



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

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

**Tuesday, June 16, 2020**

**2:30 P.M.**

JESSE ARREGUIN, MAYOR

Councilmembers:

DISTRICT 1 – RASHI KESARWANI  
DISTRICT 2 – CHERYL DAVILA  
DISTRICT 3 – BEN BARTLETT  
DISTRICT 4 – KATE HARRISON

DISTRICT 5 – SOPHIE HAHN  
DISTRICT 6 – SUSAN WENGRAF  
DISTRICT 7 – RIGEL ROBINSON  
DISTRICT 8 – LORI DROSTE

### **PUBLIC ADVISORY: THIS MEETING WILL BE CONDUCTED EXCLUSIVELY THROUGH VIDEOCONFERENCE AND TELECONFERENCE**

*Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, this meeting of the City Council will be conducted exclusively through teleconference and Zoom videoconference. Please be advised that pursuant to the Executive Order and the Shelter-in-Place Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, there will not be a physical meeting location available.*

*Live audio is available on KPFB Radio 89.3. Live captioned broadcasts of Council Meetings are available on Cable B-TV (Channel 33) and via internet accessible video stream at <http://www.cityofberkeley.info/CalendarEventWebcastMain.aspx>.*

*To access the meeting remotely: Join from a PC, Mac, iPad, iPhone, or Android device: Please use this URL <https://us02web.zoom.us/j/85616992854>. 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 by rolling over the bottom of the screen.*

*To join by phone: Dial **1-669-900-9128** and enter Meeting ID: **856 1699 2854**. 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 an e-mail comment during the meeting to be read aloud during public comment, email [clerk@cityofberkeley.info](mailto:clerk@cityofberkeley.info) with the Subject Line in this format: "PUBLIC COMMENT ITEM ##." Please observe a 150 word limit. Time limits on public comments will apply. Written comments will be entered into the public record.*

*Please be mindful that the teleconference will be recorded as any Council meeting is recorded, and all other rules of procedure and decorum will apply for Council meetings conducted by teleconference or videoconference.*

*This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953. Any member of the public may attend this meeting. Questions regarding this matter may be addressed to Mark Numainville, City Clerk, (510) 981-6900. The City Council may take action related to any subject listed on the Agenda. Meetings will adjourn at 11:00 p.m. - any items outstanding at that time will be carried over to a date/time to be specified.*

## Preliminary Matters

### Roll Call:

**Public Comment - Limited to items on this agenda only**

## Action Calendar

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

*The Presiding Officer will request that persons wishing to speak line use the “raise hand” function to determine the number of persons interested in speaking at that time. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Presiding Officer may limit the public comment for all speakers to one minute per speaker. Speakers are permitted to yield their time to one other speaker, however no one speaker shall have more than four minutes. The Presiding Officer may, with the consent of persons representing both sides of an issue, allocate a block of time to each side to present their issue.*

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

## Action Calendar – Public Hearings

*Staff shall introduce the public hearing item and present their comments. This is followed by five-minute presentations each by the appellant and applicant. The Presiding Officer will request that persons wishing to speak, use the “raise hand” function to be recognized and to determine the number of persons interested in speaking at that time.*

*Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Presiding Officer may limit the public comment for all speakers to one minute per speaker. Speakers are permitted to yield their time to one other speaker, however no one speaker shall have more than four minutes. The Presiding Officer may with the consent of persons representing both sides of an issue allocate a block of time to each side to present their issue.*

*Each member of the City Council shall verbally disclose all ex parte contacts concerning the subject of the hearing. Councilmembers shall also submit a report of such contacts in writing prior to the commencement of the hearing. Written reports shall be available for public review in the office of the City Clerk.*

- 1. Fiscal Year 2021 Proposed Budget Update Public Hearing #2 (Continued from June 9, 2020)**  
**From: City Manager**  
**Recommendation:** Conduct a public hearing regarding the FY 2021 Proposed Budget Update.  
**Financial Implications:** See report  
Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

## Action Calendar

- 2. FY 2020 Mid-Year Budget Update (Continued from June 9, 2020)**  
**From: City Manager**  
Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

## Action Calendar

3. **Amendments to the General Fund Reserve Policy** (*Continued from June 9, 2020. Reviewed by the Budget & Finance Policy Committee*)  
**From: City Manager**  
**Recommendation:** Adopt a Resolution amending the City Council's General Fund Reserve Policy.  
**Financial Implications:** See report  
Contact: Teresa Berkeley-Simmons, Budget Manager, (510) 981-7000

## Adjournment

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

IN WITNESS WHEREOF, I have hereunto set my hand and caused the official seal of the City of Berkeley to be affixed on this 11<sup>th</sup> day of June, 2020.



Jesse Arreguin, Mayor

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

ATTEST:



Date: June 11, 2020  
Mark Numainville, City Clerk

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

Live captioned broadcasts of Council Meetings are available on Cable B-TV (Channel 33), via internet accessible video stream at <http://www.cityofberkeley.info/CalendarEventWebcastMain.aspx> and KPFB Radio 89.3.

Archived indexed video streams are available at <http://www.cityofberkeley.info/citycouncil>. Channel 33 rebroadcasts the following Wednesday at 9:00 a.m. and Sunday at 9:00 a.m.

Communications to the City Council are public record and will become part of the City's electronic records, which are accessible through the City's website. **Please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to the City Council, will become part of the public record.** If you do not want your e-mail address or any other contact information to be made public, you may deliver communications via U.S. Postal Service to the City Clerk Department at 2180 Milvia Street. If you do not want your contact information included in the public record, please do not include that information in your communication. Please contact the City Clerk Department for further information.

Any writings or documents provided to a majority of the City Council regarding any item on this agenda will be posted on the City's website at <http://www.cityofberkeley.info>.

Agendas and agenda reports may be accessed via the Internet at <http://www.cityofberkeley.info/citycouncil>

**COMMUNICATION ACCESS INFORMATION:**

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.



Captioning services are provided at the meeting, on B-TV, and on the Internet.



Fiscal Year 2021  
Proposed Budget Update  
Public Hearing #2  
*(Continued from June 9, 2020)*

Please refer to the following Agenda Packet for the material for this item.

- May 26, 2020 Regular Meeting Agenda Packet  
Item 24a: Fiscal Year 2021 Proposed Budget Update  
Discussion

[https://www.cityofberkeley.info/Clerk/City\\_Council/2020/05\\_May/City\\_Council\\_05-26-2020\\_-\\_Regular\\_Meeting\\_Agenda.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/05_May/City_Council_05-26-2020_-_Regular_Meeting_Agenda.aspx)

This material is also on file and available for review from the City Clerk Department, or can be accessed from the City Council Website.

---

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

or from:

**The City of Berkeley, City Council's Web site**  
[www.cityofberkeley.info/citycouncil](http://www.cityofberkeley.info/citycouncil)

**NOTICE OF PUBLIC HEARING  
BERKELEY CITY COUNCIL**

**FISCAL YEAR 2021 PROPOSED BUDGET UPDATE  
PUBLIC HEARING #2**

The Berkeley City Council will conduct a second public hearing to discuss the FY 2021 Proposed Budget Update.

The hearing will be held on **June 2, 2020** at 6:00 p.m.

A copy of the agenda material for this hearing will be available on the City's website at [www.CityofBerkeley.info](http://www.CityofBerkeley.info) as of **May 21, 2020**.

For further information, please contact Teresa Berkeley-Simmons at (510) 981-7000.

**PUBLIC ADVISORY: THIS MEETING WILL BE CONDUCTED EXCLUSIVELY THROUGH VIDEOCONFERENCE AND TELECONFERENCE**

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, this meeting of the City Council will be conducted exclusively through teleconference and Zoom videoconference. Please be advised that pursuant to the Executive Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, there will not be a physical meeting location available.

To access the meeting remotely using the internet: Join from a PC, Mac, iPad, iPhone, or Android device: Use URL – <https://us02web.zoom.us/j/82518774480>. 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 **1-669-900-9128** and Enter Meeting ID: **825 1877 4480**. If you wish to comment during the public comment portion of the agenda, press \*9 and wait to be recognized by the Chair.

Written comments should be mailed directly to the City Clerk, 2180 Milvia Street, Berkeley, CA 94704, or emailed to [council@cityofberkeley.info](mailto:council@cityofberkeley.info) in order to ensure delivery to all Councilmembers and inclusion in the agenda packet.

Communications to the Berkeley City Council are public record and will become part of the City's electronic records, which are accessible through the City's website. **Please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to the City Council, will become part of the public record.** If you do not want your e-mail address or any other contact

information to be made public, you may deliver communications via U.S. Postal Service. If you do not want your contact information included in the public record, please do not include that information in your communication. Please contact the City Clerk at 981-6900 or [clerk@cityofberkeley.info](mailto:clerk@cityofberkeley.info) for further information.

**Posted:** May 21, 2020

~~~~~  
I hereby certify that the Notice for this Public Hearing 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 May 21, 2020.

---

Mark Numainville, City Clerk







Office of the City Manager

ACTION CALENDAR

June 16, 2020

*(Continued from June 9, 2020)*

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager

Subject: FY 2020 Mid-Year Budget Update

INTRODUCTION

This report presents the FY 2020 Mid-Year Budget Update and focuses on projected General Fund revenues and expenditures. This report also provides information on expenditure projections for the City's special funds.

CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley is currently in FY 2020, the first of two fiscal years in the FY 2020 & FY 2021 biennial budget cycle, which Council adopted on June 25, 2019<sup>1</sup>. Fiscal Year 2020 runs from July 1, 2019 through June 30, 2020.

As of December 31, 2019, both the General Fund revenues and the General Fund expenditures were on track and within budget.

|                             | Adjusted Budget | FY 2020 Mid-Year Actuals | % Received/ Expensed and Encumbered |
|-----------------------------|-----------------|--------------------------|-------------------------------------|
| Revenues                    | \$197.0         | \$107.7                  | 55%                                 |
| Expenditures                | (\$229.5)       | (\$107.0)                | 47%                                 |
| Carryover and Excess Equity | \$ 32.5         |                          |                                     |
| Balance                     | \$ 0            |                          |                                     |

The carryover and excess equity are carried forward from FY 2019. Additional information on the carryovers and excess equity allocation is discussed later in this report under the General Fund Expenditures section.

<sup>1</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/06\\_June/Documents/2019-06-25\\_Item\\_39\\_FY\\_2020\\_and\\_FY\\_2021\\_Biennial\\_Budget.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/06_June/Documents/2019-06-25_Item_39_FY_2020_and_FY_2021_Biennial_Budget.aspx)

## FY 2020 Mid-Year Summary

On November 19, 2019, Council was provided the [FY 2019 Year-End Results and FY 2020 First Quarter Budget Update](#) report. At the time, both the General Fund revenues and the General Fund expenditures were tracking within budget.

### General Fund Revenues

| Revenue Categories                | FY 2020              |                           |                       |                             | FY 2019              |                           |                         |                             | FY20 vs FY19              |                    | Revised                           |                                    |
|-----------------------------------|----------------------|---------------------------|-----------------------|-----------------------------|----------------------|---------------------------|-------------------------|-----------------------------|---------------------------|--------------------|-----------------------------------|------------------------------------|
|                                   | Adopted<br>(a)       | Mid-Year<br>Actual<br>(b) | Variance<br>c=(b - a) | % Received<br>(d) = (b)/(a) | Adopted<br>(e)       | Mid-Year<br>Actual<br>(f) | Variance<br>g=(e) - (f) | % Received<br>(h) = (f)/(g) | Amount<br>(i) = (b) - (f) | %<br>(j) = (i)/(f) | Mid-Year<br>FY 2020<br>Difference | Mid-Year<br>FY 2020<br>Projections |
| Secured Property                  | \$63,199,622         | \$32,175,526              | (\$31,024,096)        | 50.91%                      | \$57,966,998         | \$30,220,695              | \$27,746,303            | 52.13%                      | 1,954,831                 | 6.47%              |                                   | \$63,199,622                       |
| Redemptions -Regular              | 668,140              | 356,477                   | (\$311,663)           | 53.35%                      | 668,140              | 317,903                   | 350,237                 | 47.58%                      | 38,574                    | 12.13%             |                                   | 668,140                            |
| Supplemental Taxes                | 1,400,000            | 808,127                   | (\$591,873)           | 57.72%                      | 1,400,000            | 741,314                   | 658,686                 | 52.95%                      | 66,813                    | 9.01%              | 400,000                           | 1,800,000                          |
| Unsecured Property Taxes          | 2,500,000            | 2,705,126                 | \$205,126             | 108.21%                     | 2,500,000            | 2,483,983                 | 16,017                  | 99.36%                      | 221,143                   | 8.90%              | 200,000                           | 2,700,000                          |
| Property Transfer Tax             | 12,500,000           | 15,043,643                | \$2,543,643           | 120.35%                     | 12,500,000           | 11,911,150                | 588,850                 | 95.29%                      | 3,132,493                 | 26.30%             | 7,500,000                         | 20,000,000                         |
| Property Transfer Tax-Measure P   | 1,509,218            | 7,046,430                 | \$5,537,212           | 466.89%                     |                      |                           | -                       |                             | 7,046,430                 |                    | 8,000,000                         | 9,509,218                          |
| Sales Taxes                       | 18,238,000           | 9,430,533                 | (\$8,807,467)         | 51.71%                      | 18,140,977           | 9,399,650                 | 8,741,327               | 51.81%                      | 30,883                    | 0.33%              |                                   | 18,238,000                         |
| Soda Taxes                        | 1,459,057            | 789,196                   | (\$669,861)           | 54.09%                      | 1,500,000            | 818,879                   | 681,121                 | 54.59%                      | (29,683)                  | -3.62%             |                                   | 1,459,057                          |
| Utility Users Taxes               | 15,000,000           | 6,327,611                 | (\$8,672,389)         | 42.18%                      | 15,000,000           | 6,307,679                 | 8,692,321               | 42.05%                      | 19,932                    | 0.32%              | (1,000,000)                       | 14,000,000                         |
| Transient Occupancy Taxes         | 7,800,000            | 4,483,409                 | (\$3,316,591)         | 57.48%                      | 7,800,000            | 4,331,381                 | 3,468,619               | 55.53%                      | 152,028                   | 3.51%              |                                   | 7,800,000                          |
| Short-term Rentals                | 1,020,000            | 867,507                   | (\$152,493)           | 85.05%                      | 840,000              | 870,987                   | (30,987)                | 901.974                     | (3,480)                   | -0.40%             | 700,000                           | 1,720,000                          |
| Business License Tax              | 19,584,000           | 1,166,980                 | (\$18,417,020)        | 5.96%                       | 19,200,000           | 1,381,343                 | 17,818,657              | 7.19%                       | (214,363)                 | -15.52%            |                                   | 19,584,000                         |
| Recreational Cannabis             | 510,000              | 702,857                   | \$192,857             | 137.82%                     | 500,000              | 267,674                   | 232,326                 | 53.53%                      | 435,183                   | 162.58%            | 790,000                           | 1,300,000                          |
| U1 Revenues                       | 1,000,000            | 187,700                   | (\$812,300)           | 18.77%                      | 1,000,000            | 166,131                   | 833,869                 | 16.61%                      | 21,569                    | 12.98%             | 4,500,000                         | 5,500,000                          |
| Other Taxes                       | 1,116,860            | 776,645                   | (\$340,215)           | 69.54%                      | 1,049,800            | 757,746                   | 292,054                 | 72.18%                      | 18,899                    | 2.49%              | 500,000                           | 1,616,860                          |
| Vehicle In-Lieu Taxes             | 13,333,826           | 6,678,022                 | (\$6,655,804)         | 50.08%                      | 12,381,128           | 6,241,142                 | 6,139,986               | 50.41%                      | 436,880                   | 7.00%              |                                   | 13,333,826                         |
| Parking Fines-Regular Collections | 6,600,000            | 3,151,728                 | (\$3,448,272)         | 47.75%                      | 5,818,123            | 3,614,649                 | 2,203,474               | 62.13%                      | (462,921)                 | -12.81%            | (600,000)                         | 6,000,000                          |
| Parking Fines-Booting Collections | 200,000              | 8,685                     | (\$191,315)           | 4.34%                       | 200,000              | 97,879                    | 102,121                 | 48.94%                      | (89,194)                  | -91.13%            | (100,000)                         | 100,000                            |
| Moving Violations                 | 190,000              | 114,850                   | (\$75,150)            | 60.45%                      | 235,000              | 64,055                    | 170,945                 | 27.26%                      | 50,795                    | 79.30%             | (20,000)                          | 170,000                            |
| Ambulance Fees                    | 4,200,000            | 2,392,802                 | (\$1,807,198)         | 56.97%                      | 4,613,194            | 2,127,332                 | 2,485,862               | 46.11%                      | 265,470                   | 12.48%             |                                   | 4,200,000                          |
| Interest Income                   | 3,500,000            | 3,019,829                 | (\$480,171)           | 86.28%                      | 2,500,000            | 2,429,507                 | 70,493                  | 97.18%                      | 590,322                   | 24.30%             | 1,500,000                         | 5,000,000                          |
| Franchise Fees                    | 2,068,928            | 421,414                   | (\$1,647,514)         | 20.37%                      | 1,984,643            | 467,254                   | 1,517,389               | 23.54%                      | (45,840)                  | -9.81%             |                                   | 2,068,928                          |
| Other Revenue                     | 8,044,544            | 4,296,552                 | (\$3,747,992)         | 53.41%                      | 7,620,152            | 3,985,112                 | 3,635,040               | 52.30%                      | 311,440                   | 7.82%              |                                   | 8,044,544                          |
| IDC Reimbursement                 | 6,100,000            | 2,525,542                 | (\$3,574,458)         | 41.40%                      | 4,952,317            | 2,448,433                 | 2,503,884               | 49.44%                      | 77,109                    | 3.15%              | (700,000)                         | 5,400,000                          |
| Transfers                         | 5,266,688            | 2,192,784                 | (\$3,073,904)         | 41.63%                      | 4,385,568            | 1,316,665                 | 3,068,903               | 30.02%                      | 876,119                   | 66.54%             |                                   | 5,266,688                          |
|                                   |                      |                           |                       |                             |                      |                           |                         |                             |                           |                    |                                   |                                    |
| <b>Total Revenue:</b>             | <b>\$197,008,883</b> | <b>\$107,669,975</b>      | <b>\$89,338,908</b>   | <b>54.65%</b>               | <b>\$184,756,040</b> | <b>\$92,768,543</b>       | <b>\$91,987,497</b>     | <b>50.21%</b>               | <b>\$14,901,432</b>       | <b>16.06%</b>      | <b>\$21,670,000</b>               | <b>\$218,678,883</b>               |

Note: This statement is presented on a budgetary basis.

For the first half of FY 2020, revenues and transfers in totaled \$107,669,975, an increase of \$14,901,432 or 16.06% increase over the \$92,768,543 during the same period of FY 2019.

FY 2020 Year-end General Fund revenues projection appear to be \$21.7 million above the FY 2020 Adopted Budget of \$197.0 million. However, if we remove the General Fund revenue streams that have been programed for priority projects and programs including Excess Property Transfer Tax (\$7.5 million), Measure P (\$8.0 million), and U1 (\$4.5 million), the General Fund revenues above the FY 2020 Adopted Budget is only \$1.7 million. If Council decides to program excess Short-Term Rentals (\$700,000) and excess Recreational Cannabis (\$790,000) only \$180,000 of unallocated General Fund revenues will be available for allocation at FY 2020 year-end, assuming expenses do not exceed budget estimates.

*The first half review focuses primarily on the major revenue fluctuation, and changes that have occurred that might result in significant changes in future projections or on revenue sources that warrant close monitoring.*

**Secured Property Tax (+\$1,954,831 more than FY 2019 Actual)**

During the first half of FY 2020, Secured Property Tax revenues totaled \$32,175,526, which was \$1,954,831 or 6.47% more than the \$30,220,695 received during the same period in FY 2019. This increase was consistent with the County's Certification of Assessed Valuation growth of 6.62%.

**Property Transfer Tax (+\$3,132,493 more than FY 2019 Actual)**

During the first half of FY 2020, Property Transfer Tax totaled \$15,043,643 (after seismic rebates of \$492,506), which was \$3,132,493 or 26.30% more than the \$11,911,150 (after \$276,935 in seismic rebates) received for the first half of FY 2019. The number of property sales increased by 37 or 6.9%, to 574 in the first half of FY 2020 from 537 for the same period in FY 2019. However, the primary reason for the \$3,132,493 increase in Property Transfer Tax was the sale of a group of five properties totaling \$172.9 million that resulted in Property Transfer Tax of \$2,593,898. Staff will closely monitor this revenue for a probable increase in the FY 2020 projection.

In addition, \$7,046,430 in Measure P taxes was collected during the first half of FY 2020 compared to zero collected during the first half of FY 2019, as the tax took effect December 21, 2018.

**Sales Tax (+\$30,883 more than FY 2019 Actual)**

For the first half of FY 2020, Sales Tax revenue totaled \$9,430,533, which is \$30,883 or 0.33% more than the \$9,399,650 received for the first half of FY 2019.

**Utility Users Taxes (+ \$19,932 more than FY 2019 Actual)**

Utility Users Taxes revenue for the first half of FY 2020 totaled \$6,327,611, which is \$19,932 or 0.32% more than the \$6,307,679 received for the same period in FY 2019. Staff is monitoring this revenue source closely for a probable projection reduction because of a sharp decline in FY 2019 from the \$15 million level generated in recent years. That decline resulted from significant declines in cellular, gas/electric and cable charges. During the first half of FY 2020, Cable charges declined by \$56,202 or 8.9%; Cellular charges increased by \$98,344 or 10.3%; Electric charges declined by \$84,144 or 2.7%; Gas charges increased by \$125,133 or 16.6%; and Telephone charges declined by \$59,503 or 7.3%. However, overall, there was no rebound during the first half of FY 2020. Therefore, the FY 2020 projection for the UUT revenue source will likely be lowered to \$14 million from \$15 million.

**Transient Occupancy Tax (+\$152,028 more than FY 2019 Actual)**

Transient Occupancy Tax (TOT) revenue for the first half of FY 2020 totaled \$4,483,409 which is \$152,028 or 3.51% more than the \$4,331,381 received for the first half of FY 2019. The increase in FY 2020 is attributable to growth at the five largest hotels in Berkeley ranging from -2.9% to +6.30% (average of 2.1%) during the first half of the fiscal year plus a \$49,207 receipt during the first half of the fiscal year that was applicable to FY 2019

**Vehicle In-Lieu Taxes (+\$436,880 over FY 2019 Actual)**

Vehicle In-Lieu Taxes increased by \$436,880 or 7.00% in the first half of FY 2020 to \$6,678,022 from \$6,241,142 for the same period in FY 2019. This increase was consistent with the County's Certification of Assessed Valuation growth of 6.62%.

**Interest Income (+\$590,322 over FY 2019 Actual)**

For the first half of FY 2020, interest income totaled \$3,019,829 which is \$590,322 or 24.30% more than the total of \$2,429,507 received for the same period in FY 2019. This increase is primarily attributable to a significant rise in short-term interest rates, as the Federal Reserve began raising the Federal Funds rate from very low levels. However, the Federal Reserve reversed course on July 31, 2019 and cut interest rates on that date, September 18, 2019, and October 31, 2019 by 25 basis points on each date.

**Indirect Cost Reimbursements (+\$77,109 over FY 2019 Actual)**

IDC Reimbursement for the first half of FY 2020 totaled \$2,525,542 which is \$77,109 or 3.15% more than the \$2,448,433 received for the same period in FY 2019. Since the Indirect cost rates were the same for FY 2020 and FY 2019, the increase of 3.15% in the total is attributable to an increase in direct salaries and wages. IDC Reimbursement increases result from increases in the indirect cost allocation base (i.e., total direct salaries and wages in the fund), an increase in the indirect cost rate or both.

**Transfers (+\$876,119 over FY 2019 Actual)**

Transfers for the first half of FY 2020 totaled \$2,192,784 which is \$876,119 or 66.54% more than the \$1,316,665 received for the same period in FY 2019. The increase of \$876,119 was due to the timing of the recording of more of the State Realignment transfer to the General Fund during the first half of FY 2020, than in the first half of FY 2019.

### General Fund Expenditures

On December 3, 2019 the City Council approved General Fund recommended rollovers, carryovers, and adjustments totaling \$32.5 million in the [Amendment to the FY 2020 Annual Appropriations Ordinance<sup>2</sup>](#) (AAO).

The changes to the FY 2020 General Fund Budget from the AAO are shown below:

| FY 2020 Adopted Budget | Encumbered Recommended | Unencumbered Recommended | Other Adjustments | FY 2020 Revised Budget |
|------------------------|------------------------|--------------------------|-------------------|------------------------|
| \$ 196,913,849         | \$ 5,512,512           | \$ 4,177,247             | \$ 22,903,541     | \$ 229,507,149         |

The encumbered rollovers reflect contractual obligations entered into in FY 2019, which had not been paid as of June 30, 2019. Unencumbered carryovers are approved by Council for specific purposes that had not be completed by the end of FY 2019. Funding for these commitments is brought forward into the current fiscal year to provide for payment of these obligations. Adjustments are new allocations for projects and Council priorities as detailed in the AAO.

Included in the other adjustments of \$22.9 million are Council authorized allocations for the following items:

1. Transfer of \$4,371,879 from the General Fund to the Capital Improvement Fund of FY 2019 Excess Property Transfer Tax Revenues for restricted items approved by Council on 6/25/19 (\$3,411,933) and new requests added to AAO #1 on 11/19/19 (\$959,946)
2. Item #80: Transfer of \$275,000 from the General Fund to the Capital Improvement Fund of FY 2019 Excess Property Tax Revenues for Capital Allocations in the Mayor's Budget Allocation Proposal presented to the Budget & Finance Policy Committee on 11/22/19 and approved to be added as part of staff's supplemental item for 12/3/19 Council meeting
3. Item #81: Appropriation of \$2,900,000 in the General Fund for Measure P allocations, which includes an allocation of \$78,000 for Youth Spirit Artworks Tiny House Village Services
4. Item #82: Appropriation of \$1,630,923 in the General Fund for Mayor's Budget Allocation Proposal Non-Capital Item Funds presented to the Budget & Finance Policy Committee on 11/22/19 and approved to be added as part of staff's supplemental item for 12/3/19 Council meeting

<sup>2</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/12\\_Dec/Documents/2019-12-03\\_Supp\\_1\\_Reports\\_Item\\_25\\_Rev\\_Budget\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/12_Dec/Documents/2019-12-03_Supp_1_Reports_Item_25_Rev_Budget_pdf.aspx)

5. Item #83: Allocation of \$1,160,000 in the General Fund of FY 2019 Allocation to the Reserves as follows (\$0.64 Million to Stability Reserve and \$0.52 Million to Catastrophic Reserves)
6. Item #89: Appropriation of \$16,266 in the General Fund for a payment of excess FY 2019 additional Transient Occupancy Tax revenues to comply with Visit Berkeley allocation above the 1% FY 2019 Adopted TOT Budget contract amount

General Fund expenditures are tracking under budget as of December 31, 2019 as shown in the chart below. This is primarily due to salary savings and funds that were added as part of the AAO that were not spent yet. Departments that are tracking over 50 percent spent is due to encumbrances for contractual obligations entered into in FY 2020 in which payment might not be currently due as good or services might be in progress or not yet complete.

| FY 2020 MID-YEAR GENERAL FUND EXPENDITURES (AS OF DECEMBER 31, 2019) |                    |                    |                           |                    |            |                  |                      |
|----------------------------------------------------------------------|--------------------|--------------------|---------------------------|--------------------|------------|------------------|----------------------|
| DEPARTMENT                                                           | FY 2020 ADOPTED    | FY 2020 REVISED*   | YTD ACTUAL + ENCUMBRANCES | AVAILABLE BUDGET   | % USED     | PERSONNEL % USED | NON-PERSONNEL % USED |
| 11 MAYOR AND COUNCIL                                                 | 2,398,876          | 2,628,583          | 1,127,465.71              | 1,501,117          | 43%        | 43%              | 43%                  |
| 12 CITY AUDITOR                                                      | 2,625,103          | 2,701,278          | 1,096,399.67              | 1,604,878          | 41%        | 41%              | 41%                  |
| 13 RENT STABILIZATION BOARD                                          | 0                  | 602,015            | 52,015.00                 | 550,000            | 9%         | 0%               | 9%                   |
| 21 CITY MANAGER'S OFFICE                                             | 11,037,283         | 13,015,673         | 6,351,194.55              | 6,664,478          | 49%        | 42%              | 61%                  |
| 31 CITY ATTORNEY                                                     | 2,516,581          | 3,000,854          | 1,047,624.81              | 1,953,230          | 35%        | 34%              | 42%                  |
| 32 CITY CLERK                                                        | 3,004,901          | 3,348,417          | 1,076,165.83              | 2,272,251          | 32%        | 41%              | 25%                  |
| 33 FINANCE                                                           | 6,797,353          | 8,703,293          | 4,267,217.86              | 4,436,075          | 49%        | 38%              | 71%                  |
| 34 HUMAN RESOURCES                                                   | 2,329,292          | 3,354,046          | 1,038,696.56              | 2,315,349          | 31%        | 36%              | 24%                  |
| 35 INFORMATION TECHNOLOGY                                            | 213,210            | 2,744,355          | 1,371,647.08              | 1,329,306          | 50%        | 0%               | 50%                  |
| 51 HEALTH, HSG & COMMUNITY SVC                                       | 17,553,283         | 28,070,111         | 17,253,385.72             | 10,816,725         | 61%        | 42%              | 79%                  |
| 52 PARKS, RECREATION & WATERFR                                       | 7,105,343          | 8,005,458          | 4,068,812.89              | 3,936,645          | 51%        | 49%              | 54%                  |
| 53 PLANNING & DEVELOPMENT                                            | 2,426,051          | 3,625,616          | 1,431,320.31              | 2,194,295          | 39%        | 34%              | 49%                  |
| 54 PUBLIC WORKS                                                      | 4,404,030          | 5,382,250          | 2,619,061.60              | 2,763,188          | 49%        | 47%              | 51%                  |
| 71 POLICE                                                            | 70,622,557         | 71,110,036         | 34,841,279.30             | 36,268,757         | 49%        | 48%              | 61%                  |
| 72 FIRE & EMERGENCY SERVICES                                         | 36,019,089         | 39,344,297         | 20,109,184.51             | 19,235,113         | 51%        | 47%              | 70%                  |
| 99 NON DEPARTMENTAL                                                  | 27,860,897         | 31,134,686         | 9,228,725.12              | 21,905,961         | 30%        | 98%              | 28%                  |
| <b>Grand Total</b>                                                   | <b>196,913,849</b> | <b>226,770,966</b> | <b>106,980,197</b>        | <b>119,747,367</b> | <b>47%</b> | <b>46%</b>       | <b>50%</b>           |

*\*FY 2020 Revised does not reflect as of December 31, 2019 all Council approved allocations included in the FY 2020 AAO #1.*

There might be additional one-time savings resulting from the reduction in expenditures; however, much of these saving will be allocated to the items already identified in the Fiscal Years 2020 & FY 2021 Biennial Budget adopted by Council on June 25, 2019<sup>3</sup>, including a \$5.3 million loan to Measure T1 for capital projects (Resolution 68.802 N.S.).

<sup>3</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/06\\_June/City\\_Council\\_06-25-2019\\_-\\_Regular\\_Meeting\\_Agenda.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/06_June/City_Council_06-25-2019_-_Regular_Meeting_Agenda.aspx) (Item #39)

This loan is to be paid back to the General Fund in January 2021 from the second issuance of Measure T1<sup>4</sup>.

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

### All Funds Expenditures

The General Fund comprises 34.1 percent of the total adjusted budget. The rest of the budget consists of various Special Funds. Special Funds are collected for a specific purpose; therefore, are not discretionary. Only costs associated with the Special Fund activity may be charged to a Special Fund. Included in the FY 2020 Mid-Year All Fund Expenditures by Department chart below are both the General Fund expenditures to date and the Special Funds expenditures to date. On an All Funds basis, the City is tracking under budget as of December 31, 2019 as can be seen in the following chart:

| FY 2020 MID-YEAR ALL FUNDS EXPENDITURES (AS OF DECEMBER 31, 2019) |                    |                    |                    |                    |            |
|-------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|------------|
| DEPARTMENT                                                        | YTD ACTUAL +       |                    |                    |                    |            |
|                                                                   | FY 2020 ADOPTED    | FY 2020 REVISED    | ENCUMBRANCES       | AVAILABLE BUDGET   | % USED     |
| 11 MAYOR AND COUNCIL                                              | 2,398,876          | 2,628,583          | 1,127,466          | 1,501,117          | 43%        |
| 12 CITY AUDITOR                                                   | 2,714,111          | 2,790,286          | 1,150,939          | 1,639,347          | 41%        |
| 13 RENT STABILIZATION BOARD                                       | 5,334,943          | 6,099,664          | 2,771,892          | 3,327,772          | 45%        |
| 21 CITY MANAGER'S OFFICE                                          | 14,548,957         | 18,023,786         | 8,288,486          | 9,735,300          | 46%        |
| 22 BERKELEY PUBLIC LIBRARY                                        | 26,114,585         | 26,830,114         | 11,188,043         | 15,642,071         | 42%        |
| 31 CITY ATTORNEY                                                  | 4,594,533          | 6,357,659          | 2,884,711          | 3,472,948          | 45%        |
| 32 CITY CLERK                                                     | 3,004,901          | 3,348,417          | 1,076,166          | 2,272,251          | 32%        |
| 33 FINANCE                                                        | 8,766,934          | 10,745,163         | 5,161,213          | 5,583,949          | 48%        |
| 34 HUMAN RESOURCES                                                | 4,240,103          | 5,269,839          | 1,874,172          | 3,395,667          | 36%        |
| 35 INFORMATION TECHNOLOGY                                         | 19,404,413         | 35,617,289         | 8,797,175          | 26,820,114         | 25%        |
| 51 HEALTH, HSG & COMMUNITY SVC                                    | 54,597,950         | 80,909,554         | 39,098,972         | 41,810,582         | 48%        |
| 52 PARKS, RECREATION & WATERFR                                    | 46,600,585         | 70,873,935         | 30,342,361         | 40,531,574         | 43%        |
| 53 PLANNING & DEVELOPMENT                                         | 24,506,913         | 26,924,099         | 11,573,342         | 15,350,757         | 43%        |
| 54 PUBLIC WORKS                                                   | 133,015,850        | 202,008,355        | 111,140,495        | 90,867,861         | 55%        |
| 71 POLICE                                                         | 74,979,834         | 76,472,499         | 37,265,580         | 39,206,919         | 49%        |
| 72 FIRE & EMERGENCY SERVICES                                      | 44,379,144         | 48,240,718         | 24,953,631         | 23,287,087         | 52%        |
| 99 NON DEPARTMENTAL                                               | 56,654,177         | 60,878,499         | 24,143,164         | 36,735,335         | 40%        |
| <b>Grand Total</b>                                                | <b>525,856,809</b> | <b>684,018,460</b> | <b>322,837,810</b> | <b>361,180,650</b> | <b>47%</b> |

<sup>4</sup> Measure T1 was approved by Berkeley voters in November 2016. These General Obligation Bonds are not-to-exceed \$100 million and will be used to repair, renovate, replace, or reconstruct the City's aging infrastructure and facilities including sidewalks, storm drains, parks, streets, senior centers and other important City facilities and buildings

Health, Housing, & Community Services, Parks, Recreation & Waterfront, and Public Works carried over funds for projects and grants started in FY 2019. These departments also appropriated new grant funds that support programs and services as well as special funds for capital improvements. Details of these carryover requests can be found in the December 3, 2019, [Amendment to the FY 2020 Annual Appropriations Ordinance<sup>5</sup>](#) (AAO) discussed earlier in this report.

### Next Steps:

Staff is currently in the process of updating the FY 2021 Adopted Budget approved by Council on June 25, 2019.

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

| FY 2021 Mid-Biennial Budget Calendar |                                                                                                                                                                           |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date                                 | Action/Topic                                                                                                                                                              |
| March 24, 2020                       | <ul style="list-style-type: none"> <li>FY 2020 Annual Appropriations Ordinance Amendment #2</li> <li>FY 2020 Mid-Year Update</li> </ul>                                   |
| April 28, 2020                       | <ul style="list-style-type: none"> <li>Public Hearing on CDBG &amp; ESG Annual Action Plan and proposed funding allocations to community agencies</li> </ul>              |
| May 5, 2020                          | <ul style="list-style-type: none"> <li>FY 2021 Proposed Mid-Biennial Budget Update</li> </ul>                                                                             |
| May 12, 2020                         | <ul style="list-style-type: none"> <li>Public Hearing #1: Budget</li> <li>Proposed Fee Increases</li> <li>FY 2020 Annual Appropriations Ordinance Amendment #3</li> </ul> |
| May 26, 2020                         | <ul style="list-style-type: none"> <li>Public Hearing #2: Budget</li> </ul>                                                                                               |
| June 2, 2020                         | <ul style="list-style-type: none"> <li>Council recommendations on budget due to the City Manager</li> </ul>                                                               |
| June 16, 2020                        | <ul style="list-style-type: none"> <li>Council discussion on budget recommendations</li> </ul>                                                                            |
| June 30, 2020                        | <ul style="list-style-type: none"> <li>Adopt FY 2021 Mid-Biennial Budget Update &amp; FY 2021 Annual Appropriations Ordinance</li> </ul>                                  |

The FY 2020 Mid-Year Budget Update is a Strategic Plan Priority, advancing our goal to provide an efficient and financially-healthy City government.

<sup>5</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/12\\_Dec/Documents/2019-12-03\\_Supp\\_1\\_Reports\\_Item\\_25\\_Rev\\_Budget\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/12_Dec/Documents/2019-12-03_Supp_1_Reports_Item_25_Rev_Budget_pdf.aspx)



ENVIRONMENTAL SUSTAINABILITY

Actions included in the budget will be developed and implemented in a manner that is consistent with the City's environmental sustainability goals and requirements.

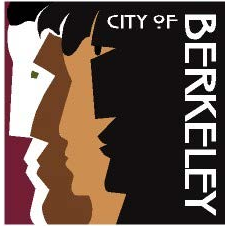
CONTACT PERSON

Teresa Berkeley-Simmons, Budget Manager, City Manager's Office, 981-7000

Henry Oyekanmi, Finance Director, Department of Finance, 981-7300

Rama Murty, Senior Management Analyst, City Manager's Office, 981-7000





Office of the City Manager

## SUPPLEMENTAL

**Meeting Date:** June 9, 2020

**Item Number:** #1

**Item Description:** Fiscal Year 2021 Proposed Budget Update Public Hearing #2

**Submitted By:** Teresa Berkeley-Simmons, Budget Manager

**“Good of the City” Analysis:**

*The analysis below must demonstrate how accepting this supplement/revision is for the “good of the City” and outweighs the lack of time for citizen review or evaluation by the Council.*

Attached is the draft amending the City Council’s General Fund Reserves Policy approved by the Budget & Finance Policy Committee (Policy Committee) on June 9, 2020.

The purpose of this supplemental is to provide the information presented and discussed at the Policy Committee meeting to the entire City Council for review.

The following item was discussed at the Policy Committee meeting.

- FY 2021 Budget Update – Amending the City Council’s Policy for the General Fund Reserves (June 9, 2020, Attachment 1)

***Consideration of supplemental or revised agenda material is subject to approval by a two-thirds roll call vote of the City Council. (BMC 2.06.070)***

A minimum of **42 copies** must be submitted to the City Clerk for distribution at the Council meeting. This completed cover page must accompany every copy.

Copies of the supplemental/revised agenda material may be delivered to the City Clerk Department by 12:00 p.m. the day of the meeting. Copies that are ready after 12:00 p.m. must be delivered directly to the City Clerk at Council Chambers prior to the start of the meeting.

Supplements or Revisions submitted pursuant to BMC § 2.06.070 may only be revisions of the original report included in the Agenda Packet.

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

## AMENDING THE CITY COUNCIL'S POLICY FOR THE GENERAL FUND RESERVES

WHEREAS, the General Fund Reserves ensures the City's ability to maintain vital services to the community during times of economic uncertainty; and

WHEREAS, the City is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, floods, public health emergencies and pandemics; and

WHEREAS, the current General Fund Reserve level of 17.43% is consistent with GFOA's best practice recommended minimum General Fund level of 16.7%; and

WHEREAS, specific portions of the reserves should be designated for catastrophic and stabilization purposes and should be reported separately from the General Fund Balance; and

WHEREAS, when using the General Fund Reserves the City should specify the purpose for the use of reserve funds, the time frame in which the reserve funds can be used, and how much will be used during that time frame. In addition the use and replenishment of the General Fund Reserves policy should allow flexibility in the timeframe in which the reserve funds can be used and the definition of catastrophic reserve should be amended to include public health emergencies and pandemics.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the attached exhibit titled General Fund Reserves Policy is hereby adopted.

## **City of Berkeley General Fund Reserves Policy**

### **Policy**

The General Fund is the City's primary operating fund. It is not connected to any one revenue source and may be used at the City's discretion. The General Fund is the operation fund that pays for general services provided by the City as well as public safety and capital improvements. The General Fund accounts for all general revenues and expenditures of the City related to the delivery of the City's general services not specifically collected or levied for other City funds.

The City of Berkeley is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of extraordinary risk such as earthquakes, fires, floods, public health emergencies, pandemics, and economic volatility. A key attribute of a financially stable organization is appropriate reserves. Strong reserves position an organization to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies such as natural disasters and other catastrophic events. Establishing an adequate General Fund Reserves policy allows the City to mitigate current and future financial risks resulting from economic instability or catastrophic loss.

### **Functions of Reserves: Stability and Catastrophic**

The City of Berkeley will establish and maintain adequate General Fund Reserves ("Reserves") to prepare for the impact of economic cycles and catastrophic events and assure fluctuations in revenue do not impede the City's ability to meet expenditure obligations. When revenues fail to meet the City's normal operating requirements, or the need for disbursements temporarily exceeds receipts, General Fund Reserves, upon a two-thirds vote of the City Council, may be used in accordance with the standards set forth herein.

The Reserves shall be comprised of two elements: a Stability Reserve and a Catastrophic Reserve. The Reserves shall not be used for ongoing or new programs or services.

A **Stability Reserve** will be maintained to mitigate loss of service delivery and financial risks associated with unexpected revenue shortfalls during a single fiscal year or during a prolonged recessionary period. The purpose of the Stability Reserve is to provide fiscal stability in response to unexpected downturns or revenue shortfalls, and not to serve as a funding source for new programs or projects.

A **Catastrophic Reserve** will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other catastrophic event. The Catastrophic Reserve will be used to respond to extreme, onetime events, such as earthquakes, fires, floods, civil unrest, terrorist attacks, public health emergencies and pandemics. The Catastrophic Reserve will not be accessed to meet operational shortfalls or to fund new programs or projects.

### **Funding and Functions that are NOT Part of the General Fund Reserves**

Not included in the General Fund Reserves are funds that are set aside for a specific purpose. This would include restricted, committed, and assigned funds.

- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action by the City Council.
- Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

### **Target Reserves Levels**

The General Fund Reserves consists of the total of the Stability Reserve and the Catastrophic Reserve. 55% of the Reserves shall be allocated to the Stability Reserve and 45% to the Catastrophic Reserve.

Effective immediately, the target level for the Reserves shall be a minimum of 13.8% of 2017 Adopted General Fund Revenues with an Intermediate Goal of a minimum of 16.7% by the end of Fiscal Year 2020, if financially feasible. The Council hereby adopts a long-term goal of Reserves of a minimum of 30% of General Fund Revenues, to be achieved within no more than 10 years. Based on a risk assessment (according to best practices), to be updated at least every five years, the Council may consider increasing or lowering the General Fund Reserves level.

Starting in Fiscal Year 2018, to achieve the City's intermediate and long-term Reserves Goals, 50% of Excess Equity above the first \$1 M shall be allocated to Reserves. Additional Excess Equity may be allocated to Reserves by a majority vote of the City Council.

### **Methodology to Meet Reserve Levels**

The General Fund Reserves are separate from the General Fund Balance. The sum of the Stability Reserve and the Catastrophic Reserve and the amount determined to be Excess Equity is deemed to be General Fund Unassigned Fund Balance. Unassigned Fund Balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications.

Excess Equity is most commonly a non-recurring source of revenue and shall only be used for one-time, non-recurring expenditure needs of the City. Excess Equity should be reported separately from the General Fund Reserves.

Attaining the long-term goal of General Fund Reserves of a minimum of 30% of General Fund Revenues is important to the long-term financial health and stability of the City.

### **Draw-down of the General Fund Reserves**

For any draw-down from General Fund Reserves, Council shall adopt a plan that includes the following:

- The specific purpose for the use of General Fund Reserves,
- The amount of General Fund Reserves that are needed based upon long-term revenue volatility and long-term economic need; and
- To the extent practicable, a timeframe in which General Fund Reserves will be repaid.

Recognizing that the length of the pandemic and that the length of the economic emergency is unknown, expenditures from the Catastrophic and Stability Reserves shall not exceed one-third (1/3) of each reserve level per incident.

### **Replenishment of the General Fund Reserves**

The City Manager shall recommend a replenishment schedule for all monies proposed for appropriation from the General Fund Reserves. The replenishment schedule shall be adopted simultaneous with the appropriation to withdraw Reserve funds or, if infeasible due to emergency circumstances, no more than 3 months from the date of the withdrawal appropriation. Repayment shall begin no more than 5 years from the date of withdrawal and be completed within 10 years from the date of withdrawal. While staff envisions that, in most cases, repayment will start as soon as possible, the repayment guidelines are meant to reflect a commitment to maintain a sufficient Reserve, while also recognizing that a use of Reserve funds may occur during an economic downturn and it may be necessary to postpone repayment while the economy improves.

### **Usage of the General Fund Stability Reserve**

The General Fund Stability Reserve shall only be drawn upon if all of the following criteria are met:

1. City revenues are insufficient to meet normal operating expenses.
2. A hiring freeze has been implemented, with exceptions only for designated positions as appropriate to maintain essential and core services to the public that support public health, safety, and welfare. Essential services will be determined at the time of fiscal emergency with a recommendation from the City Manager to be approved by City Council.
3. User fees and services charges are being fully utilized for those services for which they were collected.
4. A declaration of fiscal emergency is made by ordinance before drawing on

the reserves. Fiscal emergency is defined as the following:

- a. When General Fund revenues increase less than 3% from the prior fiscal year.
- b. When the City needs to mitigate State or Federal budget actions that may reduce revenue or increase expenditures.
- c. When the City must absorb liability settlements in excess of available resources in the City's litigation designation.

The General Fund Stability Reserve shall only be used in the following manner:

1. Stability Reserve funds shall be prioritized to preserve essential services and necessary staffing levels determined at the time of the fiscal emergency with a recommendation from the City Manager to be approved by the City Council.
2. All other reasonable and available expenditure reduction measures shall have been taken by the City Manager and the City Council before using one-time funding to support operational positions.
3. Operational positions shall not receive Stability Reserve funds for longer than two years except in extreme conditions.