Office of the City Manager

SUPPLEMENTAL

Meeting Date: **May 12, 2020**

Item Number: **#24a**

Item Description: **Fiscal Year 2021 Proposed Budget Update Public Hearing #1**

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.

In preparation for the FY 2021 Budget Update we are providing the additional information discussed at the Budget & Finance Policy Committee Meeting held on May 11, 2020.

The following items were discussed at the Policy Committee meeting.

- Fiscal Year 2021 Budget Update - Responses to Questions Included in the Supplemental Item (May 4, 2020) (Attachment 1)
- FY 2021 Budget Timeline (Attachment 2)
- COVID-19 Impacts on the Center Street Parking Revenue Bonds (Attachment 3)

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.

Attachment 1

Office of the City Manager

May 11, 2020

To: Members of the City Council Budget and Finance Committee

From: Dee Williams-Ridley, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager

Subject: FY 2021 Budget Update - Response to Questions Included in the Supplemental Item (May 4, 2020)

On April 27, 2020, the City Manager provided the initial FY2021 Budget Update to the Budget and Finance Policy Committee (Policy Committee). On May 4, 2020, staff provided the Policy Committee with a detailed overview of the various General Fund revenue streams, which included a presentation on Measure P Revenues and Allocations.

Included on the May 4, Policy Committee agenda was a Supplement Item from the Mayor with a series of questions and comments. Many of the questions and comments were responded to by staff at the Policy Committee meeting; however, this memorandum provides a formal response to the questions in the Supplemental Item.

<u>Questions</u>

Revenue Assumptions

1. For your FY 2021 projections, are you only assuming 6 months of COVID-19 impacts or a year of reductions? Need to assume a longer period of economic downturn which will result in revenue reductions.

   We are only assuming 6 months of direct impact of business closures - including up to 3-month lag of certain revenue streams that trail the actual underlying economic activity. Each revenue stream will be impacted differently, but the indirect impacts of depressed activity due to continued social distancing requirements, lost incomes, and business closings show projected impacts through FY 2024 and beyond. Also, the 5-year revenue projections are based on the new revised FY 2021 projections which then translates into the out years.

2. When does staff anticipate that we will get back to a pre-COVID-19 economic level? How long is that anticipated to take?

   Predictions about the future are changing as the balance between public safety and restoring economic activity is managed by local, state, and national policymakers. There is currently no consensus among economists regarding the exact length of any

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economic recovery. Many have said that it would probably be "U-shaped" instead of "V-shaped", indicating a more drawn out return to pre-COVID-19 output levels. The 5-year projections are indicating we will not be getting to Pre-COVID-19 within the next five years. We are anticipating that we will not get to full recovery for 6 or more years.

3. Has a lag in revenue reporting due to the COVID-19 Shelter in Place order been accommodated in these updated projections?

   Yes, every revenue stream that has a lag in its reporting timeline has been accounted for. This includes a potential deferral of Sales Tax remittances, as well as the possible late payment of other taxes and fees in our projections.

4. What are the underlying assumptions for your projected revenue reductions, including the time frame of those reductions for each line item?

   We have based our projections of each revenue stream on an analysis of the particular economic inputs and history of payment trends applicable to each one. Below are the detailed assumptions used to project each revenue category.

   a) Secured Property Taxes- Assumes an additional 10% of uncollectable amounts due (on top of 5% previous reserve) for FY 2020 and FY 2021, due to concerns over property owner's ability to remit. FY 2021 valuations assumed to increase by 3.5%, resulting in a net change of 6.5% from FY 2020 to FY 2021.

   b) Supplemental Taxes- Historical revenues have been flat for several years, and were expected to remain so. For FY 2020, we are now projecting to collect only 80% of the remaining budgeted amount for the last quarter, and project a 10% decline in revenue for FY 2021.

   c) Unsecured Property Taxes- FY 2020 actuals as of March 2020 are presumed to be the full amount that will be received for all of FY 2020. FY 2021 expected to drop back to the original $2.5M, less a 10% reserve for uncollectable accounts.

   d) Property Transfer Taxes- FY 2020 based on actual collected amount through March 2020, plus an additional $1.5M expected during the final quarter. The baseline $12.5M is projected to be realized in FY 2021, while the excess will only be approximately $3.9M. Very volatile revenue stream.

   e) Property Transfer Tax - Measure P- included $1.6M from multiple exceptionally high-value property sales in FY 2020. FY 2021 expected to be down 25% from FY 2020 level.

   f) Sales Taxes- Projections based on economic activity of the City's various business categories. FY 2020 was lowered 15% based on shelter-in-place closures and CDTFA deferral program. For FY 2021 -15% due to shelter-in-place reductions in business activity in Q1 (three month lag in remittances), and possible lingering economic effects through the remainder of FY 2021.

g) *Soda Taxes- This revenue source was always expected to decline. Revised 2020 down 10% and 2021 down 30% due to shelter-in-place closings and the fact that the main consumers (students) are gone due to school and university campus closures.*

h) *Utility Users Tax- Due to commercial customers' reduction in utility usage, FY 2020 projected to be down by 9%. Expect FY 2021 to be down 15% due to continued closures, possible permanent business closures and declines in energy usage.*

i) *Transient Occupancy Taxes- FY 2020 based on actuals as of March 2020, plus an additional $0.3M for the final quarter, due to travel restrictions associated with COVID-19. FY 2021 reduced by 35% due to potentially deteriorating economic conditions, event cancellations, and consumer concern regarding the safety of travel.*

j) *Short-term Rentals- FY 2020 actuals were trending more than 150% of original projection, but sharp decline predicted in final quarter due to COVID-19 movement restrictions. FY 2021 revised to 30% below 19/20 average due to expectation of depressed demand.*

k) *Business License Taxes (excluding Cannabis Recreational) - FY 2020 projection revised based on actuals received through March 2020, plus an additional $2.0M in expected collections. FY 2021 revised to drop 35% from original projections due to temporarily or permanently closed businesses, resulting from COVID-19.*

l) *Business License Taxes- Cannabis Recreational- Assumes a 2% annual growth rate.*

m) *Enhanced Business License Taxes (Measure U1) - FY 2020 vastly outpaced original projections. For FY 2021, expect 25% decrease due to general economic decline, inability of tenants to pay rent, and potential for UC closure to affect off-campus housing demand.*

n) *Vehicle In Lieu Taxes - Based on real property valuations. Assumes an additional 10% of uncollectable amounts due (on top of 5% previous reserve) for FY 2020 and FY 2021, due to concerns over property owners' ability to remit. FY 2021 valuations assumed to increase by 3.5%, resulting in a net change of 6.5% from FY 2020 to FY 2021.*

o) *Parking Fines - Ticket writing has been decreasing for many years. Revised FY 2020 reduced by 80% of remaining unrealized budgeted revenue amount as of the end of March 2020 (annualized decrease of 38%), due to decreased auto usage. FY 2021 revised to -25% from 2020 original projection.*

p) *Ambulance Fees - Fire Department expect increased services in FY 2020 and FY 2021.*

q) *Interest Income-Fed continues to lower interest rates. Revised 2020 projection based on higher actuals through March 2020. 2021 revised down 10% because of continued lowering of rates, combined with City's hesitancy to buy longer-term investments, due to uncertainty regarding liquidity needs in addressing COVID-19.*

r) *Franchise Fees- Initial projections of 2% annual growth revised down 14% for FY 2020, and 26% for FY 2021, due to decreased commercial usage.*

s) *Indirect Cost Reimbursements-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. Revised FY 2020 down 8% and FY 2021 down 10%.*

5. Distinguish between budget issues (both revenues and expenditures) and cash flow issues. They are both real, but different kinds of issues.

   The City has sufficient reserves to manage the effects on cash flows of late or deferred remittances of amounts owed. The main concern is the effects of COVID-19 on the City's businesses (which drives the amount of business license and sales taxes remitted) and on the incomes of its property owners (which could affect property tax remittances).

6. How many expense categories were falling below expectations prior to COVID-19? (e.g. vehicle in-lieu, parking fines, business license taxes)

   Among major revenue categories, only Parking Fines were significantly below original expectations. Other general fund revenues were meeting or exceeding pre-COVID-19 targets

7. What are the long-term impacts of COVID-19 that we should anticipate and at what level? (e.g. FY 2022 and beyond).

   Updated projections were presented to the Budget and Finance Policy Committee on May 4, 2020, and showed projected impacts through FY 2024.

8. What impact would a 15%-20% reduction in population count due to an incomplete federal Census count impact federal grant funding for the next 10 years? How does this affect the underlying assumptions for FY 21 and beyond?

   Information on the effects of the census count on specific grants will vary by grant. Staff in the various departments are working to assess these impacts.

General Fund vs. Restricted funds

1. Restricted cuts are not required unless Restricted revenues see reductions
   - If these funds are considered in "across the board" cuts, how does that impact current assumptions?
   - Consider actual impact on unrestricted and restricted revenues/expenses instead of an "across the board" decrease in expenses

Special funds are unique in nature and staff was not asked to identify "across the board" cuts for special funds. However, special funds are required to balance. Fund Managers are responsible for monitoring the health of their assigned operating funds in conjunction with the Budget Office. This involves continued analysis of both special fund expenditures and revenues. On March 26, 2020, fiscal staff was asked to complete an updated forecast for special funds managed in their department. Staff was also asked to update their multi-year special fund projections and include fund balance. In addition, staff was asked to identify the following for FY2020 and FY 2021 capital projects:
1. Projects that have started but will be delayed
2. Projects that have started and will be completed
3. Projects that have not started and can be delayed
4. Projects that have not started and can be cancelled

We are compiling this information and are scheduled to present our proposed capital projects and program deferrals to the Policy Committee on May 19th.

2. What is total amount of General Fund revenues currently transferred to cover Restricted funds?
   - How would freezing these transfers impact restricted fund spending?

Included in the FY 2020 adopted budget was $13.3 million in General Fund transfers to other funds. This transfer was increased to $23.2 million with the adoption of the 1st Amendment to the Appropriation Ordinance in November. Included in the transfers are funding allocations to the following funds:
- ✓ *Equipment Replacement*
- ✓ *FUND$ Replacement*
- ✓ *General Fund Reserves (Stability & Catastrophic)*
- ✓ *Public Liability Fund*
- ✓ *Other Post Employee Benefits*
- ✓ *Insurance*
- ✓ *Capital Improvement Fund*

Allocations for these transfers are being reviewed to determine if there is available fund balance in the special fund to support the fund without the transfer in FY 2021. We are also reviewing the transfer to the Capital Improvement Fund ($9.6 million) to identify capital projects that can be deferred as noted in the response to question #1 above.

3. What are the impacts on General Fund revenues that are generated through voter-approved general tax measures (Measure D Soda Tax, Measure U1 and Measure P)?

   This information was presented to the Policy Committee on May 4, 2020. The updated General Fund revenue schedule can be found in the FY 2021 Budget Update report (Item #2, Attachment A). Included on the same agenda was the Measure P Revenues and Allocations report (Item #5).

Salary Savings

1. Based on conversations with budget experts, across the board cuts or reductions are not very feasible to implement since a majority of General Fund spending is for public safety which is difficult to reduce. This results in disproportionate reductions in other departments. In addition, the ability to make cuts depends greatly in funding source and spending requirements. Should look at big-ticket ways to achieve cost savings.

2. Why propose just 10%, 12% and 15% deferrals? If the impacts of COVID on the city budget are greater should model other scenarios.

   This pandemic thrust us into unchartered fiscal territories. We must use facts and data as we develop the FY 2021 Budget Update. We are aligning the expenditures with the revenue projections to establish a balanced budget. Staff will propose a balanced budget that allows the City the ability to be agile enough to respond to additional financial swings outside of the projections. This will include the use of the General Fund Reserves as part of a comprehensive strategy to mitigate revenue loss while continuing to provide essential City services.

4. How would projected cost savings (10%, 15%, 20% etc.) be impacted if public safety expenses, including hazard mitigations (e.g. vegetation management) were maintained at existing levels?

   Additional costs to offset the expenditures would have to be identified. Other departments would have to absorb the additional load, which would impact the City's ability to maintain other services. The General Fund Target Deferrals by department are displayed in the chart below.

Department	FY 2021 Revised Baseline Budget	FY 2021 Internal Service Costs	FY 2021 Adjusted Budget*	10% Deferral	12% Deferral	15% Deferral
City Auditor	2,657,863	227,099	2,430,764	243,076	291,692	364,615
City Attorney	3,039,583	218,523	2,821,060	282,106	338,527	423,159
City Clerk	2,849,880	182,225	2,667,655	266,766	320,119	400,148
City Manager	7,481,872	605,555	6,876,317	687,632	825,158	1,031,448
Finance	7,172,555	771,001	6,401,554	640,155	768,186	960,233
Fire	35,795,902	2,841,265	32,954,637	3,295,464	3,954,556	4,943,196
Health, Housing, & Community Services	17,701,995	3,013,721	14,688,274	1,468,827	1,762,593	2,203,241
Human Resources	2,635,819	265,070	2,370,749	237,075	284,490	355,612
Information Technology	580,710	-	580,710			
Office of Economic Development	2,959,800	73,306	2,886,494	288,649	346,379	432,974
Parks Rec & Waterfront	6,943,078	851,031	6,092,047	609,205	731,046	913,807
Planning	2,534,191	400,284	2,133,907	213,391	256,069	320,086
Police	73,986,482	4,135,383	69,851,099	6,985,110	8,382,132	10,477,665
PRC	788,001	161,898	626,103	62,610	75,132	93,915
Public Works	4,408,589	890,461	3,518,128	351,813	422,175	527,719
TOTAL	**171,536,320**	**14,636,822**	**156,899,498**	**15,631,879**	**18,758,255**	**23,447,818**

**FY 2021 Adjusted Budget = FY 2021 Revised Budget - FY 2021 Internal Services

Internal Service Costs include the following:
- Facilities Maintenance
- IT Cost Allocation
- Mail Services
- Vehicle Maintenance
- Vehicle Replacement

5. Can some General Funded staff be transferred to Restricted/Enterprise programs (within rules of the Restricted funds)

   Yes. Staff is reviewing this option as part of the expenditure deferrals with a keen eye to ensure that any proposed costs shifts are allowable and in accordance with the purpose and restriction of the fund.

6. What is estimated salary savings based on current unfilled positions? Are there revenues available in FY 20 from unfilled positions that can be programed to close the deficit?

   In FY 2019 the General Fund salary savings was $4 million. However, these salary savings are offset by the use of overtime as well as personnel and service contracts needed to complete the work that otherwise would have been performed had the position been filled.
   Incorporated into the FY 2020 Adopted Budget are the following assumed salary savings.

Miscellaneous – 3%
Police – 1%
Fire – 0%

These assumed rates are also included in the FY 2021 Budget Update.

Property Tax

1. Can you explain why you are assuming that property tax revenues would decline? Is this due to property owners not paying or deferring their property taxes due to economic hardship or in protest?

   The projected decline in property tax revenues is not in the assessed value decline but in the projection of the receivables. Typically, the City receives between 95%-98% collection rates. In the near term the decline is in the receivable percentage due to concern about property owners' ability to pay due to decreases in income and the impacts of the unemployment. Some affected property owners will ultimately be able to make back payments, but some may have longer term hardships.

2. What is the source of the revenue reduction for property taxes in FY 2020/21?

   Property tax revenues projections were lowered due to assuming an additional 10% of uncollectable amounts due for FY 2020 and FY 2021, due to concerns over property owners' ability to remit. FY 2021 valuations assumed to increase by 3.5%, resulting in a net change of 6.5% from FY 2020 to FY 2021. The projected decline in property tax revenues is not in the assessed value decline but in the projection of the receivables. Typically, the City receives between 95%-98% collection rates. In the near term the decline is in the receivable percentage due to concern about property owners' ability to pay due to decreases in income and the impacts of the unemployment. Some affected property owners will ultimately be able to make back payments, but some may have longer term hardships.

3. Has the Finance Department reached out to the County Tax Collector to see whether there was a significant decrease in the second property tax payments due in April?

   Alameda County has informed the City that they will withhold an additional 5% of their remittance to the City, due to concerns about the uncollectible amount of the receivables of property tax payments that property owners submitted to the County.

Sales Tax

1. What are the underlying assumptions behind the projected reduction in Sales Tax in FY 21?

   Sales Tax revenue driven by economic activities and most of these activities have been severely impacted because of the shelter in place order. Due to the these, the projections assumed a negative -15% in the current and next fiscal year, based on *the estimates of activity in the City's business categories, and have been revised downward due to closures affecting retail sales and the potential impact of a deferral program being considered by the California Department of Tax and Fee Administration (CDTFA). While most of the impact of the closures will affect FY 2021 due to the 3 month lag in remittances to the City, businesses taking advantage of the deferral program could shift some remaining FY 2020 revenues into FY 2021. This revenue stream will be monitored closely on a quarterly basis as remittances are received and projection assumptions changes.*

2. Has consideration been given to arts venue closures throughout 2020 and perhaps First Quarter 2021?

   We believe that closures of arts venues will affect sales tax and business license tax revenues, with most impact felt in FY 2021. We have included these impacts in our FY 2020 and FY 2021 projections.

3. Given that food service and bars represent approximately 25% of Berkeley sales tax revenues, can look at what a greater than 25% reduction in revenues would look like? There are resulting reductions in sales taxes in retail, gasoline purchases and other business sectors.

   Restaurants and bars are presently severely impacted by COVID-19 closures, and the effects on their business will extend beyond the expiration of the current health order. However, we do not expect sales tax revenues from this sector to stay at their current severely reduced level beyond Q1 of FY 2021.

4. Can you model several worst case scenarios if Shelter in Place restrictions are extended or reinstituted due to a second wave of infections?

   Yes, we can, but be aware that each of the revenue streams utilized assumptions based on their peculiar historical revenue patterns and can be made to each of them as we get more data or as there is a need for changes based on Shelter in Place restrictions or other macro or micro economic data.

Utility Users Tax

1. Why would there be a reduction in Utility Users Tax? In actuality, shouldn't these revenues should increase with people being home?

   Projected reductions are mainly due to expected impacts from temporary idling of non-residential utility customers. Roughly 70% of the UUT revenue is generated from utility usage by commercial and industrial customers, and we project a 50% decline in this portion for the duration of FY 2020, due to mandated closures of businesses. This amounts to a 9% annualized reduction in overall UUT revenue. As any recovery in usage will be gradual, we are projecting a 15% reduction from previous estimates in FY 2021.

2. Is the anticipated reduction based on closure of businesses? If so what is the projected rate and number of business closures?

   Projected reductions are mainly due to expected impacts from temporary idling of non-residential utility customers. Roughly 70% of the UUT revenue is generated from utility usage by commercial and industrial customers, and we project a 50% decline in this portion for the duration of FY 2020, due to mandated closures of businesses. This amounts to a 9% annualized reduction in overall UUT revenue. As any recovery in usage will be gradual, we are projecting a 15% reduction from previous estimates in FY 2021.

Transient Occupancy Tax

1. What are the underlying assumptions behind the projected 35% reduction?

   For FY 2021, due to potentially deteriorating economic conditions, event cancellations, and consumer concern regarding the safety of travel, TOT revenues are projected to reduce by 35% from pre-COVID-19 estimates. These estimates will be augmented as we receive projections from the Hotels about their occupancy and revenue expectations.

2. Can you project a potential 75% decrease in FY 21 TOT receipts if there are further Shelter in Place restrictions, or there is a resulting decrease in tourism?

   A 75% decrease would cause TOT revenues to be reduced by an additional $3.1M.

Parking Citations

1. What are the underlying assumptions behind the projected 24% reduction?

   FY 2021, we expect a reduction of these revenue streams due to the shelter in place order. With business closures and the abundant availability of parking downtown with the new parking garage, resulting in a dramatic drop-off in revenues in the first quarter, with gradual recovery as overall economic activity returns.

2. Can you project a potential 75% decrease in parking citation revenue to account for a worst case scenario if there are further Shelter in Place restrictions, or if residents voluntarily choose to shelter at home?

   A 75% decrease for FY 2021 would cause Parking Citation revenues to be reduced by an additional $3.4M.

Parking Meters Revenues

1. Can you point to where parking meter revenue is included in the revenue report?

   Parking Meter revenues are recorded in the Off Street Parking Fund. These are funds that are separate and not included in the General Fund revenue projections.

2. Can you project a potential 50% decrease in parking meter revenues to account for a worst case scenario if there are further Shelter in Place restrictions?

   The On Street Parking Fund is a non-General Fund and it is managed by Public Works. The Fund managers are working on a projection that might include these decreases. The bottom line is that there will be a huge impact in these revenues, the question is how deep and how long.

3. What impact will this decrease in revenue have in making debt payments for the construction of the Center Street Garage?

   There will be an impact in the debt payment for the parking revenue bonds as the revenues have been pledged to the bond holders and since the shelter in place the garage was closed and then re-opened but the revenues projected to make the debt service has been hugely impacted. From the initial projections of the revenues received so far, the General Fund will have to help make the debt payments for the next fiscal year and it is anticipated that there might be an increase in revenues as the shelter in place is phased in and economic activity picks up.

4. What are some possible strategies to cover the debt service and the operational costs of the parking enforcement program?

   A cost reduction plan is being worked on and the parking revenue bond debt service payment will need help from the General Fund for fiscal year 2021. The Fund balance will be able to pay the debt service that is due on June 1, 2020 which is the last payment for the current fiscal year but the next debt service due on December 1st, 2020 will need some assistance in order to make the payments.

Business License Taxes

1. What are the underlying assumptions behind the projected 35% reduction?

   Business License Tax is due in February of every year and it is based on the gross receipts from the previous calendar year. This means that the economic activities from January 1, 2020 to December 31, 2020 will determine the revenues that will be generated for fiscal year 2021. Since the shelter in place is within those dates and the economic activities that will generate these revenues have been hugely impacted, the assumption was to weigh average the quarters and this was how we landed at the 35% projections. For instance, we know the first quarter was fine in terms of the historical numbers we typically received, the second quarter will be hugely impacted and the third and fourth quarter will have a marginal recovery as the economy opens up. How fast and how long the opening up will have an effect is the unknown and we will be reviewing all the economic data so as to make all necessary adjustments.

2. Can you provide a breakdown of the categories, numbers of businesses, and percentage of all licensees of business license holders (food service, manufacturing, retail, rental property etc.)

   See table below

Sum of Count	**Column Labels**			
Row Labels	**Application**	**Renewal**	**Grand Total**	% of Total
Administrative Headquarters		59	59	0%
Auto Vehicle For Hire		11	11	0%
Business Personal Repair Svs	57	1057	1114	9%
Cannabis		16	16	0%
Construction or Contractor	141	2083	2224	18%
Entertainment Recreation	17	226	243	2%
Grocer		31	31	0%
Manufacturing	7	236	243	2%
Massage	2	60	62	1%
Motor Vehicle Sales		10	10	0%
Non Profit Organizations	13	583	596	5%
Professional Semiprofessional	133	2685	2818	23%
Recycling		5	5	0%
Rental of Real Property	49	3209	3258	27%
Retail Trade	56	1244	1300	11%
Street Vendors		33	33	0%
Wholesale Trade	3	140	143	1%
Grand Total	**478**	**11688**	**12166**	100%

3. When are business license taxes due payable to the city?

   Business License Tax is due in February each year, based on the gross receipts from the previous calendar year. Consequently, most of this revenue is recorded in the third quarter of the fiscal year. Some amounts, however, are received later due to late payments.

4. Has there been a consideration of further decreases in business license revenues if there are continued Shelter in Place restrictions or if the UC campus decides to not allow in-person instructions?

Yes, there has been, and if that happens, the numbers will need to be adjusted accordingly. Business License Tax is due in February each year, based on the gross receipts from the previous calendar year. This means that the economic activities from January 1, 2020 to December 31, 2020 will determine the revenues that will be generated for fiscal year 2021. Since the shelter in place is within those dates and the economic activities that will generate these revenues have been hugely impacted, the assumption was to weigh average the quarters and this was how we landed at the 35% projections. For instance, we know the first quarter was fine in terms of the historical numbers we typically received, the second quarter will be hugely impacted and the third and fourth quarter will have a marginal recovery as the economy opens up. We will have to reevaluate the assumptions if the UC campus decides not to allow in-person instructions.

Other Revenues

1. What sources are included in "Other Revenues"?

   There are over 200 different taxes and fees that make up the Other Revenues category, but the majority is composed of: Residential Parking Permit fees, Utilities Permit fees, Health Inspection Fees, Fire Inspection Fees, Other Recreation Fees, Work for Private Parties, and Miscellaneous Charges. These line items run from a $5 over and short misc. revenue to $574,905 for Health inspections.

2. What other revenues that come from County (Measure B/BB) sales tax could be expected to decline and under what category do they fall?

   Please see response to question #1 above under ***General Fund vs. Restricted Funds.***

Budget and Finance Policy Committee
FY 21 Budget Timeline

Date	Discussion Topics
05/11	• FY 21 Budget Update 1. Review questions from Budget and Finance Policy Committee 2. Discuss additional budget adjustments • Center Street Parking Garage • Budget Timeline
05/19 (Tuesday)	• Discuss list of proposed capital project and program deferrals • Reserves 1. Discuss use of reserves 2. Declaration of fiscal emergency to access reserves
05/26 (Tuesday)	• Discuss additional list of proposed deferrals
06/04	• Special meeting to discuss budget
06/11	• Regularly scheduled meeting to discuss budget
06/18	• Special meeting to discuss budget
06/25	• Regularly scheduled meeting to discuss budget

City Council
FY 21 Budget Timeline

Date	Discussion Topics
05/12	• FY 20 Mid-Year Budget Update • FY 21 Budget Update and Public Hearing #1
05/26	• FY 21 Budget Update 1. Discuss list of proposed deferrals 2. Discuss use of reserves 3. Declaration of fiscal emergency to access reserves
06/02	• FY 21 Budget Public Hearing #2 • City Council deadline to submit budget items to city council
06/16	• FY 21 Budget discussion
06/23	• Tentative work session date for special meeting on city budget
06/30	• FY 21 Mid-Biennial Budget Update and FY 21 Annual Appropriations Ordinance

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Office of the City Manager

Date: May 11, 2020

To: Budget and Finance Policy Committee

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Director, Finance

Subject: COVID-19 Impacts on the Center Street Parking Revenue Bonds

Presented here is a preliminary report on the effects of the CORVID-19 Shelter in Place is having on the garage operations. As you are aware, the City issued Parking Revenue Bonds in 2016 to finance the demolition of the old parking garage structure and construct a new parking garage. The terms of the agreement are:

Pledge of Net Revenues**:** Under the Installment Sale Agreement, the City has established a pledge of, lien on and security interest in all of the Net Revenues of the Off Street Parking Enterprise and the Parking Meter Enterprise to secure the Installment Payments and any Parity Debt (as defined below).

Net Revenues Covenant. In addition, starting on July 1, 2019, the City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Off Street Parking Enterprise and Parking Meter Enterprise during each Fiscal Year which are sufficient to yield aggregate Net Revenues of the Off Street Parking Enterprise and the Parking Meter Enterprise which are at least equal to 125% of the amount described in the preceding paragraph (ii) for such Fiscal Year. If and to the extent the City has included Installment Payments that is has failed to pay in the calculation of the rate covenant under this paragraph, the City does not have to include in such calculation any Reimbursement Amounts payable to the Bond Insurer. For purposes of illustration, the City will satisfy the covenant set forth in this paragraph if, in a Fiscal Year starting on or following July 1, 2019, the Net Revenues of the Off Street Parking Enterprise are equal to 120% of the amount described in the preceding paragraph (ii) for such Fiscal Year and the Net Revenues of the Parking Meter Enterprise are equal to 5% of the amount described in the preceding paragraph (ii) for such Fiscal Year.

Based on the preliminary actual revenues and the projections for fiscal year 2021, the lack of operations will have an impact on the revenues and the funds will not be able to make the debt service payments for fiscal year 2021. Also, the revenue to expenditure ratio of 125% will not be met.

The City will have to come up with an alternative funding source in order to make the debt service of $1,910,250 for FY2021 so as not to default on the debt.

Bond Debt Service
Berkeley Joint Powers Financing Authority
Parking Revenue Bonds, Series 2016
*****Final Numbers*****
A Underlying Rating/BAM Insured

Payment Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service	FY
12/1/2016			313,885.83	313,885.83		2017
6/1/2017			576,525.00	576,525.00	890,410.83	2017
12/1/2017			576,525.00	576,525.00		2018
6/1/2018			576,525.00	576,525.00	1,153,050.00	2018
12/1/2018			576,525.00	576,525.00		2019
6/1/2019			576,525.00	576,525.00	1,153,050.00	2019
12/1/2019			576,525.00	576,525.00		2020
6/1/2020	760,000	3.000%	576,525.00	1,336,525.00	1,913,050.00	2020
12/1/2020			565,125.00	565,125.00		2021
6/1/2021	780,000	3.000%	565,125.00	1,345,125.00	1,910,250.00	2021
12/1/2021			553,425.00	553,425.00		2022
6/1/2022	805,000	4.000%	553,425.00	1,358,425.00	1,911,850.00	2022
12/1/2022			537,325.00	537,325.00		2023
6/1/2023	840,000	4.000%	537,325.00	1,377,325.00	1,914,650.00	2023
12/1/2023			520,525.00	520,525.00		2024
6/1/2024	870,000	4.000%	520,525.00	1,390,525.00	1,911,050.00	2024
12/1/2024			503,125.00	503,125.00		2025
6/1/2025	905,000	4.000%	503,125.00	1,408,125.00	1,911,250.00	2025
12/1/2025			485,025.00	485,025.00		2026
6/1/2026	945,000	4.000%	485,025.00	1,430,025.00	1,915,050.00	2026
12/1/2026			466,125.00	466,125.00		2027
6/1/2027	980,000	4.000%	466,125.00	1,446,125.00	1,912,250.00	2027
12/1/2027			446,525.00	446,525.00		2028
6/1/2028	1,020,000	4.000%	446,525.00	1,466,525.00	1,913,050.00	2028
12/1/2028			426,125.00	426,125.00		2029
6/1/2029	1,060,000	4.000%	426,125.00	1,486,125.00	1,912,250.00	2029
12/1/2029			404,925.00	404,925.00		2030
6/1/2030	1,105,000	4.000%	404,925.00	1,509,925.00	1,914,850.00	2030
12/1/2030			382,825.00	382,825.00		2031
6/1/2031	1,145,000	4.000%	382,825.00	1,527,825.00	1,910,650.00	2031
12/1/2031			359,925.00	359,925.00		2032
6/1/2032	1,190,000	4.000%	359,925.00	1,549,925.00	1,909,850.00	2032
12/1/2032			336,125.00	336,125.00		2033
6/1/2033	1,240,000	4.000%	336,125.00	1,576,125.00	1,912,250.00	2033
12/1/2033			311,325.00	311,325.00		2034
6/1/2034	1,290,000	4.000%	311,325.00	1,601,325.00	1,912,650.00	2034
12/1/2034			285,525.00	285,525.00		2035

6/1/2035	1,340,000	3.000%	285,525.00	1,625,525.00	1,911,050.00	2035
Payment Date	**Principal**	**Coupon**	**Interest**	**Debt Service**	**Annual Debt Service**	**FY**
12/1/2035			265,425.00	265,425.00		2036
6/1/2036	1,380,000	3.000%	265,425.00	1,645,425.00	1,910,850.00	2036
12/1/2036			244,725.00	244,725.00		2037
6/1/2037	1,425,000	3.000%	244,725.00	1,669,725.00	1,914,450.00	2037
12/1/2037			223,350.00	223,350.00		2038
6/1/2038	1,465,000	3.000%	223,350.00	1,688,350.00	1,911,700.00	2038
12/1/2038			201,375.00	201,375.00		2039
6/1/2039	1,510,000	3.000%	201,375.00	1,711,375.00	1,912,750.00	2039
12/1/2039			178,725.00	178,725.00		2040
6/1/2040	1,555,000	3.000%	178,725.00	1,733,725.00	1,912,450.00	2040
12/1/2040			155,400.00	155,400.00		2041
6/1/2041	1,600,000	3.000%	155,400.00	1,755,400.00	1,910,800.00	2041
12/1/2041			131,400.00	131,400.00		2042
6/1/2042	1,650,000	3.000%	131,400.00	1,781,400.00	1,912,800.00	2042
12/1/2042			106,650.00	106,650.00		2043
6/1/2043	1,700,000	3.000%	106,650.00	1,806,650.00	1,913,300.00	2043
12/1/2043			81,150.00	81,150.00		2044
6/1/2044	1,750,000	3.000%	81,150.00	1,831,150.00	1,912,300.00	2044
12/1/2044			54,900.00	54,900.00		2045
6/1/2045	1,805,000	3.000%	54,900.00	1,859,900.00	1,914,800.00	2045
12/1/2045			27,825.00	27,825.00		2046
6/1/2046	1,855,000	3.000%	27,825.00	1,882,825.00	1,910,650.00	2046
	33,970,000		20,859,360.83	54,829,360.83	54,829,360.83	

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