from 1.05 to 0.08 percentage points, with an average of 0.26 percentage points. If, for example, a \$100 million 30-year bond sold at 2.26% interest rather than 2.00% interest, this would translate to \$5 million more in total interest cost over the life of the bond.

Moody’s Rating Scale	
The best->	Aaa
	Aa
	A
	Baa
	Ba
The worst->	B or below

To evaluate the affordability of the City of Berkeley’s borrowing plan including its Vision 2050 debt issuance plan we can do the following:

1. Update the key financial indicators used within the Moody’s rating system to reflect what the indicators would look like with the additional debt over the 30-year analysis period covered by our Risk Model.
2. Use computer simulation to vary key variables that impact the financial indicators over the 30-year analysis period. We’ll describe what these variables are and the assumptions our analysis makes in the next section.

### Section 3 – Key Financial Indicators and Assumptions

The purpose of this section is to summarize the key financial indicators used to help frame bond ratings and to describe key assumptions we have made with respect to future values of the important variables that go into the analysis. Our analysis considers the next 30 years, so we had to make assumptions about how key variables would behave. Before we delve into these topics, we’d like to bring five important points to the attention of the reader:

1. The amount of debt the City takes on is not the only, or even primary, factor that determines bond ratings. Bond ratings take into account a number of factors besides debt. Therefore, our analysis include other factors that impact bond ratings, such as pensions, fund balance and tax base, along with debt.
2. Bond ratings are intended, primarily, to help investors decide how risky it is to invest in a municipality’s debt. Though many of the factors bond ratings take into account are reflective of

the general financial health of a municipality, the ratings are not a perfect measure of financial health. This is because ratings are intended to judge the ability of the City to pay back its bondholders and nothing more. This is a limited perspective on financial health.<sup>4</sup>

3. Bond ratings method are not a purely mechanical exercise where a given value for the financial indicators leads to a perfectly predictable bond rating. For example, Moody's rating method includes "notching factors", which are essentially the wiggle room to adjust a municipality's rating up or down, based on local circumstances and the judgment of bond rating analysts. Nevertheless, given that our approximation of the financial indicators that Moody's uses did produce the City's current rating in our Risk Model, we can assume that the financial indicators will produce useful insights into what the City's rating might be under different circumstances.
4. Our analysis is based largely on the future looking a lot like the past in many important respects. For example, we will see that the size of the City's tax base is regarded as a big strength by the Moody's evaluation method. We will assume it will continue to be. Of course, it is plausible that that a large natural disaster, like an earthquake, could severely damage property stock in Berkeley to the point where the tax base is seriously impaired and is no longer the strength it once was. These kinds of extreme scenarios (e.g., natural catastrophes) are not within the scope of our analysis. This is not to say such scenarios are not important. In fact, GFOA analyzes the impact of catastrophic scenarios on municipal financial health on a regular basis. However, given the scope for this project we focused on the key financial indicators of the City's financial health that are described in the following pages and not on catastrophe events. The Risk Model is not intended as a perfect representation of reality. It has been said "all models are wrong, but some are useful". We would suggest that focusing on the trajectory of key financial indicators given the decisions that City makes is a useful perspective on the affordability of its debt plan.
5. Readers who are not interested in the details of the Moody's methods and the assumptions we made about the future of the City's finances are invited to skip the rest of this section and go directly to the next section for our findings and recommendations.

The rest of this section will delve into key financial indicators that are salient to bond ratings and which underlies how we are defining "debt affordability" for this study.

The key financial indicators Moody's considers are described by what Moody's calls its "scorecard". Moody's has four broad factors for its bond rating scorecard and a number of sub-factors, which are shown in Exhibit 3.1.<sup>5</sup> We will summarize each immediately following. With respect to the overview provided by Exhibit 3.1, the reader should note the factor weightings. We see that measures of the City's debt constitute only 10% of the total scorecard. Thus, the City's plan to issue more debt, by itself, can only have a marginal impact on the score. The City's actions with respect to its financial position, in whole, will be what really matters for debt affordability.

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<sup>4</sup> A comprehensive approach can be found in GFOA's Financial Foundations for Thriving Communities.

<sup>5</sup> Our primary source on Moody's methods is "US Local Government General Obligation Debt" dated January 26, 2021, published by Moody's Investors Service.

**Exhibit 3.1 – Moody’s Scorecard Factors and Weights (for Local Governments)**

Broad Scorecard Factors	Factor Weighting	Sub-factors	Sub-factor Weighting
Economy/Tax Base	30%	Tax Base Size (full value)	10%
		Full Value Per Capita	10%
		Wealth (median family income)	10%
Finances	30%	Fund Balance (% of revenues)	10%
		Fund Balance Trend (5-year change)	5%
		Cash Balance (% of revenues)	10%
		Cash Balance Trend (5-year change)	5%
Management	20%	Institutional Framework	10%
		Operating History	10%
Debt/Pensions	20%	Debt to Full Value	5%
		Debt to Revenue	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Full Value	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Revenue	5%

Source: Moody's Investor Service

### Economy / Tax Base

The tax base ultimately determines if a city can pay back its debt. There are three sub-factors considered:

**Tax-base size:** The size of the property tax base is where a municipality draws its revenue from. Currently, full value of the property in the City’s tax base is almost double what is necessary to receive the highest possible score on Moody’s scorecard. We did not find a reason to think that a radical decline in the value of property in the tax base was a probable risk. Of course, events like the 2008 recession and bursting of the housing bubble can cause a temporary decline. These kinds of variations are captured in the Risk Model. The Risk Model assumes that tax base will grow (and occasionally shrink) at rate that is broadly consistent with historical patterns, but the Risk Model does not assume a constant rate of growth. For example, the Risk Model simulates market pullbacks like the Great Recession (and worse). However, we did not find a reason to think that a dramatic, long-term decline in the City’s property values was a high-probability risk. The Risk Model does provide the user with the ability to easily change growth rate assumptions in order to see the effect of more optimistic or pessimistic outlooks.

**Full-value per capita:** This indicator adds in population size to the size of the tax base. The per resident property wealth shows the availability of tax-generating resources relative to the users of public services. This measure is almost 1/3 above what is necessary to receive the highest score on Moody’s scorecard. We did not find reason to believe that the City’s population would outpace the growth in property values to the point where it would risk the City falling below the Moody’s threshold for the best score. In fact, a long-term forecast sourced from Association of Bay Area Governments (ABAG) shows the City’s population forecasted to grow just over 1% per year over the next 30 years. This growth does not seem to be so great that it puts a strain on City finances and, thus, pose a risk to the City’s bond ratings.

**Median Family Income:** A community with high-income taxpayers may have greater ability to cover the cost of debt. The City is almost exactly in the middle of the two threshold values that bound the second highest score on Moody's scale. Presumably, the large number of college students in Berkeley exert downward pressure on this measure. That said, we did not uncover a high probability risk that the City would fall out of the second-highest category over the next 30 years.

## Finances

This factor considers a local government's cushion against the unexpected, the City's ability to meet existing financial obligations, and its flexibility to adjust to new ones. There are four sub-factors considered:

**Fund Balance:** Fund balance describes the net financial resources available to a municipality in the short term. It is essentially the "rainy day fund" or "self-insurance" to react to unplanned, unavoidable costs (like natural disasters). More fund balance would presumably reduce the risk of a local government failing to repay debt because of a natural disaster or other catastrophe. For the City, this measure is currently almost 2/3 above what is necessary to receive the highest score on Moody's scorecard (Aaa). That said, fund balance is not nearly as stable a quantity as the economic forces we reviewed above. For example, in the years 2007 to 2013 the City's annually available reserves were less than half of what they've been in the last few years. In fact, the City would have been in the Aa, rather than Aaa, equivalent tier for six of the last 15 years (though not too far below the Aaa tier, at least). This means that we shouldn't take for granted that the City will continue to maintain reserves high enough to receive Moody's highest scores for the entire 30-year analysis period. The Risk Model assumes the City has a chance of falling out of the Aaa equivalent tier for fund balance. That chance is determined by the City's historical experience. Over the last 15 years the City was below the Aaa threshold six times. So, the Risk Model assumes a six in 15 chance (or two in five chance) per year that the City falls below the Aaa tier.

**Five-Year Dollar Change in Fund Balance as % of Revenues:** The reason for this measure is much the same as stated above, except this takes longer-term perspective on fund balance. Fund balance can change fairly rapidly, year to year, compared to some of the other indicators in the Moody's scorecard. So, this measure checks to see if fund balance is growing or shrinking and by how much. Currently, the City is just above the threshold required for the highest score. However, this is an example of a measure that is highly relevant to the interest of bondholders, but not as well aligned with the interests of the people who live in Berkeley. From the perspective of bondholders, it would not be a bad thing if the City continued to build its fund balance indefinitely. That continues to reduce the risk of a default. However, from the citizens' perspective there is a clear upper limit on the amount of fund balance a local government should hold. At some point the opportunity cost (in terms of higher taxes or foregone services) is not worth the benefit the public receives from the City having a larger fund balance. Thus, given that the City already, by Moody's own standards, has a large fund balance, it is questionable whether the City would continue to grow the fund balance in the future at the same rate it has in the past. Thus, it seems unlikely the City would continue to achieve the highest score under the Moody's rating system. However, that said, Moody's documentation does imply that local governments with a strong fund balance might be given consideration for maintaining that fund balance rather than continuing to grow it - Moody's might adjust ratings upwards to reward maintaining stability of a high level of fund balance. This means that the City

may not enjoy the top-rated scores it had gotten in the past on this measure, but if it maintains a high level of fund balance, it might only drop to the second highest score. The Risk Model gives the user the option to choose the growth rate, from maintaining a rate of growth equivalent to Aaa to remaining flat (equivalent to an A rating). For the purposes of this report, we chose to make this indicator equivalent to an Aa rating. The rationale is that the City probably can't keep historic levels of growth indefinitely, but the high amount of fund balance the City usually carries would, hopefully, be enough to avoid falling down to an A rating.

**Cash Balance:** Cash is a similar measure to fund balance – but focuses on “money in the bank”, whereas fund balance can include some non-liquid resources. For the City, this measure is currently almost three times above what is necessary to receive the highest score on Moody's scorecard. At the City, cash balances and fund balance levels tend to mirror each other. So, just as the City did not have nearly the same level of fund balance in the past as it does today, it did not have the same level of cash either. Thus, like fund balance, this means that we shouldn't take for granted that the City will continue to maintain cash high enough to receive Moody's highest scores for the entire 30-year analysis period. That said, given that cash appears to be so far above what Moody's is looking for that it would take much more extraordinary circumstances for the City's cash to fall below Aaa equivalence. The Risk Model assumes that the City has a 2 in 15 chance of falling to the Aa tier, each year. This chance is smaller than fund balances falling to the Aa tier. The rationale is the City's cash amounts are very high above the Aaa threshold, so would have a long way to fall to reach Aa territory.

**Five-Year Dollar Change in Cash Balance as % of Revenues:** The rationale and issues related to this measure are much the same as discussed above. Cash is a more liquid resource for dealing with unplanned, unavoidable expenditures and this measure shows the rate and direction of growth. The City is currently well above the amount required for Moody's highest score, but, again, the same rate of growth probably cannot keep up indefinitely. Like fund balance, though, it seems possible that Moody's might not penalize the City for mere stability in its amounts of cash on hand, if the amounts on hand were kept high. The Risk Model uses identical assumptions for this measure as for the fund balance trend, described above.

## Management

The legal structure of a local government and management under which it operates influence the government's ability to maintain a balanced budget, fund services, and continue to derive resources from the local economy. There are two measures in this category.

**Institutional Framework:** This factor measures the municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. For example, a local government with many mandated responsibilities, but with little ability to raise revenues would score poorly on this measure. Our examination of the City's prior Moody's bond ratings suggest that the City, for this measure, was rated consistently with its overall rating: Aa. In other words, the second best possible score. We found no high probability risk that the City's legal powers and responsibilities would change dramatically in the coming years, so we assume the City's score on this measure will remain constant throughout the analysis period.

**Operating History:** Operating history is essentially the extent to which the City runs annual surpluses or deficits. The City's current measure is well above what is required for Moody's highest score. However, because surpluses and deficits are determined annually, we shouldn't assume stability in this measure over a long-term period. We looked at the last 15 years of the City's history to see the size of surpluses (there were no deficits) and used those to simulate what surpluses will be in the future. This results in a more conservative assumption than simply continuing the most recent trends indefinitely into the future.

## Debt / Pensions

Debt and pension burdens are measures of the financial leverage of a community. The more leveraged a tax base is, the more difficult it is to service existing debt and to afford additional debt, and the greater the likelihood there will be difficulties funding debt service. There are four measures in this category.

We gave this category the most analytical attention for a number of reasons. First, debt was the primary focus of the City in commissioning this study. The amount of debt the City is considering issuing will have a direct impact on some of the measures in this category. Second, as we will see, the City's current performance on debt indicators is already weak compared to the other indicators we have reviewed. Third, this section includes pensions, which, as we will see, are the weak spot in the City's performance on the Moody's scorecard.

We will first briefly overview the four measures in this category and then go into details on the assumptions made for future values of these indicators.

**Debt to Full Value:** This evaluates net direct debt relative to full value of the property in the City's tax base. This metric tells us how onerous future debt service payments could be to the tax base. Currently, the City is in the second best category for scoring on this measure.

**Debt to Revenues:** This compares debt to the City's regular revenue stream. Moody's does not subtract from the calculation any debt whose principal and interest is paid by taxes, even if those costs are external to the General Fund. Under this definition, the City gets a score on the Moody's scorecard equivalent to an "A" rating.

**Three-year Average of Moody's-Adjusted Net Pension Liability to Full Value.** This measures the magnitude of a local government's pension obligations relative to its tax base.<sup>6</sup> Similar to the debt burden evaluation, the tax base serves as a proxy for future revenue-generating capacity to amortize accrued pension obligations. The City's score here is equivalent to a "Baa" bond rating.

**Three-year Average of Moody's-Adjusted Net Pension Liability to Operating Revenues.** This metric seeks to measure pension obligations relative to the size of the local government's budget. The metric attempts to reflect that amortization of accrued net pension obligations could divert revenues out of future budgets and lead to funding shortfalls. The City's score here is equivalent to a "Ba" bond rating (the second worst rating).

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<sup>6</sup> Note that Moody's adjusts the standard net pension liability measure found in government financial reports to include less favorable assumptions on the discount rate for pension investments. The details behind these calculations are available in the Risk Model supplied to the City by GFOA.

**Assumptions for Future Indebtedness:**

- The Risk Model includes all repayment schedules for the City’s existing debt and assumes debt will be repaid in the times and amounts currently scheduled.
- The Risk Model includes three categories of “new” debt. The detailed assumptions behind the new debt are described in more detail later, but the general categories of new debt are:
  - Debt that the voters have previously authorized, but which the City has not issued. This is in the amount of \$117 million in principal.
  - Debt issued to support Vision 2050 or other programs. The user defines the amount of principal in the Risk Model. The Risk Model assumes that the number entered by the user will be approved by the voters.
  - Debt issued in the far future. Given we are taking a long-term (30 years) perspective, we should not assume that future City Councils will not issue any more debt. The amounts and timings of these simulate future debt issues are described as part of the following bullets.
- For all new debt, the user can choose the length of the repayment schedule. For the purposes of this report, we assumed 30 years. This is consistent with the City’s past practices and current plans. We assume level repayment schedules (i.e., no front or back loading of repayment schedules). We assume no debt refunding, refinancing, etc.
- For all new debt, we simulate the interest rate, where historical rates are used as a model. Here are some key points:
  - We use forecasts of the yield on ten-year US Treasuries for the next two years to simulate the interest rate environment for the next two years. We do this so that the Risk Model does not generate short-term results that are divergent from short-term expectations.
  - After two years, the Risk Model randomly generates future interest rates, where the rate of change in the rates is entirely consistent with the rate of change in the interest rates for Aaa-rated GO bonds and US Treasuries since 1977. We used the historical rate of change to simulate downward, upward, and stable trajectories for long-term interest rates.
  - The Risk Model assumes bond interest rates will not go below zero. The user has the option to adjust this rate floor.
  - The Risk Model includes the City’s informal policy that the City will not borrow if rates are above 5%. If rates are simulated to go above 5% in any year any simulated, then borrowing is deferred until rates go back below 5%.
  - For the purpose of this report, the Risk Model assumes that rates are just as likely to go up in the future as they are to go down, with the exception of the first two years. As discussed above, the next first years are determined by the 10-year US Treasury forecasts produced by other organizations. For the years after that, the user is able to adjust how likely rates are to go up or down to explore assumptions other than what we assumed for this report. So, if the user wanted the Risk Model to simulate an interest environment where it is twice as likely rates would go up, then that assumption could be entered. In no case will the rates rise at a greater rate of change than has been observed historically.

- The Risk Model assumes that the City will issue new debt that has been previously authorized by voters, but which have not yet been issued. This amounts to \$117 million in additional principal that is added to the City's debt burden over the next five years. The debt is issued according to a user-defined schedule.
- For the debt to support more borrowing, including the City of Berkeley Vision 2050, in the Risk Model, the user can choose the amount of debt the City will issue. The Risk Model allows the user to choose between the options below. The options are completely user definable so the City can add, change, or delete options as it likes:
  - An option for \$300 million in debt, which represents the lower end of what the City Council has discussed. Note that the City Council has discussed supplementing this amount of debt with a parcel tax. The parcel tax would not impact the City government's performance on the key indicators in the Moody's scorecard other than requiring the City issue less debt. Hence, the parcel tax is not included in the Risk Model.
  - An option for \$600 million in debt, which represents the upper end of what the City Council has discussed.
  - An option for \$900 million in debt. This is included just for demonstration purposes, so the user can see what a larger amount of debt would do to the model results.
- Debt issued to support more borrowing for the 2050 Vision Plan are assumed to be issued in increments evenly throughout the 30-year analysis period. The user can change this assumption and make the debt issued on any schedule they would like.
- We should not assume that the debt issued to support the City of Berkeley Vision 2050 will be the last debt the City issues for 30 years. Since 2000, the City has tried to gain voters' approval to issue new debt in seven of ten election years. Thus, we must assume that future City Councils will have plans to issue debt to support future projects. The model simulates this under the following assumptions:
  - The City will not try to issue new debt again until 2028. This assumption can be easily changed by the user.
  - For any election year after 2028, there is a 70% chance that the City will try to gain approval to issue new debt. This is based on the fact the City has historically tried in 70% of election years, though this assumption can be adjusted by users.
  - The amount of debt the City attempts to issue in any given election year varies between \$13 million and \$150 million. This is based on the inflation adjusted amounts the City has tried to issue in the past. The Risk Model adjusts this amount upwards in future years to account for the effects of inflation.
  - The public approves proposed new issues at the same rate it has in the past, including partial approvals.

### **Assumptions for Future Pension Liabilities**

For pension liabilities, we developed a single alternative pension assumption, based on the work of the City's CPA firm. This assumption assumes a negative 1 percentage point adjustment to the discount rate applied to pension investments. So, if the baseline, status quo assumption is 7.15%, then the alternative would be 6.15%. The user can activate or deactivate the alternative assumption on the Risk Model



dashboard. If activated, the alternative assumption is applied across all of the thousands of scenarios the risk model produces. If is not activated, it is not applied to any of the scenarios.

The Risk Model also includes an assumption for annual increase in pension liability and the current annual rate of 3.96%. GFOA would like to acknowledge the assistance of Dan Matusiewicz, Senior Finance Consultant, at GovInvest for providing assistance on formulating this assumption, which is based on a 6.8% discount rate and wage growth of 2.5%.

## Section 4 – Results of the Analysis and Recommendations

In this section, we will address the finding from our analysis, including recommendations to help the City retain its credit rating.

### Let's Put Debt in Context of the Financial Indicators Used to Estimate Debt Affordability

The City's level of debt only impacts the financial indicators that comprise a total of 10% of the Moody's scorecard. Put another way, 90% of the scorecard result is determined by factors other than the City's debt! That means that long-term affordability of the City's debt will be influenced by things like how the City manages its tax base, fund balance, its pensions, and its budget. Exhibit 3.1 provided details on the relative importance of the different factors in the Moody's scorecard. To recap some of the more notable items:

- Pensions are equal to 10% of the scorecard result, or the same as debt.
- Fund balance and cash are equal to 30% or are three times the importance of debt.
- A balanced budget is equal to 10% of the scorecard result.
- Economic factors, like full value and median family income, are equal to 30% of the scorecard result.

According to our re-creation of the Moody's scoring method, today, the City is just short of a score that would be consistent with an Aaa rating. The City's pension liabilities are the main culprit for keeping the City from that score. This conclusion seems consistent with what bond analysts have conveyed to the City: that the City would have an Aaa rating if not for its pension situation. This means that the City has some "distance to fall" in order to get down to an A rating, at least according to the quantified scoring system and the assumptions we described in this report.

All this means that the City's decision to issue debt must be done in the context of the other factors that impact affordability when trying to determine the chance that additional debt will reduce the City's bond rating.

So, to review, the City's strengths are:

- The City's economic base is firmly in Aaa territory and there does not seem to be a plausible risk of it falling out of that tier. The economic base accounts for almost 1/3 of the rating.
- The City's fund balance and cash are firmly in Aaa territory as well. Even though these measures are, by nature, more volatile than the measures of the economic base there seems to be low risk that they would fall completely out of Aaa territory much less all the way down to an A-rating territory (assuming the City maintains a strong reserve policy, as further described in our recommendations). Fund balance and cash measures also constitute almost one-third of the rating.
- The City has also consistently maintained a balanced budget.

And, the City's weaknesses are:

- The City’s pensions are in Baa territory currently. Some observers believe there is a case for a lower discount rate to estimate the City’s pension liability. A lower discount rate would make the liability to go up substantially. The City’s CPA firm produced the calculation for a 1 percentage point reduction and we included it in the Risk Model as an option for the user to activate, if they wish. If this scenario came to fruition, pensions would become an even greater drag on the City. In fact, the Risk Model shows a good chance that pensions reach B territory (the worst rating) well before the end of the 30-year analysis period. Finally, it is worth noting that the Risk Model shows that one of the pension measures in the scorecard (pension liabilities compared to revenues) is at risk of slipping down to a score equivalent to the next lower rating tier (Ba) within in the next five years. As we will discuss more later, a continued downward trajectory on pensions could influence bond ratings analysts to give the City a lower rating.
- Though the City’s current indebtedness is not nearly the problem that pensions are, it is not helping the City’s bond rating either. Currently, debt measures sit between Aa and A territory.

More debt reduces the City’s score on the indicators. We can illustrate with the table below. The table shows the City’s scores under different simulations, starting with the City’s current score and ending with the City’s simulated score at the end of 30 years. The simulation does not produce a single score for the end of 30 years, but rather produces a range of possible scores. For this reason, we show the average, optimistic, and pessimistic outcomes.<sup>7</sup> The table uses assumptions identical to that described earlier in this report and assumes \$600 million of new debt in support of the City’s programs, including Vision 2050, plus debt issued by future City Councils, as described earlier. We can see that the score at the end of the 30 years is worse than the City’s current score under all three perspectives in the table (average, optimistic, pessimistic). The good news is that when we consider just debt, at least the scores do remain broadly consistent with an Aa rating. But, what about if we consider more than just debt? Other factors do enter into the final bond rating of course.

**Exhibit 4.1 – Simulated Results on Moody’s Scorecard under the Assumptions Described Earlier in the Report**

Rating	Score for Each Rating		City's Current Score	Average Score at end of 30 years	Optimistic Score at end of 30 years	Pessimistic Score at end of 30 years
	Min	Max				
Aaa	0.05	1.5				
Aa	1.5	2.5	1.65	2.14	2.00	2.30
A	2.5	3.5				
Baa	3.5	4.5				
Ba	4.5	5.5				
B or below	5.5	6.5				

<sup>7</sup> Optimistic and pessimistic are defined as the points at which 5% of the outcomes produced by the model are above or below the point indicated on the table.

To examine the other considerations that go into a rating, Exhibit 4.2 changes the assumptions in the Risk Model to be less favorable for the City, including: a lower discount rate on pensions (1 percentage point) and performance equivalent to an Aa rating for fund balances, cash balances, and operating history (which would be less favorable than the City’s recent history would suggest). We can see that the City’s scores now deteriorate enough that the pessimistic outcome places the City in the “A” rating equivalent scoring tier. What the table does not show is how the scores change for periods less than 30 years. The Risk Model tells us that the risk of a downgrade is present in the near-term future, not just the long-term future. This is because the City is close enough to the next lower tier of scoring for its debt and pension measures that it is plausible that the City will reach these lower tiers in five to ten years. We’ll discuss this more detail in the next section. Over the long-term, the City’s strong property tax base (and growth in that base) can balance out some of the nearer-term challenges (assuming the challenges don’t also get worse).

**Exhibit 4.2 – Simulated Results on Moody’s Scorecard under Less Favorable Assumptions**

Rating	Score for Each Rating		City’s Current Score	Average Score at end of 30 years	Optimistic Score at end of 30 years	Pessimistic Score at end of 30 years
	Min	Max				
Aaa	0.05	1.5				
Aa	1.5	2.5	1.65	2.39	2.30	
A	2.5	3.5				2.50
Baa	3.5	4.5				
Ba	4.5	5.5				
B or below	5.5	6.5				

The reader will notice that even on this second table, the scores are certainly not disastrous, by any means: the average score is still within the Aa equivalent tier. That said, we must remember that the final bond rating a municipality receives is not a purely mechanical exercise, where the key financial indicators dictate the bond rating. According to Moody’s: “The scorecard is not a calculator. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to begin viewing and comparing local government credits. It therefore acts as a starting point for a more thorough and individualistic analysis.” Put another way, the rest of the rating is subject to a human element: the rating analyst. In a real-life scenario characterized by unfavorable performance across the indicators that Moody’s looks at we can’t discount the possibility that the analyst might decide to “put a thumb on the scale” and raise the chance of a downgrade. For example, perhaps a significant amount of new debt along with further deterioration in the City’s pension situation dampens the rating analyst’s enthusiasm for the City of Berkeley’s debt even more than the Moody’s scorecard suggests. Finally, it could be possible that rating agencies could change the weightings of the indicators they consider. GFOA has observed that the measures favored by rating agencies and the relative weight placed on them has evolved over time. It seems unlikely that debt and pensions would come to occupy a less important place in rating considerations given that they currently constitute a relatively small consideration compared to fund balance / cash and tax base. Given that pensions and debt are biggest risk to future debt affordability, we’ll examine this risk more in the next subsection.

Finally, the model can address different interest rate environments and property markets. Some observers believe that sustained higher interest rates may result from efforts to combat inflation. This would result in economic stagnation and impact on the housing market. In fact, the Federal Reserve Bank of Dallas recently stated that the property market is showing "signs of a brewing U.S. housing bubble". The implication is that bubbles pop, with the types of consequences we saw in the 2008. To explore these concerns further, we adjusted the model assumptions to give more weight to a rising interest rate environment and to reduce, by half, the chances of growth in the City's revenue and property values. Note that the baseline assumptions in the Risk Model **did not** assume uninterrupted growth in property values, but did assume a good chance of a long-term upward trajectory. These new assumptions result in a good chance of long-term stagnation. Under these assumptions, unsurprisingly, the City's is at significantly greater risk of slipping below an Aa equivalent score. Interestingly, the City's informal policy of not borrowing at rates above 5% makes a noticeable difference in the high interest rate environment: the City stops borrowing at a certain point and pays back existing debt, which helps its score. The take-away is that unfavorable turns in the economic environment will have a noticeable impact on the financial indicators and increase the risk of a ratings downgrade.

### Pension, Debt and the Risk Posed to the City's Bond Rating

Though pension and debt do not dominate the Moody's scorecard and are not the most important consideration in bond ratings, they still can influence bond ratings. For example, especially poor performance or notable deterioration from previous performance might capture the attention of the bond ratings analyst. To illustrate, the table below displays results from one of thousands of simulations the Risk Model produced, using the more unfavorable assumptions described in the previous section. We chose to illustrate using the more unfavorable assumptions because it helps make the point we wish to make more clearly. Also, keep in mind this is just one of the thousands of simulations we developed, so it's not intended to show generalizable results (unlike the tables in the last section which summarized results from across the thousands of simulations).

The top set of rows in the table shows the City's current values for the key financial indicators associated with debt and pension in the Moody's scorecard. The next set of rows shows the scores the indicators receive under the Moody's methodology. The scores can range from 1 to 6, where 1 is the best (Aaa equivalent) and 6 is the worst (equivalent to B or below). The final row is the average of all indicators in the Moody's scorecard, which includes indicators not shown in the rows above (e.g., tax base, fund balance, etc.). Remember that the average is weighted towards the indicators Moody's deems most important (see Exhibit 3.1).

We see that the City's current score across all indicators is a 1.65 (bottom left corner), consistent with a strong Aa rating. However, as we move to right and further into the future, we see City's score on debt and pensions deteriorate (the numbers on the 1 through 6 scale get higher). We can also see the average score move upwards. The movement upwards is not as dramatic because debt and pensions only account for 20% of the total score. The measures that account for the other 80% perform well, often in Aaa territory. Nevertheless, we see that although the City's score remains consistent with an Aa rating, it has become consistent with a weak Aa (or Aa3 in Moody's terminology). It should be noted that the cutoff

points used in the table to differentiate strong from weak come directly from Moody’s documentation.<sup>8</sup> With this in mind, it becomes more understandable why an analyst might decide to downgrade the City to an A rating, if they observe the City’s scorecard result fall from a strong to a weak Aa. They might conclude that the possibility of continued decline, for example, merits a lower rating.

**Exhibit 4.3 – Example Results from a Simulation the Risk Model Produced**

	Now	Years into the Future									
		3	4	5	6	7	8	9	10	11	12
<b>VALUES FOR INDICATORS</b>											
Net Direct Debt / Full Value	1.3%	2.2%	2.3%	2.2%	3.0%	2.9%	2.7%	3.5%	3.8%	3.8%	3.8%
Net Direct Debt / Operating revenues (x)	0.76	1.29	1.34	1.86	1.78	1.69	2.08	2.28	2.20	2.10	2.01
Adjusted Net Pension Liability (3-Year Average) to Full Value (%)	8.7%	13.7%	13.7%	13.8%	14.0%	14.1%	14.7%	15.2%	16.4%	17.7%	18.8%
Adjusted Net Pension Liability (3-Year Average) to Revenues (x)	5.24	7.73	8.26	8.49	8.72	8.90	8.80	9.17	9.44	9.67	9.93
<b>SCORE FOR DEBT &amp; PENSION INDICATORS (1 THRU 6 SCALE)</b>											
Net Direct Debt / Full Value	2	3	3	3	3	3	3	3	3	3	3
Net Direct Debt / Operating revenues (x)	3	3	3	3	3	3	3	3	3	3	3
Adjusted Net Pension Liability (3-Year Average) to Full Value (%)	4	5	5	5	5	5	5	5	5	5	6
Adjusted Net Pension Liability (3-Year Average) to Revenues (x)	4	5	5	6	6	6	6	6	6	6	6
<b>SCORE FOR TOTAL OF ALL INDICATORS (1 THRU 6 SCALE)</b>											
	1.65	2.2	2.2	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.3
	^	^	^	^	^	^	^	^	^	^	^
	Strong	Weak	Weak	Weak	Weak	Weak	Weak	Weak	Weak	Weak	Weak
	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa

Finally, the Risk Model can be used to explore different weightings on financial indicators. For instance, we could give greater weight to pensions and debt and less to cash and fund balances (perhaps because cash and fund balance measures are very similar, so weighting both heavily in the analysis could be seen as “double counting”). This feature of the Risk Model could be used to mimic how a ratings analyst might decide to weigh the indicators differently than Moody’s standard documentation suggests. Unsurprisingly, weighting debt and pensions more puts downward pressure on the City’s scores.

**Develop and Maintain Strong Financial Policies**

Financial policies can help the City maintain its good bond rating. An example is the City’s General Fund Reserve Policy. GFOA’s review of the City’s policy finds that it includes all the critical features of a good policy and calls for a reserve equal to Moody’s Aaa equivalent threshold. That said, it is important to recall that Moody’s looks across all “operating funds”, which includes more than the General Fund. **Hence, there could be an argument for defining reserve policies for other critical operating funds.**

The City also has a debt policy. The policy has many of the features of a good policy, but there may be some opportunities for improvement. Particularly salient to our discussion of bond ratings is debt affordability. The City’s debt policy notes that “the City is subject to debt capacity limit for its general obligation bonds: 15% of assessed value.” This amount of debt would be equivalent to the second lowest rating, Ba, under Moody’s scoring. **Hence, there may be a case for defining a more locally appropriate debt affordability policy.** For example, even under the most aggressive assumptions of how much debt the City might issue, the Risk Model did not show that there was a high chance that debt issued in support of the Vison 2050 would bring the City’s scorecard result below an “A” equivalent score on the measure

<sup>8</sup> Note that Moody’s doesn’t use the terms “strong” and “weak”, but rather a numeric code. We elected to use the more descriptive terms of “strong” and “weak” in order to make the table more understandable.

comparing debt to property value of the tax base. The A rating is defined as debt equal to between 1.75% and 4% of property value. This might be a good starting point for defining a locally affordable limit. The City could “stress test” affordability by simulating larger issues to see how much pressure is placed on the scorecard result by increasing the amount of debt. It could be that the City’s strong tax base and fund balance / cash practices would make it practical to incur debt beyond 4% of property value without putting the score at too much risk, but perhaps 15% is still too much. Of course, we must remind ourselves that bond ratings consider only the interest of the City’s creditors. Just because creditors are willing to lend does not mean the City should borrow. More debt also places more of a burden on taxpayers. Taxpayer burden should be analyzed as part of developing a debt affordability policy. We’ll discuss this more in one of our other recommendations, later in this report.

Another opportunity for improvement of the City’s debt policy might be to define interest rate ceilings for issuing debt. GFOA understands that the City has an informal policy that considers “5%” the interest rate ceiling beyond which the City will not issue debt. Formalizing this policy, or something like it, could help make a positive impression on rating analysts. The GFOA Risk Model can be used to help the City stress test different policy choices because the user can customize the interest rate ceiling the Risk Model uses and adjust assumed behavior of the interest rate environment.

Finally, **a structurally balanced budget policy could be helpful.** The City has a good history of running budget surpluses. A municipal government is subject to legislative requirements to pass a balanced budget. However, the definition of a balanced budget is just that inflows equal outflows for the year and says nothing about the long-term sustainability of how the budget is balanced. For example, according to the law, an asset could be sold to pay for the compensation of permanent City staff positions. An asset is a one-time revenue while staff compensation is a recurring expenditure, so this strategy would not be advisable even if it is legal. A structurally balanced budget policy commits a local government to adopting a budget that is balanced using sustainable strategies. GFOA is happy to provide the City with templates for such a policy, if the City is interested in pursuing it. This kind of policy would support both a strong score in the “operating history” and, perhaps, the “institutional framework” measures in the Moody’s system. For example, Moody’s recognizes “unusually strong budget management and planning” as a “notching factor” that could justify a higher score for a municipality than the ratios in the scorecard might suggest. A structurally balanced budget policy could be an illustration strong budget management and planning.

### Manage the Risk Posed by Pensions

As we've discussed, pensions are the Achilles' heel of the City's bond rating. The City has been considering strategies to manage its pension risk and has established an irrevocable supplemental (Section 115) pension trust. This could help support a good bond rating. This is supported by conversations the City's Finance Director has had with bond rating agencies: the City's current pension challenges has kept it from achieving an Aaa rating and continued deterioration in pension position could even lead to the City slipping to an A or a lower rating.

### Support a Strong Tax Base

If pensions are the City's Achilles heel, then its aegis is its tax base. Not only is the tax base directly responsible for 30% of the City's score on the Moody's scorecard, it directly impacts other measures as well. For example, the Moody's scorecard method compares debt and pensions to the full value of taxable property in the City. Of course, the tax base also determines how much revenue the City can raise, which influences fund balances and the City's ability to balance its budget. Therefore, the City should take active steps to preserve and to enhance its tax base. GFOA has found that there are unrealized opportunities for municipal governments to better reflect the financial interests of municipal government in land use planning. After all, land use planning will have an important influence on how the tax base develops and how the tax base develops will have an important impact on the quality of life in Berkeley (like the City's ability to invest in infrastructure!). The City can learn more about GFOA's findings and recommendations for how to make the connection between land use planning and city finances in [this report \[Note to reader: as of the date the City of Berkeley's report was posted the GFOA report on the intersection between land use planning and municipal finances has not be released to the public. It will be available soon\]](#).

### Develop and Maintain Measures of Tax Burden

General Obligation (GO) debt is paid for by a special tax levy. Therefore, more GO debt does not place a direct pressure on the City's budget. It does, however, place burden on the City's taxpayers. Voters approve the City's ability to authorize debt. In that way, voters are speaking as to whether debt is affordable to them or not. However, voters are unlikely to have a perfect understanding of the long-term implications of debt for their tax burden. In the past, the City has developed measures that show the average tax burden for a City of Berkeley homeowner. It may be wise to develop the ongoing capacity to monitor and project tax burden, especially if the City plans to continue making use of GO bonds and tax measures. The scope of the GFOA Risk Model covers only City government finances, but the Risk Model does provide much of the information that the City would need to examine the tax burden placed on residents and businesses by future debt. For example, it gives the full range of principal and interest that would need to be covered by taxes every year of the 30-year analysis period. It also provides range of the potential size of the tax base.

### Be Strategic about Debt Issuance

The City already has \$117 million in previously authorized debt that it plans to issue in the next few years. This is included in the Risk Model and in the information we've presented in this report. What the risk model doesn't capture is the City staff's capacity to manage the debt issuance and, critically, to manage



the projects that the debt is intended to finance. Prioritizing projects to make sure the City doesn't take on more than it can handle will not only make the best use of limited staff capacity it will help limit the total amount of debt the City takes on. The City has old debt that will gradually be paid down in the coming years. There is some opportunity to moderate the increase in the City's total debt burden by timing the issuance of new debt with expiration of old debt. That said, we must recognize that the amounts of new debt being contemplated do significantly exceed the amount by which old debt will decrease in the next number of years. So, a total increase in the City's debt burden would be inevitable under the assumption that there \$117 million would be issued along with some significant additional amount to support other projects including the Vision 2050 project.

## Section 5 – Conclusion and Summary

In conclusion, the City's performance on the key financial indicators used in the Moody's scorecard appears to be robust under a variety of circumstances. That said, the final bond rating the City receives is not purely a function of these indicators. Human judgment, applied by bond ratings analysts, determine the final score. Their judgment could be swayed, negatively, by the risks posed by debt and pensions, which we described earlier in this report. We have outlined a number of opportunities for the City to take proactive measures to preserve and protect its bond rating and, thus, its capacity to borrow at favorable interest rates.

To conclude, let's recap the key take-aways from this report.

- The City has important strengths that bolster its ability to borrow, including a strong tax base, fund balances, and a history of balanced budgets. That said, the City's current policy identifies a limit on borrowing equal to 15% of assessed value. Borrowing this much would place the City at the equivalent of a Ba score or the second lowest score for the key financial indicator of debt compared to the value of property in the City. That would, of course, exert strong downward pressure on the City's bond rating. The City should develop a more locally appropriate debt limit, rather than relying on statutory limits (which are set without regard to local context). For example, debt equal to 4% of property value would still provide room for the City to issue more debt (the City is currently at less than 2%), while keeping that measure with the scoring tier equivalent to an A rating. The GFOA Risk Model can be used to "stress test" different policies.
- An unfavorable turn in the economic environment could impact the City's bond rating. The Risk Model can be used to simulate high interest rate environments and stagnant (or even declining) housing markets. Unsurprisingly, these conditions increase the chances that the key financial indicators we analyzed will slip into territory associated with a lower bond rating. This is important because some observers believe that a higher interest rate environment and stagnant or declining property market are real possibilities.
- Growth in the City's tax base supports borrowing and repayment of debt. Hence, the City should consider how it can use the City's land use planning capabilities to support the financial capacity of City government. Land use planning could be used to improve the revenue productivity of the land uses in the City's jurisdiction.
- The City's pension liabilities are a drag on the City and its capacity to borrow. Pensions are clearly the weak spot in the City's bond rating given how the pensions stand today. Some observers believe that the current discount rates assumed for the pensions' investments may be too optimistic. Lower discount rates would increase the size of the liability even further. This emphasizes the need for the City to find ways to manage its pension debt.
- The City can adopt certain financial policies to maintain good management practices. This will help make a positive impression on bond rating analysts. It is important to remember that even though our Risk Models shows the City is likely to perform consistently with an Aa rating in most scenarios: A) in many scenarios the City's position deteriorates from strong Aa to a weak Aa; and B) ratings are ultimately the product of the judgment of the bond ratings analyst. An analyst's

enthusiasm for the City's debt might dampened enough by this deterioration that the analyst decides on a ratings downgrade for the City.

- Though our analysis focused on the direct impact of debt on the finances of City government, the City should also be mindful of the burden on taxpayers. The Risk Model provides much of the information the City would need to estimate burdens on taxpayers under different scenarios.
- The City already has \$117 million in previously authorized debt that it plans to issue in the next few years. Given the City's interest in issuing more debt to support the Vision 2050 and other programs, the City should remain mindful of the City staff's capacity to manage new debt issuance and, critically, to manage the projects that the debt is intended to finance. Prioritizing projects to make sure the City doesn't take on more than it can handle will not only make the best use of limited staff capacity, it will help limit the total amount of debt the City takes on.
- By following a prudent borrowing strategy, managing pensions, and following other recommendations in this report the City should have a good chance of making a positive impression on bond ratings analysts and maintaining its ratings, all while preserving some additional capacity for the City to borrow.

## Appendix 1 – Limitations of GFOA’s Analysis

This section highlights the most important limitations of our analysis.

**Our analysis is not predictive.** GFOA does not forecast bond ratings. Rather, our model generates hundreds or even thousands of different scenarios to show how the future could unfold. This helps the City think more broadly about risk so that it can be more prepared for whatever future event does eventually come to pass. Finally, it is important to note that low probability events are still possible events. Hence, even if our model says an event has a low probability, then that does not mean it won’t occur.

**GFOA is not a risk management consultant.** We worked with the City to find out which risks to bond ratings are most salient and then modeled those risks quantitatively to judge the potential impact. It is not our place to determine what the City’s attitude towards risk should be or to substitute GFOA’s attitude towards risk for the City’s. GFOA builds models to help you explore the questions, but ultimately you have to make the decisions.

**Our analysis is based on historical records.** Historical data is often a good way to model potential future outcomes. However, historical data will not be perfect.

**Our analysis is not inclusive of every risk the City could possibly face.** We examined the City’s past history and worked with City staff to identify the risks that posed the most clear and present danger to the City’s bond rating. However, it is possible that the City could experience a shock that no one was expecting or that the City could be impacted by a low probability, but high consequence event.

**The calculation of the key indicators is subject to some interpretation.** Though Moody’s does produce detailed documentation of their methods, there is still some interpretation required. For example, the measure of fund balance is supposed to include all “operating funds”. It is ultimately up to the analyst to decide which funds are operating funds and which aren’t. It could be that GFOA would have a different interpretation than Moody’s. That said, given that our Risk Model did duplicate the City’s current score, our interpretation should at least be close.

**Good decisions do not always lead to good outcomes.** Excel simulation tools can enhance one’s perception and understanding of uncertainty and risk.<sup>9</sup> However, when dealing with uncertainty, even the best decision may not lead to a good outcome, if luck goes against you.<sup>10</sup>

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<sup>9</sup> “To survive in an increasingly unpredictable world, we need to train our brains to embrace uncertainty,” Emre Soyer, Quartz Magazine, January 9, 2017 <https://qz.com/879162/to-survive-in-an-increasingly-unpredictable-world-we-need-to-train-our-brains-to-embrace-uncertainty/>.

<sup>10</sup> This is one of the primary lessons in: Annie Duke. *Thinking in Bets: Making Smarter Decisions When You Don’t Have All the Facts*. Portfolio. 2019.



Energy Commission

ACTION CALENDAR  
May 23, 2023

To: Honorable Mayor and Members of the City Council

From: Energy Commission

Submitted by: Bentham Paulos, Chairperson, Energy Commission

Subject: Recommendation on Climate, Building Electrification, and Sustainable Transportation Budget Priorities for Fiscal Year 2023 and 2024

RECOMMENDATION

The Energy Commission recommends that the Berkeley City Council prioritize and include in the City's budget for the Fiscal Years Ending (FYE) 2023 and 2024 several staff positions, pilot projects, investments in electric vehicles and charging infrastructure, and other measures to ensure that the City's budget is aligned with and provides adequate and needed funding to implement the City's adopted Climate Action Plan, Electric Mobility Roadmap, Building Emissions Saving Ordinance, 2019 ban on gas in new construction, and the Existing Buildings Electrification Strategy.

POLICY COMMITTEE RECOMMENDATION

No action was taken by the Budget & Finance Committee. Item is automatically returning to the Council agenda pursuant to the 120-day time limit for items referred to policy committees.

SUMMARY

In this memo, the Energy Commission (which disbanded March 31, 2022, and was merged with the Community Environmental Advisory Commission in April 2022) provides details on specific budget and funding priorities for: staffing an Electric Mobility Coordinator and the Green Buildings Program Manager; fully funding the Building Electrification and Just Transition pilot project (especially to avoid risking loss of state funding); accelerate funding for the City's delayed fleet replacement with electric vehicles, residential electric vehicle charging infrastructure, and electric bike parking infrastructure; expanding public engagement and outreach; leveraging street maintenance budgets to incorporate and promote low-carbon mobility; and adopting policies and creating incentive programs to advance transportation and building electrification such as using the Transportation Network Company (TNC) User Tax General Fund revenue to fund bike and pedestrian projects and using a portion of the Transfer Tax to create an incentive program for residential building electrification.

## FISCAL IMPACTS OF RECOMMENDATION

The specific fiscal impacts are detailed in the budget recommendations below. At least one of our priority budget recommendations – to fully fund the Building Electrification and Just Transition pilot – is urgent and time-sensitive and cannot wait until the June budget process. Any delay risks Berkeley losing access to substantial state funding that could support this pilot.

## CURRENT SITUATION AND ITS EFFECTS

Berkeley has been a world leader on climate change and building electrification, as well as on zero waste. The City has already adopted an ambitious climate action plan and greenhouse gas (GHG) emission reduction goals.<sup>1</sup> Between our Building Emissions Savings Ordinance<sup>2</sup>, 2019 ban on gas in new construction, the 100% renewable option with East Bay Community Energy, and the Existing Buildings Electrification Strategy<sup>3</sup> (BEBES), approved by the Council last year<sup>4</sup>, we continue to lead the world with our thoughtfulness and action.

However, the task in front of us is daunting. With 60% of the City's emissions coming from the transportation sector and 36% from the building sector,<sup>5</sup> we must redouble our efforts to reduce climate emissions from transportation and buildings through electrification of buildings and transportation, sustainable low- and zero-carbon transportation modes, and other efforts. With the upcoming budget processes, we have ample opportunity to take necessary next steps to reach our zero emissions goals.

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<sup>1</sup> In 2006, voters overwhelmingly passed ballot Measure G and established Berkeley's goal to *Reduce our entire community's greenhouse gas emissions by 80% below 2000 levels by 2050*. Since then, the City has adopted a Climate Action Plan (2009).

On June 12, 2018, the Council passed item 30 which adopted a resolution establishing the goal of becoming a Fossil Fuel-Free City. Of the recommendations in the resolution, one was that "All future City government procurements of vehicles should minimize emissions and set a goal of transitioning the city's vehicle fleet to all electric vehicles."

Also, on June 12, 2018, the Council passed item 49 "Declaration of a Climate Emergency" which refers "to the Energy Commission to study and report back to Council on a path for Berkeley to become a "Carbon Sink" as quickly as possible, and to propose a deadline for Berkeley to achieve this goal" ideally by 2030.

<sup>2</sup> <https://www.cityofberkeley.info/BESO/>

<sup>3</sup> [https://www.cityofberkeley.info/uploadedFiles/Planning\\_and\\_Development/Level\\_3\\_-\\_Energy\\_and\\_Sustainable\\_Development/Berkeley%20Existing%20Bldg%20Elect%20Strategy\\_Final\\_102021.pdf](https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Energy_and_Sustainable_Development/Berkeley%20Existing%20Bldg%20Elect%20Strategy_Final_102021.pdf)

<sup>4</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2021/12\\_Dec/Documents/2021-12-14\\_Item\\_06\\_Minutes\\_for\\_Approval.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2021/12_Dec/Documents/2021-12-14_Item_06_Minutes_for_Approval.aspx)

<sup>5</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2022/02\\_Feb/Documents/2022-02-08\\_Presentations\\_Item\\_17\\_Pres\\_Planning\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2022/02_Feb/Documents/2022-02-08_Presentations_Item_17_Pres_Planning_pdf.aspx)

The Energy Commission has identified the following priority items related to climate, buildings, and transportation in the City's Fiscal Year (FY) 2023 budget to ensure that the budget aligns with the City's adopted climate action plan and greenhouse gas (GHG) emission reduction goals.

At least one of our priority budget recommendations – to fully fund the Building Electrification and Just Transition pilot – is urgent and time-sensitive and cannot wait until the June budget process. Any delay risks Berkeley losing access to substantial state funding that could support this pilot.

At its meeting of February 23, 2022, the Energy Commission voted to send this recommendation to the City Council by a vote of 6-0-0-1 [Moved Tahara, Second Paulos. Ayes: Paulos, Wolf, Tahara, Moore, Guliasi, Zuckerman. Noes: None. Abstain: None. Absent: de Tournay Birkhahn].

### **Budget Priorities Recommended by the Energy Commission**

#### **I. Budget Priorities to Increase Staff Capacity to Implement the City's Established Climate, Transportation, and Clean Energy Policies and Priorities**

- 1. Fund and Hire Staff to Implement the Electric Mobility Roadmap.** The City had previously approved the hiring of an Electric Mobility Coordinator within the Public Works Department<sup>6</sup> to assist with implementation of the Berkeley Electric Mobility Roadmap adopted in July 2020<sup>7</sup>; but, at the time of writing, no position has been posted, now a year and a half after approval of the Roadmap.

The Council has been a leader in adopting resolutions acknowledging the need for a prompt transition away from fossil fuels and strategies for how to do so.<sup>8</sup> But, without additional staff capacity, and exacerbated by recent staff departures and necessary pandemic re-assignments, the City has not been able to make adequate progress on implementing initiatives to reduce global warming pollution from the transportation sector, which is the largest emitter of global warming pollution in Berkeley.<sup>9</sup> Existing staff's capacity is simply inadequate to lead implementation of the groundbreaking,

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<sup>6</sup> Budget Referral from Councilwoman Harrison, March 30, 2021. The Energy Commission's understanding is that this position was included in the FY21-22 Budget to commence half-way through the fiscal year or as an "unfunded council referral," which was supposed to be funded via savings from other cuts or delayed expenses.

[https://www.cityofberkeley.info/Clerk/City\\_Council/2021/03\\_Mar/Documents/2021-03-30\\_Item\\_25\\_Budget\\_Referral\\_Allocate\\_Funding.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2021/03_Mar/Documents/2021-03-30_Item_25_Budget_Referral_Allocate_Funding.aspx)

<sup>7</sup> On July 21, 2020, the Council passed item 1, adopting the [Berkeley Electric Mobility Roadmap](#).

<sup>8</sup> *Ibid.*

<sup>9</sup> 59% of GHG emissions in Berkeley come from transportation, followed by 39% from buildings..

[https://www.cityofberkeley.info/Clerk/City\\_Council/2020/07\\_Jul/Documents/2020-07-21\\_Special\\_Item\\_05\\_Climate\\_Action\\_Plan\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/07_Jul/Documents/2020-07-21_Special_Item_05_Climate_Action_Plan_pdf.aspx) (July 21, 2020).

transformative Roadmap in addition to their current responsibilities, and relying only on existing staff to implement will continue to cause unacceptable delays. **To implement the Electric Mobility Roadmap, it is critical that the City fund and hire additional staff beginning in the FY 2023 budget.**<sup>10</sup>

- 2. Increase Staff Necessary to Implement the Berkeley Existing Buildings Electrification Strategy, and Ensure Durable Funding for Critical Staff Positions.** In addition to the Electric Mobility Coordinator position, the Energy Commission believes it should also be a priority for the City to enhance staff capacity for implementing other climate and clean energy initiatives, such as, but not limited, to the Berkeley Existing Building Electrification Strategy<sup>11</sup> and Climate Equity Action Fund.<sup>12</sup>

City staff has and continues to do impressive work with limited staff. However, the scope of the task ahead of us is massive. As laid out by the BEBES, there are no fewer than 57 policy actions (Table 3-5, BEBES) that the City should take in order to decarbonize the building sector by 2045, let alone by 2030, which the science demands of comparatively wealthy municipalities such as ours. Many of these actions involve substantial education and regulatory initiatives, which can only be achieved with the addition of dedicated, skilled staff.

Although we defer to staff with respect to the specifics of what additional positions might be most useful, some critical actions include:

- Ensuring durable, long-term funding for the Green Buildings Program Manager. Although hiring has only recently begun, this role was approved as part of the

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<sup>10</sup> This single staff person will have an outsized impact, as they will be responsible for establishing and coordinating the Electric Mobility Roadmap Implementation Working Group as called for in the Roadmap. This Working Group was supposed to be convened within six months of the Roadmap's approval, but in the absence of staff capacity, it still has not been done. The Working Group's mandate includes tracking and evaluating Roadmap implementation progress. Without the Working Group, there is no accountability for the City to deliver against its stated electric mobility plans.

<sup>11</sup> On November 30, 2021, the Council passed item 13, adopting the [Berkeley Existing Building Electrification Strategy](#). Phase 1 (2021-2025) actions for the Berkeley Existing Building Electrification Strategy will lay the groundwork to support wide-spread transition to electrified buildings in Berkeley. Policies included in Phase 1 will involve continued community engagement, pilot projects, education campaigns to demonstrate the benefits and feasibility of electrification, collaboration with labor and workforce organizations to advance inclusive high road jobs, alignment of existing programs and incentives, and the development of additional incentive programs as well as larger scale funding and financing programs such as tariffed on-bill financing. The City of Berkeley will work with partners such as East Bay Community Energy and Pacific Gas & Electric to develop larger scale Phase 2 projects. There will also be a need to collaborate with regional and State partners to align State policies to support Phase 2 actions. (Berkeley Existing Building Electrification Strategy, p. 95.)

<sup>12</sup> The City recently issued an [RFP](#) for the Climate Equity Action Fund. but existing staff do not have the capacity to maximize program impact and collect lessons learned from this innovative fund.



2019 gas ban,<sup>13</sup> and its extension will be critical in helping to develop future code amendments and help to reduce permitting overhead, improve compliance, and address the myriad other regulatory questions identified in the BEBES.

- Supporting and expanding staffing across the City for programs related to tenant protections and anti-displacement, such as those listed in Appendix C of the BEBES. As we electrify our existing building stock, we will need to evolve and augment our existing policies to protect marginalized communities at risk of displacement (CC-9, BEBES). We cannot afford for these policies to lag behind the pace and scale of electrification measures in the city.
- Supporting and expanding OESD staff to facilitate updates to the 2009 Climate Action Plan as appropriate and programs to facilitate Berkeley's ambitious new greenhouse gas limit goals. For example, last year the Council passed a Resolution establishing a 2030 emission reduction target that reflects Berkeley's fair share of the 50% global reduction in CO<sub>2</sub>e – 60.5% from 2018 levels by 2030.<sup>14</sup> Council is also actively considering more stringent and binding targets across its sector-based and consumption inventories. These new initiatives will have significant implications for the City's approach to building decarbonization. While we fully support these ambitious targets, efforts to implement them have been largely unfunded and understaffed. Achieving these targets will require a significant expansion of the City's climate staff capacity.

## II. Budget Priorities to Advance Clean Transportation in Berkeley

1. **Fund City Fleet Electrification and Charging.** On June 29, 2021, the City adopted item 25 approving the recommendations in the City Auditor's report "Fleet Replacement Fund Short Millions"<sup>15</sup>, which directed staff to adjust the fleet replacement funding model and budget, ensuring that the City's transition to electric vehicles (EVs) aligns with its adopted GHG emissions goals. On September 14, 2021, the Council adopted the recommendation from item 27 "Recommendations for Fleet Electrification Policy and Financing",<sup>16</sup> made by the Energy Commission, which referred to the City Manager to update the Municipal Fleet Electrification Assessment and EV charging funding priorities to respond to the City Auditor's Report and align with the objectives stated in the Electric Mobility Roadmap and

<sup>13</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/12\\_Dec/Documents/2019-12-03\\_Supp\\_2\\_Reports\\_Item\\_24\\_Supp\\_Arreguin\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/12_Dec/Documents/2019-12-03_Supp_2_Reports_Item_24_Supp_Arreguin_pdf.aspx)

<sup>14</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2021/11\\_Nov/Documents/2021-11-30\\_Item\\_14\\_Cities\\_Race\\_to\\_Zero\\_Campaign\\_\\_2030\\_emission\\_reduction\\_target.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2021/11_Nov/Documents/2021-11-30_Item_14_Cities_Race_to_Zero_Campaign__2030_emission_reduction_target.aspx)

<sup>15</sup> Fleet Replacement Fund Short Millions, Berkeley City Auditor, June 29, 2021. [https://www.cityofberkeley.info/Clerk/City\\_Council/2021/06\\_June/Documents/2021-06-29\\_Supp\\_2\\_Reports\\_Item\\_25\\_Supp\\_Auditor\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2021/06_June/Documents/2021-06-29_Supp_2_Reports_Item_25_Supp_Auditor_pdf.aspx).

<sup>16</sup> Recommendations for Fleet Electrification Policy and Financing, From Energy Commission, Sept 14, 2021. [https://www.cityofberkeley.info/Clerk/City\\_Council/2021/09\\_Sep/City\\_Council\\_\\_09-14-2021\\_-\\_Regular\\_Meeting\\_Agenda.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2021/09_Sep/City_Council__09-14-2021_-_Regular_Meeting_Agenda.aspx) - Item 27

prioritize municipal fleet modal shift to electric bicycles and other forms of zero-emissions mobility where feasible.

The Fleet EV Plan identified 32 vehicles to replace with EVs in FY 2021, requiring an estimated \$1.16 million; but, as of June 2021, Public Works had only \$747,000 to replace 29 vehicles scheduled to be replaced with EVs in FY 2021. The Energy Commission's recommendation noted that delaying replacement of these vehicles in 2021 would result in greater GHG emissions:

“For example, per the Fleet EV Plan, if the City does not replace light-duty internal combustion cars with EVs as scheduled in 2021, it will produce an estimated additional 10.6 MT of GHG emissions in 2021; if not replaced as planned in 2022 an additional 19.5 MT of GHGs would be emitted in 2022; and so on.” (page 4).

It is the Energy Commission's understanding that East Bay Community Energy (EBCE) has offered to provide substantial investments in the City of Berkeley for EV charging infrastructure, which would support progress on the City's fleet electrification and free up City funds that would otherwise have been spent on EV charging infrastructure. The Energy Commission urges the Council to resolve the budget gaps identified in the Auditor's report and explore additional funding sources so that the City can accelerate its purchases of EVs and the associated EV charging infrastructure in FY 2023.

A global microchip shortage resulting in prolonged supply chain delays and long wait times for the delivery of EVs is compounding the necessity for the City to take immediate action on fleet replacement. These delays are being exacerbated by the recent surge in demand for EVs. As more municipalities similarly pass electrification plans, Berkeley will see increasing competition for the same vehicles. The City must thus plan and order ahead if it wants to have a smooth fleet transition. The City should also commence its purchase of e-bikes for the years ahead, as replacements to existing City vehicles where appropriate. E-bikes are both highly cost effective and may not face the same supply chain delays as electric cars and trucks. The Energy Commission recommends that the Council prioritize these municipal fleet EV replacements, along with the associated EV charging infrastructure, in the FY 2023 budget.

2. **Expand Infrastructure for Residential EV Charging and E-Bike Parking.** The City should prioritize funds to address solutions for residential curbside EV charging. The City's Residential Curbside EV Charging Pilot Program<sup>17</sup> sunset in 2020. The development model the pilot used – private ownership of a charger on the side of a

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<sup>17</sup> [https://www.cityofberkeley.info/uploadedFiles/Planning\\_and\\_Development/Level\\_3\\_-\\_Energy\\_and\\_Sustainable\\_Development/Manual%20with%20attachments%2012-1-14.pdf](https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Energy_and_Sustainable_Development/Manual%20with%20attachments%2012-1-14.pdf)

public street – was not successful. While 62 residents applied for the program, only four on-site and seven curbside chargers were installed - high permitting fees, restrictive engineering requirements, lack of control of the parking space adjacent to the charger, and poor access to electrical supply resulted in high costs.<sup>18</sup> Given the number of Berkeley residents who do not have access to a driveway or garage, the Electric Mobility Roadmap identified as a high priority the need to deploy curbside charging for electric cars, particularly in neighborhoods with high rates of multifamily and rental housing. The next phase of curbside charging will incorporate lessons learned from the Pilot, investigate alternative strategies, identify state and federal funding sources, and explore partnerships with EBCE and EV charging companies.

The City should also investigate the potential to provide public secure parking for other types of fossil fuel-free vehicles, namely e-bikes and cargo bikes, for apartment dwellers. E-bikes and cargo bikes tend to be larger and heavier than regular bicycles, making them difficult to carry up steps. A paid, public parking system, such as the BikeLink lockers at BART stations, may be adapted to street parking near apartment buildings.

The Council should allocate funds in the budget for an electric mobility staff person who would oversee new projects — research other cities' approaches, evaluate Berkeley's codes, standards, and permitting processes, and conduct feasibility studies — along with funds for the pilot projects themselves.

3. **Incorporate Low-Carbon Mobility into Street Maintenance Budget.** While Council is considering a bond measure that would make capital investments in our transportation system, the City should also revisit how the maintenance budget can be used to promote low-carbon mobility.

The Council has approved multiple plans to promote safe, equitable, and low-carbon mobility for all. These “complete streets” concepts are captured in the Bicycle Plan, Pedestrian Plan, Vision Zero Action Plan, and analysis of Safe Routes to School.<sup>19</sup> But many of the measures in these plans have been implemented slowly, if at all. The Council should direct the Public Works Department to follow these plans to the letter, and integrate all low-cost and rapidly deployable concepts from the plans into their ongoing maintenance. The timing of deploying higher cost measures may necessarily depend on funding.<sup>20</sup>

<sup>18</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2018/02\\_Feb/Documents/2018-02-27\\_Item\\_16\\_Residential\\_Curbside\\_Electric.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2018/02_Feb/Documents/2018-02-27_Item_16_Residential_Curbside_Electric.aspx)

<sup>19</sup> See [Bicycle Plan](#), [Pedestrian Plan](#), [Vision Zero Action Plan](#), [Safe Routes to School](#).

<sup>20</sup> A related concept is that the Council should consider giving a more formal policy status to Bicycle Boulevards. While the Boulevards serve as a useful wayfinding tool for cyclists, their designation does not give the streets a meaningful status, and no prioritization when it comes to City planning or operations. For example, places where Bicycle Boulevards cross busy streets, such as at California/Dwight or Channing/San Pablo, face years of delay before safe crossing solutions can be implemented. Numerous

On January 18, 2022, the Council adopted item 19, referring a budget item to use Transportation Network Company (TNC) User Tax General Fund revenue to build and maintain protected bicycle lanes and crossings, pedestrian street crossings, and quick-build public transit projects under the Street Repair Program. The Energy Commission recommends that the Council follow through on its plan to use this revenue to benefit transportation projects in Berkeley.

### III. Budget Priorities and Financial Incentives to Advance Building Decarbonization in Berkeley

1. **Fully Fund the Building Electrification and Just Transition Pilot Project.** In the December 2021 Annual Adjustment Ordinance (AAO) budget process, the Mayor declared, and the Council approved, that the Building Electrification and Just Transition pilot (“the pilot”)<sup>21</sup> be a first priority to be funded in the May 2022 AAO.<sup>22</sup> Consistent with the City’s “targeted universalism” approach to building electrification,<sup>23</sup> the pilot intends to kick-start electrification among affordable housing and low income (LMI) communities through incentives, and develop high-road jobs through labor standards and contractor prequalification.

**Funding for this item in the May AAO is critical, and cannot wait until the June budget process.** Any delay risks losing access to substantial state funding that could multiply the reach and impact of the pilot. The California TECH initiative, an \$120 million initiative established by SB 1477, recently began offering incentives for heat pump space and water heating that can defray nearly \$10,000 of cost per home,<sup>24</sup> including the cost of an electric panel upgrade. These incentives are accessible to contractors via the BayREN Home+ programs, which will simplify administration of the pilot due to its use of pre-qualified contractors.

There is additional urgency as well. The Bay Area Air Quality Management District (BAAQMD) is looking at phasing out the sale of NOx-emitting appliances by the end

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Bicycle Boulevards suffer from extremely poor pavement condition. Stop signs often favor cars instead of the Boulevards, and lighting can often be sub-standard. All of these factors undermine achievement of City plans, threaten public safety, and lock in carbon pollution. Direction from the Council to staff could take the form of a formal designation of the Boulevards as a category of street, just as Public Works delineates “arterials” and “collectors” when it comes to planning and operations.

<sup>21</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2021/11\\_Nov/City\\_Council\\_11-30-2021\\_-\\_Regular\\_Meeting\\_Agenda.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2021/11_Nov/City_Council_11-30-2021_-_Regular_Meeting_Agenda.aspx)

<sup>22</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2021/12\\_Dec/Documents/2021-12-14\\_Supp\\_2\\_Reports\\_Item\\_44\\_Supp\\_Mayor\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2021/12_Dec/Documents/2021-12-14_Supp_2_Reports_Item_44_Supp_Mayor_pdf.aspx)

<sup>23</sup> According to the BEBES: “Targeted Universalism is the practice of setting a universal policy goal...while identifying targeted strategies and actions specifically for marginalized communities to ensure that those communities can benefit from the policy goal.”

<sup>24</sup> For single-family homes (up to 4 units), including “enhanced” incentives for HPWH. See: <https://energy-solution.com/wp-content/uploads/2021/12/TECH-Single-and-Multifamily-Incentives.pdf>

of the decade,<sup>25</sup> which will significantly affect the availability of non-electric space and water heating. However, BAAQMD recognizes that such a rule can only be effective if there is sufficient financial support for disadvantaged communities and a robust installer network (things the BEBES also calls out) so that everyone can reap the benefits of zero-pollution appliances without facing substantial costs. **These costs cannot be borne by cities alone, but Berkeley can lay the groundwork to leverage state and federal money with its pilot and thus significantly contribute to the regional effort to improve air quality and GHG emissions.**

2. **Use Transfer Tax Revenues to Provide Incentives for Electrification.** With soaring home prices, the transfer tax represents a durable source of funds that the City should leverage to accelerate our building electrification goals. There are two potential models to consider.

First, would be to model a rebate program after the Seismic Retrofit Refund Program<sup>26</sup> that would rebate a percentage of the transfer tax with a value up to the cost of a typical electrification package for electrification measures completed within one year of transfer. This would incentivize electrification at a time when there is large access to capital, and could lay the groundwork for an ultimate requirement to retrofit at time of sale. OESD staff have already provided Council with a draft ordinance and indicate that each year on average 800 units would qualify through this mechanism.<sup>27</sup>

The Energy Commission recommends that Council move forward with this ordinance but with a cap on the amount of eligible homeowner rebates per year. These rebates are critical to the City's long-term strategy of phasing in potential electrification mandates as feasible.

At the same time, as a diverse and majority renter city, it is critical that electrification subsidies are also available for units occupied by rent controlled or below market rate tenants. As a second model option, a percentage of the transfer tax refund program (for example, the difference between the reserved and actual rebate amounts) might be simultaneously allocated to expand electrification work among those LMI and minority communities most affected by inequality, pollution, climate change, or at risk of displacement. This could come in the form of expanding the Building Electrification and Just Transition pilot and Climate Equity Fund to reach more households, or other incentive programs targeted at those same communities.

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<sup>25</sup> <https://www.baaqmd.gov/rules-and-compliance/rule-development/building-appliances>

<sup>26</sup> [https://www.cityofberkeley.info/Finance/Home/Real\\_Property\\_Transfer\\_Tax\\_Seismic\\_Refunds.aspx](https://www.cityofberkeley.info/Finance/Home/Real_Property_Transfer_Tax_Seismic_Refunds.aspx)

<sup>27</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/07\\_Jul/Documents/2020-07-21\\_Special\\_Item\\_03\\_Referral\\_Response\\_Ordinance\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/07_Jul/Documents/2020-07-21_Special_Item_03_Referral_Response_Ordinance_pdf.aspx)

3. **Adopt Policies to Promote Implementation of Low-cost, Partial Electrification measures.** In addition to enacting full retrofit programs, we recommend that the Council consider low-cost, partial electrification measures to maximize the immediate climate and health impacts of electrification measures. For example, a requirement that any AC installation instead be a heat pump (TR-7, BEBES) could be coupled with a subsidy for LMI communities to pay for the cost difference between an AC and an equivalent heat pump model, which is estimated to be between just \$200 and \$500 wholesale.<sup>28</sup> An installer subsidy of \$676 alone could be enough to nearly double heat pump market share even absent a mandate<sup>29</sup>. Other low-cost measures might include the purchasing and distribution of portable heat pumps to provide cooling to households on our increasing number of hot days (newer inverter models offer substantial energy savings over traditional portable ACs<sup>30</sup>), portable induction units as both a gateway into electric cooking and a mechanism to reduce indoor NOx pollution that has been demonstrated to cause asthma in small children,<sup>31</sup> as well as weatherization work to make homes safer, more comfortable, and to reduce energy use. Council might also consider rebates for electrification at time of replacement, or provide access to equipment purchased under bulk purchasing agreements as part of the Building Electrification and Just Transition pilot program.

#### IV. Budget Priorities to Educate and Engage Berkeley Residents in Implementing Transportation and Building Electrification

1. **Expand Sustainability Outreach Events.** In conjunction with implementation of the Electric Mobility Roadmap and Existing Building Electrification Strategy, it is appropriate for the City to continue and expand public engagement on alternative transportation and green building solutions.

Increasing electric mobility awareness and education is a key strategy in the Electric Mobility Roadmap for achieving the City's zero net carbon goals. Berkeley has already organized four highly successful annual Ride Electric events, which brought the public together to learn about and, in certain cases, test drive EVs and e-bikes. The City has also partnered successfully with other local groups to organize in-person and virtual green building tours that feature clean energy, energy and water conservation, gray water, electric appliances, and garden features.

As technologies and incentives evolve, more members of the public consider adopting electric mobility and building electrification technologies, and as the City

<sup>28</sup> <https://www.clasp.ngo/research/all/3h-hybrid-heat-homes-an-incentive-program-to-electrify-space-heating-and-reduce-energy-bills-in-american-homes/>

<sup>29</sup> *ibid*

<sup>30</sup> <https://www.midea.com/us/air-conditioners/portable-air-conditioners/midea-duo-smart-inverter-portable-air-conditioner-map12s1tbl>

<sup>31</sup> <https://cfpub.epa.gov/ncea/isa/recordisplay.cfm?deid=310879>

increases its e-mobility expertise through additional staffing, these events can and should continue to play an important role in getting Berkeley residents to transition away from fossil fuels. The Roadmap states that the City will expand electric mobility education and outreach activities, with a goal of increasing awareness of electric mobility options and incentives.<sup>32</sup> To deliver on this commitment, the City must allocate funds for these events in its next budget.

With its recent adoption of the Existing Building Electrification Strategy, the Council must expand funding for sustainability outreach events to also address needs identified in the Strategy. For example, the Strategy identified a need for education to address the steep learning curve and cultural sensitivity around cooking with electric stoves, as cooking is a cultural asset and many feel strongly about cooking with gas stoves.<sup>33</sup> While the City has hosted building electrification events, including loan programs for residents to try out electric induction cooktops, it will need to do more to engage residents in adopting electric heat pumps, induction stoves, and other technologies.

## BACKGROUND

The City has existing mandated climate goals and emissions reductions commitments, and already-adopted strategies, such as the Electric Mobility Roadmap and the Existing Buildings Electrification Strategy. Furthermore, the City has already approved certain staff positions and investments, such as an Electric Mobility Coordinator position and commitments to replace the City's vehicle fleet with electric vehicles on a schedule. The City is falling behind in hiring and filling needed positions and in executing on needed investments. The budget recommendations proposed by the Energy Commission in this memo seek to ensure the City stays on track to meet its goals.

## ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

If the Council further delays investments or doesn't include our recommended priorities in the upcoming budget, it puts at risk the health and safety of Berkeley's residents, the City's achievement of its adopted and mandated climate, clean energy, and transportation goals, and its national and global leadership on addressing climate change in innovative ways.

## RATIONALE FOR RECOMMENDATION

The Energy Commission commends the Council for its many years of leadership to reduce Berkeley's global warming pollution and to advance clean energy solutions for the transportation and building sectors. Our budget is a declaration of our values. We have a tremendous opportunity to accelerate building decarbonization while improving equity through targeted universalism, and we must seize the moment to secure a safer, healthier, more resilient future.

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<sup>32</sup> Berkeley Electric Mobility Roadmap, p. 43.

<sup>33</sup> Berkeley Existing Building Electrification Strategy, p. 42.

However, if the Council further delays investments in staffing, fleet electrification and electric vehicle charging infrastructure, building maintenance and retrofits, and public education in the FYE 2023 and 2024 budget, it puts at risk the health and safety of Berkeley's residents, the City's achievement of its adopted and mandated climate, clean energy, and transportation goals, and its national and global leadership on addressing climate change in innovative ways. The Energy Commission thus urges the City Council to incorporate the above stated priorities into its FYE 2023 and 2024 budget.

ALTERNATIVE ACTIONS CONSIDERED

We did not consider excluding these items from the budget.

CITY MANAGER

The City Manager recommends that the content and recommendations of the Commission's Report be referred to the budget process.

CONTACT PERSON

Billi Romain, Energy Commission Secretary, 510-981-7432





Office of the City Manager

INFORMATION CALENDAR  
May 23, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Jennifer Louis, Interim Chief of Police

Subject: Audit Recommendation Status - Berkeley Police: Improvements Needed to Manage Overtime and Security Work for Outside Entities

CURRENT SITUATION AND ITS EFFECTS

The City Auditor's report included 12 recommendations. Five of the recommendations have been implemented, one has been partly implemented and six of the recommendations have been started. The next status update report will be in six months.

Included in the update is progress on two significant recommendations. We have recently implemented an electronic staffing software solution that will improve ability to monitor overtime and resources. The Department worked with the City Attorney's Office to develop Policy 1043 which describes the procedures and contractual agreement requirements for working with outside entities. That policy is attached to this item. Information about the process as well as the application itself are also available on the Police Department website at;

<https://berkeleyca.gov/safety-health/police/community-liaisons>

BACKGROUND

On March 3, 2022, the City Auditor's Office issued its audit, *Berkeley Police: Improvements Needed to Manage Overtime and Security Work for Outside Entities*<sup>1</sup>. This audit report included 12 recommendations. The purpose of this report is to update the City Council on the Police Department's progress on implementing the City Auditor's recommendations. This is the second status report for this audit, the first being in November 2022.

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<sup>1</sup> City Auditor's Office Overtime Audit (3/3/2022)

<https://berkeleyca.gov/sites/default/files/2022-04/Berkeley%20Police%20-%20Improvements%20Needed%20to%20Manage%20Overtime%20and%20Security%20Work%20for%20Outside%20Entities.pdf>

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

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

FISCAL IMPLICATIONS

Staff time in addition to the contract costs. The contract for CareWare, approved in 2022 is \$191,740 (5-year contract). This software is now being utilized throughout the whole Police Department.

CONTACT PERSON

Captain Kevin Schofield, Police Department, (510) 981-5815

ATTACHMENTS

1. Police Overtime Recommendation Table
2. Policy 1043 - Extra Duty Employment

Audit Title: Berkeley Police: Improvements Needed to Manage Overtime and Security Work for Outside Entities						
Finding	Recommendation		Department	Expected or Actual Implementation Date	Status of Audit Recommendations, Corrective Plan, and Progress Summary	Last Period: Status
Overtime is used to maintain minimum patrol staffing set by BPD.	1.1	Collect and monitor data on how often compensatory time leads to additional backfill overtime and develop a plan to monitor it.	Police	9/1/2023	<u>Started:</u> The CareWare electronic staffing software solution has recently been implemented to monitor staffing, overtime and time off, plus shift trades/swaps. Now that the software is being utilized, BPD will be better able to work towards understanding the expense and impacts of compensatory time.	Not Started
Overtime is used to maintain minimum patrol staffing set by BPD.	1.2	Fill vacancies deemed necessary and/or reallocate staff pending the reimagining process and a determination of appropriate staffing levels.	Police	Ongoing	<u>Started:</u> The City of Berkeley released an RFP for a "Berkeley Police Department Workload Organizational Study". A vendor for the organizational workload study has been selected and BPD is entering into the contracting process.	Not Started
Minimum staffing levels in BPD's Patrol Unit could cause unnecessary overtime if not regularly updated.	2.1	Establish a procedure to regularly assess minimum staffing and overall staffing needs of the department. This process should document and incorporate criteria to assess staffing levels, such as calls for service, other workload, community input, and other relevant factors. As BPD prepares for the rollout of a new software system, BPD should consider how to best align the program's capabilities with this assessment process.	Police	9/1/2023 - 3/1/2024	<u>Started:</u> Annually, BPD will monitor and reassess workloads as they consider how to best allocate resources. These internal tools were used with the March 2023 timesheet to help identify a new beat structure to ensure adequate coverage plus rebalancing minimum staffing levels.	Not Started

<p>Minimum staffing levels in BPD's Patrol Unit could cause unnecessary overtime if not regularly updated.</p>	<p>2.2</p>	<p>Document and define the Patrol Unit's minimum staffing levels in a publicly assessable format.</p>	<p>Police</p>	<p>9/2/2022</p>	<p><u>Implemented:</u> This information has been placed on the BPD webpage. The button "current officer shift assignments" links to a timesheet with officer assignments. Information can be viewed at <a href="https://berkeleyca.gov/safety-health/police/community-liaisons">https://berkeleyca.gov/safety-health/police/community-liaisons</a>. The public-facing CoB website additionally includes the following language: "Note: The timesheet and minimum staffing levels are a starting point for each shift assessed every six months and commanders have a number of options to consider regularly. There are often daily assessments, as well. Overtime to backfill officers is typically triggered when a patrol team's staffing drops below 9 or 10, depending on which Patrol team, or as other needs may dictate (crimes, emergencies, protests, etc.). These numbers are always subject to change."</p>	<p>Implemented</p>
<p>Minimum staffing levels in BPD's Patrol Unit could cause unnecessary overtime if not regularly updated.</p>	<p>2.3</p>	<p>Document the results of staffing assessments along with the assessment criteria. Incorporate results into staffing projections for budgetary decision making, including establishing a sufficient and appropriate overtime budget.</p>	<p>Police</p>	<p>9/1/2023 - 3/1/2024</p>	<p><u>Started:</u> A vendor for the organizational workload study has been selected and BPD is entering into the contracting process.</p>	<p>Not Started</p>

<p>Officers work excessive overtime, increasing health and safety risks.</p>	<p>3.1</p>	<p>Update the department overtime policy to address the fact that there currently is no limit to the number of consecutive days worked and determine the appropriate limit for overtime that is enforceable with the goal of avoiding officer fatigue. The department may examine other jurisdictions' overtime limits as possible criteria.</p>	<p>Police</p>	<p>3/1/2024</p>	<p><u>Started:</u> BPD has started looking into what other agencies do regarding limiting the number of consecutive days worked. The current policy addresses the maximum number of work hours per week but does not address consecutive days worked. The recent implementation of the electronic staffing software solution and tracking abilities may also help guide any needed changes.</p>	<p>Not Started</p>
<p>Officers work excessive overtime, increasing health and safety risks.</p>	<p>3.2</p>	<p>Work to implement a staffing software solution that integrates overtime management and scheduling software. Develop management reports that provide timely, accurate, and complete information on overtime usage. Develop a process for filling overtime shifts on a voluntary and mandatory basis, including supervisor approval. Build in warnings for when an individual is approaching overtime limits and an approval process for allowing individuals to exceed limits when deemed necessary according to the policy.</p>	<p>Police</p>	<p>3/8/2023</p>	<p><u>Implemented:</u> The CareWare electronic staffing software solution has recently been implemented to monitor staffing, overtime and time off, as well as shift trades/swaps. This includes a warning notice within the system that someone could be working more than the allowed number of hours. This warning requires acknowledgement by the user allowing the hours.</p>	<p>Started</p>

BPD has no contracts for overtime security with outside entities.	4.1	Update A.R. 2.10 and other department policies to explicitly include guidance around department agreements for work for outside entities, which is paid for by reimbursements to the City from the outside entities. Internal procedures should include appropriate criteria to identify and document the benefit to the City gained by work for outside entity agreements, and to allocate resources in a way that does not negatively impact City operations. Additionally, BPD should document their criteria for when officers are not available or eligible for work for outside entities.	Police	Ongoing	<u>Implemented:</u> BPD finalized Policy 1043 and will begin using the newly created contracts with outside entities.	Started
BPD has no contracts for overtime security with outside entities.	4.2	In consultation with the City Attorney, create contracts with outside entities in compliance with City policies and applicable laws.	Police	Ongoing	<u>Partly Implemented:</u> Service agreements for work with outside entities are drafted and available on the Police Department's website. BPD's sergeant in special events will be doing outreach to all of the regular consumers/requesters as a next step.	Started

<p>BPD has no contracts for overtime security with outside entities.</p>	<p>4.3</p>	<p>Develop an application for BPD’s services that is publicly available and accessible online to any interested party. Set pay uniformly according to rank and hourly rate and include a reasonable fee that covers the expenses of administering work for outside entities including workers compensation, fuel, use of equipment, and any other actual or potential costs to the City.</p>	<p>Police</p>	<p>3/30/2023</p>	<p><u>Implemented:</u> The application and service agreement have been added to the BPD website on the Community Liaisons page under 'Related Documents'. BPD will be working with their web management team to add it to the main City of Berkeley website in the 'Special Events' section. A 10% fee was added on top of employee fees to offset costs associated with coordinating special events, including planning and staff time. 10% is a standard administrative fee at the state level and is standard administrative fee for grant funding they receive. BPD wants to be consistent with department administrative fees throughout BPD. The police department will adjust the administrative fee in the future as needs dictate.</p>	<p>Started</p>
<p>BPD has no contracts for overtime security with outside entities.</p>	<p>4.4</p>	<p>BPD should reconcile invoices with the amounts received for work with outside entities at regular intervals. BPD should also implement procedures to check invoices for errors prior to billing outside entities.</p>	<p>Police</p>	<p>3/7/2023</p>	<p><u>Implemented:</u> BPD's Admin &amp; Fiscal Services Unit developed a written procedure for the 'Outside Entity Billing Process'. This will ensure consistency and accountability in billing and tracking.</p>	<p>Started</p>
<p>BPD has no contracts for overtime security with outside entities.</p>	<p>4.5</p>	<p>Explore ways to clearly account for different funds to track revenues and expenses.</p>	<p>Police</p>	<p>Ongoing</p>	<p><u>Started:</u> BPD is in the beginning stages of developing potential solutions to account for different funds. It may require collaboration with Finance, Budget, Payroll Audit, the ERMA Team, and other stakeholders.</p>	<p>Started</p>

## Extra Duty Employment

### 1043.1 PURPOSE AND SCOPE

This policy covers extra duty employment, which consists of officers working special details wherein the City of Berkeley has a contractual agreement to provide services for a fee to private third parties.

#### 1043.1.1 DEFINITIONS

**Extra Duty Employment-** Extra Duty Employment occurs when a member of this Department performs police services at the request of a private third party and receives overtime compensation or wages paid directly into their routine pay, the cost of which the City will recover pursuant to a Service Agreement between the private third party and the City. Approval shall be obtained from the Chief of Police prior to any overtime being posted for Extra Duty Employment.

### 1043.2 OBTAINING APPROVAL FOR EXTRA DUTY EMPLOYMENT

All requests for Extra Duty Employment will be offered only after a third party has signed a Service Agreement and completed an Application for Extra Duty Services prior to the officers being assigned.

The City is under no obligation to provide or approve Extra Duty Employment and all requests must consider the following criteria:

- The overall staffing needs of the Department, including Investigations and specialized patrols such as the Bike Force Team
- The impact of the request on officer wellness and fatigue mitigation
- The degree to which the extra duty employment supports overall public safety and builds connections with the community.
- The potential the extra duty employment has to cast discredit upon or create embarrassment for the Department or City Government.

In instances where the Department chooses not to staff an Extra Duty Employment opportunity, the private third party will not incur any charges.

The completion of a Service Agreement and Application for Extra Duty Services is required for all events in which the Berkeley Police Department will seek reimbursement. All police grant work is excluded from this policy. Mutual Aid response from the Berkeley Police Department may include incidents wherein reimbursement is expected, however it is explicitly excluded from the provisions of the Extra Duty Employment, and is covered under General Order M-02, and Policy 327 (upon its publication).

Any private third party seeking Extra Duty Employment shall complete the following:

- The private third party must complete the **Service Agreement** in order to request Extra Duty Employment. This form is available on the Police Department's website, and is attached to this policy.
- The **Service Agreement** may be entered into for a one-time event, for repeating events, or to cover continuous service. **Service Agreements** for Extra Duty Employment will span no longer than the duration of one calendar year, automatically resetting every January 1<sup>st</sup> for events that seek continuous services. In circumstances like the Berkeley Unified School District which may have different events spanning the year, the **Service Agreement** for Extra Duty Employment should identify what activities or events (i.e. sporting events, dances, graduation) are anticipated. Extra Duty Employment outside of these events will require an additional application. This allows for adjusted staffing consistent with the needs of each respective event.



## *Extra Duty Employment*

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- City Manager approval must be obtained for all **Service Agreements**.
- The private third party must complete an **Application for Extra Duty Employment**. This form is available on the Police Department's website, and is attached to this policy.
- The private third party must submit the **Application for Extra Duty Employment** and any additional supporting documents to the Special Events Sergeant.
- Chief of Police approval must be obtained for all **Applications for Extra Duty Employment**
- The Special Events Sergeant will be the contact person between the Department and the private third party on the status of their respective application.
- The Special Events Sergeant will be responsible for posting the overtime.
- The Special Event Sergeant shall maintain records of all submitted Extra Duty Employment requests and shall be responsible for annual renewal of Service Agreements.

### **1043.3 EXTRA DUTY EMPLOYMENT- SWORN PERSONNEL**

Sworn personnel are subject to the following provisions regarding Extra Duty Employment while working in a law enforcement function representing the Berkeley Police Department:

- Officers will treat Extra Duty Employment overtime like regular patrol duty, and shall be dressed in full Police Uniform, and adhere to all policies and procedures of the Berkeley Police Department. Officers are permitted to use marked police vehicles as appropriate while working in this capacity.
- All officer conduct will be highly professional, and all law enforcement actions taken will be those authorized by the employee's status as a California police officer.
- In all Extra Duty Employment instances, the police personnel shall at all times be subject to the exclusive direction, supervision, and control of the Police Department.
- Equipment, including vehicles, may be assigned by the Police Department based on the nature and duration of the work to be performed.

[See attachment: BPD Service Agreement-final.pdf](#)

[See attachment: Application for Extra Duty Services.pdf](#)

## Attachments

## BPD Service Agreement-final.pdf

**CITY OF BERKELEY POLICE DEPARTMENT SERVICE AGREEMENT**

This agreement for services (“Agreement”) is by and between the City of Berkeley, a chartered California municipal corporation (“City”) and \_\_\_\_\_ (“Organization”). The City and the Organization may be referred to herein individually as a “Party”, or collectively as the “Parties”.

The Parties agree to the following terms and conditions:

1. DATES: Unless this paragraph is subsequently modified by a written amendment to this Agreement, the term of this Agreement shall begin on \_\_\_\_\_ and terminate on \_\_\_\_\_.
2. SERVICES; CONDITIONS; CITY EMPLOYEES: In exchange for the compensation from the Organization, as described in this Agreement, the City’s Police Department Peace Officer Personnel (“Personnel”) shall provide security services, crowd control, and/or traffic control (collectively, “Services”) as may be separately requested by the Organization and agreed upon by the City. In performing such Services, the Personnel shall be utilized only in their capacity as Peace Officers, as defined by California Government Code Section 50920 and Penal Code Sections 830 and 830.1.

The Personnel shall, at all times, be subject to the exclusive direction, supervision, and control of the City. The Personnel shall remain employees of the City when performing Services under this Agreement, and shall not be deemed employees of the Organization.

Services shall be provided only upon written request by the Organization via the completion of an Application for Extra Duty Services, attached hereto as Exhibit A. Any request shall include the date and time-period for which Services are required, the number of Personnel anticipated, and a description of the Services. The City may reject any request for any reason in its sole discretion.

The City’s ability to perform such Services is subject to the availability of its Personnel, as such availability may be determined by the City in its sole discretion. It is understood and agreed that the City assumes no liability for its rejection of any request for Services or its inability to provide Personnel for Services on any particular date and/or time.

3. BILLING: The Organization will be billed by the City for Services rendered by the Personnel at the overtime rate of the individual Personnel who provide the Services plus indirect costs of 10% of the hourly rate. The specific hourly rate for the individual Personnel shall be determined by the City and shall include a three-hour minimum charge per individual Personnel. Billing for Services shall begin from the time the officer leaves the police station to travel to the off-site work area and will continue until the officer has returned from the off-site work area to the police station.
4. INDEMNITY/HOLD HARMLESS: To the maximum extent permitted by law, and excluding the gross negligence or willful misconduct by the Personnel while providing the Services, the Organization shall defend, indemnify, and hold harmless, the City (including any City employee, officer, or agent), from any claim, injury, loss, or damage,

including all costs and reasonable attorney’s fees, in any way arising from the Services provided under this Agreement.

- 5. **LIABILITY INSURANCE/ADDITIONAL INSURED**S: The Organization shall provide and maintain certificates of insurance for a Commercial General Liability and Automotive Liability insurance policy (in a form acceptable to the City Attorney’s Office), which carries general policy coverage limits of at least one million dollars (\$1,000,000).

The Organization shall also provide an endorsement to such insurance policy providing coverage at least as broad as Insurance Services Office Endorsement CG 2010, 1985 Edition, which names the City of Berkeley and its employees, officers, and agents as additional insureds under said policy. Such insurance shall be primary and non-contributing, and shall include a waiver of any right of subrogation against the City. The Additional Insureds endorsement must include the following, or very similar, language: The City of Berkeley and its employees, officers, and agents are hereby added as additional insureds with respect to liability arising out of the paid services the City provides to the Organization under the terms of the Berkeley Police Department Service Agreement.

- 6. **WORKER’S COMPENSATION CLAIMS**

An employee’s worker’s compensation claim for an injury sustained while performing Services under this Agreement shall be primarily covered by the City’s Workers’ Compensation Insurance Plan.

- 7. **BINDING and NON-DELEGATION**: The City and Organization bind themselves to the terms and conditions of this Agreement, and except as otherwise set forth in this Agreement, no interest in this Agreement or any of the Services provided for in a request under this Agreement shall be assigned, delegated, or transferred, either voluntarily or by operation of law, without the prior written approval of the Parties.

- 8. **NOTICES**: All notices prescribed by this Agreement shall be in writing and shall be deemed effective once delivered and properly received by:

To City: Chief of Police  
 Berkeley Police Department  
 2100 Martin Luther King, Jr., Way  
 Berkeley, CA 94704

To Organization: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

- 9. **GOVERNING LAW**: This Agreement shall be governed and construed in accordance with City of Berkeley Municipal Code and the laws and regulations of the State of California.

- 10. AMENDMENTS: The City or Organization may, from time to time, request changes in the terms and conditions of this Agreement. Such changes, which are mutually agreed upon in writing by the City and Organization shall be incorporated in amendments to this Agreement.
- 11. COUNTERPARTS: This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which shall constitute one and the same instrument; and, the Parties agree that signatures on this Agreement, including those transmitted by facsimile or scanned email attachment, shall be sufficient to bind the Parties.
- 12. OTHER AGREEMENTS: This Agreement shall not supersede, amend, or otherwise alter any other contract, memorandum of understanding, or any other written agreement between the Parties.
- 13. UNDERSTANDING/AUTHORITY TO SIGN: The Parties hereby certify that they have read the above terms and conditions, and agree to conform to them and all laws and regulations pertaining to the use of City Personnel for the purposes as set forth in this Agreement. The signatories below warrant and represent they have the authority to bind the Party to the terms of this Agreement.

CITY OF BERKELEY

Dated: \_\_\_\_\_

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Office of the City Manager  
 City of Berkeley  
 2180 Milvia Street, 5<sup>th</sup> Floor  
 Berkeley, CA 94704

ORGANIZATION NAME: \_\_\_\_\_

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
(Signature of Person authorized to bind the Organization)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Email Address: \_\_\_\_\_

Telephone: ( ) \_\_\_\_\_

Fax: ( ) \_\_\_\_\_

## Application for Extra Duty Services.pdf



**BERKELEY POLICE DEPARTMENT**  
 2100 Martin Luther King Junior Way, Berkeley, CA 94704  
 TEL: (510) 981-5900, TDD (510) 981-5799, FAX: (510) 981-5744  
 EMAIL: [police@cityofberkeley.info](mailto:police@cityofberkeley.info)

### APPLICATION FOR EXTRA DUTY SERVICES

<b>Applicant Information</b>	
Name:	Address:
Phone:	Alternate Phone:
Email:	
<b>Reason for Request and Officer Responsibilities</b>	
One Time Event <input type="checkbox"/>	Annual Employer <input type="checkbox"/>
Reason for the Request:	
List Responsibilities that Officer(s) will provide:	
Number of Officer(s) Requested:	
<b>Event Information</b>	
Date(s) of Event:	
Event Address:	
Company or Event Name:	
Company Address:	
Company Phone:	Email:

**Insurance:**  
 A completed general liability endorsement for \$1,000,000 naming the prospective employee(s) as the insured for the period of Extra Duty Employment is required.  
**Insurance Agency Name:** \_\_\_\_\_ **Phone Number:** \_\_\_\_\_  
**Policy Number:** \_\_\_\_\_ **Expiration Date:** \_\_\_\_\_  
**A copy of the Insurance Policy Attached, If not explain:** \_\_\_\_\_

**Billing:**  
 The Organization will be billed by the City for Services rendered by the Personnel at the overtime rate of the individual Personnel who provide the Services plus indirect costs of 10% of the hourly rate. The specific hourly rate for the individual Personnel shall be determined by the City and shall include a three-hour minimum charge per individual Personnel. Billing for Services shall begin from the time the officer leaves the police station to travel to the off-site work area and will continue until the officer has returned from the off-site work area to the police station.  
 The applicant's submission is an acknowledgement that any Police Services offered are subject to the City of Berkeley Police Department Service Agreement, and that Police Officers will adhere to all Berkeley Police Department policies, procedures, and all local, state, and federal laws. The applicant further acknowledges and agrees that in all instances, the police personnel shall at all times be subject to the exclusive direction, supervision, and control of the Police Department.

<b>Applicant Signature</b> Applicant has declared that the information provided in this application is true and correct.	
Signature:	Date:
<b>BPD USE  </b> Received By: _____ Date Received: _____	





Office of the City Manager

On May 23, 2023, the City Council adopted the recommendation outlined in this staff report, referring to the Budget and Finance Policy Committee to prioritize funding to the vehicle replacement fund to make up the shortfall over time in order to stabilize the fund.

## CONSENT CALENDAR

May 23, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Liam Garland, Director, Department of Public Works

Subject: Audit Status Reports: Fleet Replacement Fund Short Millions & Rocky Road: Berkeley Streets At Risk and Significantly Underfunded

### POLICY COMMITTEE RECOMMENDATION

On April 13, 2023, the Facilities, Infrastructure, Transportation, Environment & Sustainability Committee adopted the following action: M/S/C (Hahn/Robinson) to send the item to City Council with a positive recommendation that Council:

1. Refer to the City Manager to establish a policy that the Public Works Department will be responsible for reviewing, submitting, and approving all departmental requests to Council for adding new vehicles to the fleet to facilitate maximum cost recovery through the vehicle replacement fund, consistency with fleet rightsizing studies, oversight, and timely electrification of the fleet.
2. Refer to the Budget and Finance Committee to prioritize funding to the vehicle replacement fund to make up the shortfall over time in order to stabilize the fund.

Vote: All Ayes.

### INTRODUCTION

On November 19, 2020, the City Auditor published the Rocky Road: Berkeley Streets at Risk and Significantly Underfunded Audit Report<sup>1</sup>, reviewing the funding resources to sufficiently maintain City streets, and asking if Public Works has clear policies and processes to guide paving decisions. This is the first status report regarding this audit. On June 2, 2021, the City Auditor published the Fleet Replacement Fund Short Millions Audit Report<sup>2</sup>, reviewing the solvency of the fund to sufficiently replace vehicles and asking if Public Works has the key information necessary to manage the Fleet program. This is the first status report to City Council on the efforts made to implement the Audit Report's recommendations for Fleet.

### CURRENT SITUATION AND ITS EFFECTS

The Street Paving Audit Report noted two findings and five recommendations for the Public Works Department to review, implement and report to Council. As of this report,

<sup>1</sup> Rocky Road: Berkeley Streets at Risk and Significantly Underfunded <https://berkeleyca.gov/sites/default/files/2022-01/Rocky-Road-Berkeley-Streets-at-Risk-and-Significantly-Underfunded.pdf>

<sup>2</sup> Audit: Fleet Replacement Fund Short Millions: <https://berkeleyca.gov/sites/default/files/2022-01/Fleet-Replacement-Fund-Short-Millions.pdf>

three recommendations have been implemented and two recommendations have been partially implemented.

The Fleet Audit Report noted two findings and twelve recommendations for the Public Works Department to review, implement and report to Council. As of this report, there are updates to the status of all twelve recommendations. The first set of seven recommendations was related to the underfunding of the replacement fund. One recommendation has been partly implemented, the remaining six recommendations have been started. The second set of five recommendations focused on Public Works having critical information available to inform management and decision making. All five recommendations under this finding have been started.

The attachment provides a detailed table of audit report recommendations, steps towards corrective action, and implementation updates. The next status report will be in May.

#### BACKGROUND

Public Works' Engineering Division is responsible for capital projects to maintain over 216 centerline miles of streets in Berkeley, while the Streets & Utilities Division handles day-to-day maintenance of those streets. Public Works' Equipment Maintenance Division manages the maintenance, purchase, and replacement of the City's 730 fleet vehicles, heavy duty trucks and large equipment, including public safety, fire, and alternative fuel vehicles and equipment. Public Works' Administrative and Fiscal Services Division is responsible for the Department's budget and fiscal oversight, regulatory compliance and reporting, and analytical support for routine and special projects in all Public Works operating divisions.

#### ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Public Works replaces vehicles with alternative fuel, hybrid and electric vehicles whenever possible given availability of fleet technology, available budget and charging infrastructure. Streets that are improved to benefit all users help encourage more bicycling and walking, which lowers greenhouse gas emissions. Streets that are improved to include green infrastructure help reduce pollution and clean stormwater before it reaches the Bay.

#### POSSIBLE FUTURE ACTION

Public Works will continue to address the remaining three partially implemented recommendations in the Streets Audit and the twelve started and partially implemented recommendations in Fleet Audit.

#### FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

In the biennial budget adoption for FY 2023 and FY 2024, the City Council allocated an increase of \$5,000,000 (FY2023) and \$9,100,000 (FY2024) to street paving in the Capital Improvement Fund. The Council also passed a funding guideline to approve an \$8,000,000 increase in future fiscal years. This funding is intended to raise paving

funding to levels sufficient to maintain current pavement conditions. The Measure L Bond Measure, if approved by Berkeley voters on November 8, 2022, would raise \$300,000,000 towards street and traffic safety improvements, including improvements that advance bicycle and pedestrian use and safety. Project funding would be allocated over several years to raise the pavement condition index (PCI) to 70 or above, which is a "Good" status.

CONTACT PERSON

Sean O'Shea, Administrative & Fiscal Services Manager (510) 981-6306

Joe Enke, Manager of Engineering (510) 981-6411

Greg Ellington, Equipment Management Superintendent (510) 981-9469

Attachment:

1. Audit Findings and Recommendations Response Report – Streets
2. Audit Findings and Recommendations Response Report - Fleet

Audit Title: Rocky Road: Berkeley Streets at Risk and Significantly Underfunded					
Finding	Recommendation		Lead Department	Expected or Actual Implementation Date	Status of Audit Recommendations, Corrective Action Plan, and Progress Summary
Without significant additional funding, Berkeley streets will continue to deteriorate and deferred maintenance costs will increase.	1.1	Annually, conduct a budget analysis, based on the deferred maintenance needs at that point in time, to determine what level of funding is necessary to achieve the desired goals of the Street Rehabilitation Program. Report findings to City Council. This information will be helpful during updates to the Five-Year Street Rehabilitation Plan and during the budgeting process.	Public Works	Ongoing	<u>Partly Implemented:</u> The City received a PTAP grant to fund a consultant (PEI) to survey the entire City's paving condition. The consultant's report is pending. The newly adopted Street Rehab policy says that the City will conduct funding sufficiency analysis based on existing deferred maintenance. This analysis will be included as part of the biannual Paving Plan adoption. Public Works will propose a budget as part of the biannual CIP adoption to address the paving needs, based on available resources, and will present any funding shortfalls to the Council.
Without significant additional funding, Berkeley streets will continue to deteriorate and deferred maintenance costs will increase.	1.2	Identify funding sources to achieve and maintain the goals of the Street Rehabilitation Program.	Public Works	Ongoing	<u>Partly Implemented:</u> Funding sources for street improvement are identified in the Capital Improvement Program budget. The City Council also approved a ballot measure for the November 2022 ballot which if passed, will provide up to \$300,000,000 to improve Berkeley's streets, sidewalks and bike and ped infrastructure. Approximately \$230 million would be allocated to Street Rehabilitation and Repair.

<p>The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.</p>	<p>2.1</p>	<p>Update the Street Rehabilitation and Repair Policy annually and define who is responsible for ensuring the Policy is updated, as stated in the Policy.</p>	<p>Public Works</p>	<p>January 2022</p>	<p><u>Implemented:</u> Public Works Commission approved a Street Rehabilitation and Repair Policy March, 2021, which was received and revised after consideration at the FITES Commission in May 2021, and ultimately adopted by City Council on January 25, 2022. The Policy and Five Year Paving Plan were considered and adopted on the same Council agenda. The Street and Maintenance Policy shall be adopted by City Council at a minimum interval of 5 years, after review by the Transportation and Infrastructure Commission.</p>
<p>The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.</p>	<p>2.2</p>	<p>When updating the Street Rehabilitation and Repair Policy, incorporate equity to align with Vision 2050 and clearly define how it will be applied to the street maintenance and rehabilitation planning process.</p>	<p>Public Works</p>	<p>January 2022</p>	<p><u>Implemented:</u> The updated Street Rehabilitation and Repair Policy was adopted with clear language placing Equity as an objective: "The benefits of good infrastructure shall be distributed equally throughout the entire community regardless of income, political influence, or demographic characteristics of the residents in the area. Equity means that disadvantaged residents with more pressing needs experience benefits sooner than others, as defined by the City within the adopted Five Year Plan." The policy also calls for the designation of an Equity Zone, serving neighborhoods with historic underinvestment, which is to be prioritized to achieve the PCI goals of 70 sooner than the remainder of the City.</p>

<p>The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.</p>	<p>2.3</p>	<p>Define goals and performance measures to guide the Street Rehabilitation and Repair Policy and Street Rehabilitation Program that align with other plans and policies relevant to street paving (e.g., Complete Streets Policy, Vision 2050, etc.). Regularly report to Council on performance measures.</p>	<p>Public Works</p>	<p>January 2022</p>	<p><u>Implemented:</u> Performance Metrics are included as a major part of the adopted Specific Policy. Key areas: 1) The goal is to get to standard PCI of 70 for roadways: Arterials, Collectors, Bus Routes, Bikeway Network, and Equity Zone. 2) Funding should be prioritized with Equity in mind 3) Performance metrics reporting will be included with the biannual Paving Plan review.</p>
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Audit Title: Fleet Replacement Fund Short Millions					
Finding	Recommendation		Lead Department	Expected or Actual Implementation Date	Status of Audit Recommendations, Corrective Action Plan, and Progress Summary
The Replacement Fund is underfunded by millions of dollars.	1.1	Calculate the dollar value of the City’s replacement needs. Use results from the recent rate study to adjust departments’ replacement fees to cover their share of the costs associated with vehicle replacement, including customization and personnel.	Public Works	Ongoing	<u>Partly Implemented:</u> The current fleet replacements costs have been updated in FUND\$ Fleet Management System to include all costs, and have been reflected in the FY 23 & FY 24 Operating budget and the five year replacement schedule communicated in the FY 23-27 CIP.
The Replacement Fund is underfunded by millions of dollars.	1.2	Conduct an analysis of the City’s current fleet and determine the optimal fleet size to provide services efficiently and effectively. This analysis should include fleet units identified as reserve, backup, and “pool” vehicles. The outcome of the analysis should be a plan to achieve and provide funding for the optimal fleet size.	Public Works	February - May 2023	<u>Started:</u> Staff issued an RFP to analyze its fleet and received two solicitations. Public Works has selected Mercury Associates to be the consultant to lead the study.

<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.3</p>	<p>Work with the City Manager’s Office to adjust the funding model of the Equipment Replacement Fund or adopt a new one to ensure appropriate funding for timely fleet replacement, such as annually transferring money from the General Fund based on an assessment of the City’s overall fleet needs and priorities. Expand the current vehicle and equipment replacement policy to ensure transparency of key provisions of the new or updated model.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Public Works presented an Equipment Replacement Fund deficit reduction proposal in its departmental budget presentation to the Budget &amp; Finance Policy Committee and in submittals for General Fund consideration to the City Manager. While not funded in FY 23/24, the department will keep monitoring the fund health and make funding proposals in future budget development cycles.</p>
<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.4</p>	<p>Revise the vehicle and equipment replacement policy to include that Public Works should regularly assess the personnel expenditures related to vehicle and equipment replacement and ensure that they are appropriate and proportional to their duties.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Draft policy has been updated and is going through final departmental review.</p>
<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.5</p>	<p>Revise the vehicle and equipment replacement policy to prevent replacing unfunded vehicles by ensuring that contributed funds are available for the purchase.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Draft policy has been updated and is going through final departmental review.</p>



<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.6</p>	<p>Develop an Administrative Regulation that clarifies Public Works’ responsibilities to manage the fleet and maintain sufficient fleet replacement funding.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> The department has drafted a policy document use instead of an AR.</p>
<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.7</p>	<p>To help secure the funding needed for transitioning to electric vehicles by 2030, work with the City Manager’s Office to develop a budgetary plan to purchase electric vehicles. The plan should align with the City’s fleet electrification goals and take into consideration the current economic downturn, funding availability, available infrastructure, and electric vehicle availability.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> EV purchases for FY 23-24 have been outlined in the budget. A budgetary plan for transitioning to EVs by 2030 is not yet available.</p>
<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.1</p>	<p>Conduct a needs assessment of vehicles overdue for replacement and create a plan that documents a timeline and cost for replacement. Report the findings to City Council.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Backlog vehicles to be purchased have been included in the FY 23-24 budget, though a formal needs assessment has not been completed.</p>

<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.2</p>	<p>Update the vehicle and equipment replacement policy to include criteria for prioritizing fleet replacement. The policy should include a requirement to communicate a delay in replacement of their fleet to affected departments. In Administrative Regulation described in recommendation 1.6, specify that the vehicle and equipment replacement policy should include such criteria.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Policy update is in draft form and awaits final approval.</p>
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<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.3</p>	<p>Work with the vendor of the new fleet management system to configure it to address the data issues identified in this report, including:</p> <ul style="list-style-type: none"> <li>• Tracking Replacement Funds collected and leftover funds by department;</li> <li>• Zeroing out the balance after a vehicle is replaced;</li> <li>• Adjusting the replacement date and reporting the rationale if a replacement is deferred;</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>• Displaying any information needed to prioritize replacements based on specified criteria.</li> </ul>	<p>Public Works</p>	<p>December 2022</p>	<p><u>Started:</u> Data issues have been presented to the vendor/project management team, though the new data system has not yet been implemented.</p>
<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.4</p>	<p>Clean and update the vehicle and equipment database before migrating it to the new fleet management system to ensure accuracy and data integrity.</p>	<p>Public Works</p>	<p>December 2022</p>	<p><u>Started:</u> Data cleanup is underway however the Assetworks implementation is behind schedule and the go-live date is planned for the future.</p>

Public Works lacks information on vehicle and equipment replacement for decision making.	2.5	Update the vehicle and equipment replacement policy or develop a separate policy to require staff manage the City's data appropriately to ensure accurate complete information to support management decisions.	Public Works	Ongoing	<u>Started:</u> Policy update is in draft form and awaits final approval.
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