



Office of the City Manager

ACTION CALENDAR

June 29, 2021

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Rama Murty, Acting Budget Manager
 Subject: FY 2022 Budget Adoption

RECOMMENDATION

Adopt a Resolution:

1. Adopting the FY 2022 Budget as contained in the City Manager's FY 2022 Proposed Budget that includes the Proposed Capital Budget, presented to Council on May 25, 2021, and as amended by subsequent Council action.
2. Authorizing the City Manager to provide applicable advances to selected community agencies receiving City funds in FY 2022, as reflected in Attachment 2 to the report, and as amended by subsequent Council action.

FISCAL IMPACTS OF RECOMMENDATION

The proposed City expenditure budget for all funds in FY 2022 is \$668,825,973 (gross appropriations) and \$581,303,702 (net appropriations). The General Fund (Funds 011-099) total is \$236,688,390 and the balance of \$432,137,583 represents the other non-discretionary funds. This fiscal information will be reflected in a separate Annual Appropriation Ordinance on the City Council's agenda this evening.

CURRENT SITUATION AND ITS EFFECTS

The FY 2022 Proposed Budget process began in December 2020, almost 9 months after the COVID-19 pandemic began and the shelter-in-place orders were implemented. At that time, staff decided to shift from a regular 2 Year budget process to a 1 Year budget process for FY 2022. This decision was made to provide time to evaluate the impacts of COVID-19 on the local economy and finances and to develop an understanding of the impacts of vaccines.

The FY 2022 Proposed Budget¹ was presented to the City Council on May 25, 2021. This began a series of meetings in June with the Budget & Finance Policy Committee and the Council. The schedule of the meetings that were held is shown below:

FY 2022 Budget Calendar	
Date	Action/Topic
May 25, 2021	<ul style="list-style-type: none"> • FY 2022 Proposed Budget Presentation • Public Hearing #1: Budget • FY 2022 Proposed Fee Increases
May 27, 2021	<ul style="list-style-type: none"> • Budget & Finance Policy Committee Meeting
June 1, 2021	<ul style="list-style-type: none"> • Public Hearing #2: Budget • Last date for formal budget referrals to the FY 2022 Budget Process
June 2, 2021	<ul style="list-style-type: none"> • Budget & Finance Policy Committee Meeting
June 10, 2021	<ul style="list-style-type: none"> • Budget & Finance Policy Committee Meeting
June 14, 2021	<ul style="list-style-type: none"> • Budget & Finance Policy Committee Meeting: FY 2022 Proposed Budget City Manager Recommendations
June 15, 2021	<ul style="list-style-type: none"> • FY 2022 Proposed Budget City Manager Recommendations • Council discussion on budget recommendations
June 22, 2021	<ul style="list-style-type: none"> • Budget & Finance Policy Committee Meeting
June 24, 2021	<ul style="list-style-type: none"> • Budget & Finance Policy Committee Meeting
June 29, 2021	<ul style="list-style-type: none"> • Adopt FY 2022 Proposed Budget & FY 2022 Annual Appropriations Ordinance

The FY 2022 Proposed Budget City Manager Recommendations was developed around a collaborative process as in the diagram below:

¹ https://www.cityofberkeley.info/Clerk/City_Council/2021/05_May/Documents/2021-05-25_Item_38_Budget_Public_Hearing_-_Rev.aspx



As the budget process calendar and the chart above show, the process to develop the City Manager's Proposed Budget Recommendations involved discussions with the Council and Budget & Finance Policy Committee and listening to the community. The process involved looking at our fiscal needs and discussing with departments what their needs are and what deferrals from FY 2021 could be continued to FY 2022 that would have little or no operational impact to the department and the City as a whole.

The FY 2022 Budget achieves certain themes by funding a wide range of programs in the following areas:

- Economic recovery
- Equity
- Continuity in government operations
- Critical, immediate infrastructure needs and planning for the future
- Addressing Climate Emergency and Sustainability Initiatives
- Focus on FY 2023

Detail information about the programs that were included in the each of these buckets was presented to the City Council on June 15, 2021 in the FY 2022 Proposed Budget City Manager Recommendations².

The FY 2022 General Fund Budget as shown below is currently projected to have a deficit of \$22.7 million:

FY 2022 Baseline Revenues	190,875,002
FY 2022 Baseline Expenditures	213,595,389
Surplus/Deficit	(22,720,387)

The Proposed Budget City Manager Recommendations adds approximately \$2.2 million for selected department funding requests which increases the deficit to \$24.9 million as shown in the chart below:

FY 2022 City Manager Proposed Budget Recommendations	
FY 2022 General Fund Deficit	(22,720,387)
Tier 1 Funding Requests	(2,153,580)
Council Unfunded Budget Referrals	TBD
Revised Surplus/Deficit	(24,873,967)
Transfer in of American Rescue Plan Act Funds	24,873,967
Revised Surplus/Deficit	0

The City is expected to receive \$66.6 million in American Rescue Plan Act (“ARPA”) Funds. Through the use of ARPA Funds to cover General Fund revenue losses suffered in FY 2020 and FY 2021, the City has been able to balance the FY 2022 General Fund budget as shown in the chart above.

² https://www.cityofberkeley.info/Clerk/City_Council/2021/06_June/Documents/2021-06-15_Supp_3_Reports_Item_37_Supp_Budget_pdf.aspx

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

	FY 2021	FY 2022	FY 2023
Beginning Fund Balance	0	\$33,323,144	\$18,691,322
Projected Revenues	\$33,323,144	\$33,323,144	0
Projected Expenditures	0	\$47,954,967	\$4,050,000
Ending Fund Balance	\$33,323,144	\$18,691,322	\$14,641,322

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

FUND	FY 2022	FY 2023
General Fund	\$24,873,967	TBD
Marina Fund	\$1,400,000	\$1,150,000
Parking Meter Fund	\$4,340,000	\$2,700,000
Off-Street Parking Fund	\$3,940,000	\$200,000
Camps Fund	\$1,000,000	0
Sports Field Fund	\$196,000	0
Total	\$35,784,967	\$4,050,000

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

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

The proposal to address community safety concerns is a short-term solution until a community-informed Specialized Care Unit is developed and deployed. The details of this program are as follows:

- Expanding prevention and outreach
 - Leverage existing teams and community-based organizations
 - Address basic needs (wellness checks, food, shelter, clothing, etc.)
 - Equipment and supplies
 - Estimated cost - \$1.2 million
- Crime Prevention and Data Analysis to support data driven policing / identify areas of community need
 - Establish data analysis team (2 non-sworn positions)
 - Deploy Problem Oriented Policing Team (overtime)
 - Estimated cost - \$1.0 million

In terms of the overall budget, there are a number of issues to consider moving into FY 2022 as listed below:

- Future deficits / resource needs
 - General Fund
 - Marina Fund
 - Parking Meter Fund / Off-Street Parking Fund
 - Permit Service Center
 - Other Funds
- ARPA Funds spent quickly
- Pace of economic recovery

The City also has a number of unfunded needs that will need to be addressed as well and those items are listed below:

- Reserves Replenishment
 - General Fund (Stability and Catastrophic)
 - Parking Funds
- Section 115 Trust
- Workforce
 - Cost of living adjustments
 - PEPRAs employee pension contributions³
 - Unfunded Infrastructure
- Other post-employment benefits

Some potential sources of funds to address these unfunded needs are the following items:

³ For Miscellaneous employees (all employees with the exception of sworn police and fire employees), "Classic" employee pension contributions are 8% of salary, whereas employees that receive a pension under the Public Employees' Pension Reform Act of 2013 (PEPRA) contribute 15.25% of salary.

- Remaining American Rescue Plan Act Resources
- Adjust Transfer Tax Baseline
- Future revenue adjustments due to pace of economic recovery

Conclusion

Moving into FY 2022 and as things hopefully start to recover from the pandemic, City staff is committed to providing timely updates to City Council and reevaluating the City's budget and projections on a reoccurring basis. Staff will also be reviewing our use of the ARPA Funds and seeing if the initial plans to spend these funds can be adjusted.

The November AAO process will offer this opportunity as well as to evaluate the following other items:

- Unfunded citywide referrals
- Revisit Tier 2 and 3 Department requests
- Address capital needs (excess property transfer tax)
- Adjust revenue projections

Shortly after the FY 2022 Budget Adoption, staff will also begin the FY 2023 & FY 2024 Biennial Budget process.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

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

CONTACT PERSON

Rama Murty, Acting Budget Manager, City Manager's Office, 981-7000

Attachments:

1: Resolution

Exhibit A: Community Agency Contract Advances

RESOLUTION NO.

ADOPTING THE CITY OF BERKELEY BUDGET UPDATE FOR
FISCAL YEAR 2022

WHEREAS, on May 25, 2021, the City Manager presented to the City Council the FY 2022 Proposed Budget; and

WHEREAS, the City Council held a series of meetings to consider the FY 2022 Proposed Budget Update, including public hearings held on May 25, 2021 and June 1, 2021; and

WHEREAS, members of the City Council presented recommended revisions to the Proposed Biennial Budget at the Council meetings on June 15, 2021 and June 29, 2021; and

WHEREAS, in addition to formal budget adoption, City Council action is required to authorize advances for select community agencies receiving funds in FY 2022. The advances are to be equivalent to 25% of the agency's allocation.

NOW THEREFORE, BE IT RESOLVED, that the Council of the City of Berkeley adopted the FY 2022 Budget contained in the City Manager's FY 2022 Proposed Budget presented to Council on May 25, 2021 and as amended by subsequent Council action on June 15, 2021 and June 29, 2021.

BE IT FURTHER RESOLVED that the appropriations constituting the FY 2022 Adopted Budget will be reflected in a separate FY 2022 Annual Appropriation Ordinance, as required by Charter.

BE IT FURTHER RESOLVED, that the City Manager is authorized to execute contracts and /or amendments, as necessary, to provide advances to selected community agencies receiving City funds in FY 2022.

BE IT FURTHER RESOLVED that the City Manager is authorized to advance the full allocation of Rebuilding Together East Bay-North's Community Facility Improvement Program's FY 2022 General Funds during the first quarter, per the agency's request.

BE IT FURTHER RESOLVED, that the City Manager is authorized to use the following invoicing/reporting system in contract administration, but maintains the discretion to amend these requirements depending on risk factors associated with past performance, the amount and type of funding an agency receives, and/or whether or not an agency is a new grantee:

Agencies receiving under \$50,000 in General Fund to provide the following services:

1. Drop-In services only with no intensive case management, meal programs, outreach programs, or recreation programs:
 - Statements of Expense are required quarterly and a General Ledger is required at fiscal year-end; and
 - An end-of-year narrative summary of accomplishments.
2. All other agencies receiving General Fund only:
 - Statements of Expense are required quarterly and a General Ledger is required at fiscal year-end; and
 - Program Reports are required semi-annually.
3. Agencies with State and/or Federal Funding:
 - Statements of Expense are required quarterly and a General Ledger is required at fiscal year-end; and
 - Program Reports are required quarterly.

BE IT FURTHER RESOLVED, that the City Manager is authorized to refuse to execute or amend a contract with any agency that has not provided required contract exhibits and documentation within 60 days of award of funding.

BE IT FURTHER RESOLVED, that the City Manager is authorized to execute other resultant agreement and amendments with other agencies relating to receipt and expenditure under CDBG or CSBG Program in accordance with the proposals for community agency funding approved through the budget process. A record copy of said contracts and any amendments are on file with the Office of the City Clerk.

Exhibits

A: Community Agency Advances

FY 2022 COMMUNITY AGENCY ADVANCES

AGENCY NAME	LEAD DEPT	FY 2022 ALLOCATION	FY 2022 ADVANCE
Alameda County Homeless Action Center	HHCS	197,759	49,440
Alameda County Network of Mental Health Clients	HHCS	117,737	29,434
Bananas	HHCS	388,637	97,159
Bay Area Community Land Trust	HHCS	205,200	51,300
Bay Area Community Resources	HHCS	94,964	23,741
Bay Area Community Services	HHCS	4,681,310	1,170,328
Bay Area Hispano Institute for Advancement	HHCS	103,590	25,898
Bay Area Outreach and Recreation Program	HHCS	43,592	10,898
Berkeley Community Gardening Collaborative	HHCS	11,895	2,974
Berkeley Community Media	IT	230,710	57,678
Berkeley Convention & Visitors Bureau	OED	422,500	105,625
Berkeley Food & Housing Project	HHCS	390,655	97,664
Berkeley Free Clinic	HHCS	15,858	3,965
Berkeley High School Bridge Program	HHCS	79,000	19,750
Berkeley Project	PRW	32,000	8,000
Berkeley Youth Alternatives	HHCS	60,000	15,000
Biotech Partners	HHCS	91,750	22,938
Bonita House	HHCS	39,804	9,951
Bread Project	HHCS	57,850	14,463
Building Opportunities for Self Sufficiency	HHCS	1,228,291	307,073
Center for Independent Living	HHCS	159,660	39,915
Covenant House California (YEAH!)	HHCS	318,388	79,597
Dorothy Day	HHCS	1,627,915	406,979
Downtown Berkeley Association	HHCS	40,000	10,000
Downtown Streets Team	PW	225,000	56,250
East Bay Community Law Center	HHCS	33,644	8,411
Easy Does It	HHCS	1,432,011	358,003
Eden Council for Hope and Opportunity	HHCS	35,000	8,750
Ephesians Children's Center	HHCS	85,347	21,337
Eviction Defense Center	HHCS	250,000	62,500
Family Violence Law Center	HHCS	61,842	15,461
Fred Finch Youth Center	HHCS	189,255	47,314
Habitat for Humanity East Bay/Silicon Valley	HHCS	250,000	62,500
Healthy Black Families, Inc.	HHCS	43,808	10,952
Inter-City Services	HHCS	101,351	25,338
J-Sei	HHCS	9,110	2,278
Lifelong Medical Care	HHCS	1,093,010	273,253
McGee Avenue Baptist Church	HHCS	17,844	4,461
Multicultural Institute	HHCS	101,739	25,435
Options Recovery Services	HHCS	50,000	n/a
Nia House Learning Center	HHCS	39,999	10,000
Pacific Center for Human Growth	HHCS	23,245	5,811
Rebuilding Together	HHCS	122,850	49,144
RISE Program	HHCS	216,039	54,010
Rising Sun	HHCS	67,828	16,957
SEEDS Community Resolution Center	HHCS	22,553	5,638
Stiles Hall	HHCS	90,000	22,500
The Suitcase Clinic	HHCS	9,828	2,457
Through the Looking Glass	HHCS	52,206	13,052
Toolworks Inc. Supportive Housing	HHCS	47,665	11,916
UC Berkeley	HHCS	130,000	32,500
Women's Daytime Drop-In Center	HHCS	267,071	66,768
YMCA of the East Bay - Y Scholar Program	HHCS	90,875	22,719

FY 2022 COMMUNITY AGENCY ADVANCES

AGENCY NAME	LEAD DEPT	FY 2022 ALLOCATION	FY 2022 ADVANCE
Youth Spirit Artworks	HHCS	78,000	19,500
		15,798,185	3,955,478

HHCS = Health, Housing & Community Services

IT = Information Technology

OED = Office of Economic Development

PRW = Parks Recreation & Waterfront