



Rashi Kesarwani  
Councilmember District 1

## **REVISED AGENDA MATERIAL for Supplemental Packet 2**

**Meeting Date:** December 3, 2019

**Item Number:** 24

**Item Description:** FY 2019 Year-End Results and FY 2020 First Quarter Budget Update

**Submitted by:** Councilmember Rashi Kesarwani

On Friday, November 22, 2019, the Budget & Finance Policy Committee met and discussed the FY 2019 Year-End Results and FY 2020 First Quarter Budget Update. This item includes an Alternative Budget Proposal created by Councilmember Kesarwani that creates a \$3 million contingency in light of known and unknown fiscal uncertainties.

**Attachments:**

1. Kesarwani Budget Proposal



Rashi Kesarwani  
Councilmember District 1

**ACTION CALENDAR**  
December 3, 2019

To: Honorable Mayor and Members of the City Council  
From: Councilmember Rashi Kesarwani  
Subject: FY 2019 Year-End Results and FY 2020 First Quarter Budget Update

**RECOMMENDATION**

Approve an Alternative Budget Proposal from Councilmember Kesarwani that sets aside a total of about \$3 million in FY19-20 in contingency for upcoming known and unknown fiscal liabilities by:

- Reducing the Mayor’s mid-year allocations by \$1.5 million
- Reducing the City Manager’s mid-year allocations by up to \$1.5 million pursuant to the City Manager developing a reduction proposal for Council consideration

**SUMMARY**

The Mayor proposed a total of \$1,905,923 in mid-year Council allocations, including \$275,000 for capital and \$1,630,923 for non-capital expenditures as summarized in Exhibit 1 below and detailed in the Supplemental 1 packet submitted by Teresa Berkeley-Simmons for Item #24 FY 2019 Year-End Results and FY 2020 First Quarter Budget Update; see pg. 2 of the Supplemental 1 packet for “Mayor’s Budget Proposal Summary” (Attachment 1) and pgs. 3-8 for “Mayor’s Budget Proposal Detail Spreadsheet” (Exhibit A). The Mayor’s Proposal is a reasonable starting point for narrowing Council’s budget priorities and funds a number of critical needs. However, given the significant fiscal uncertainties facing the City, the Budget Proposal submitted by Councilmember Kesarwani seeks to narrow Council’s budget priorities even further and proposes to fund a total of \$750,341 of Council budget referrals, as detailed in Exhibit 2.

**Exhibit 1: Summary Comparison of Mayor’s Mid-Year Proposal to Kesarwani Budget Proposal**

	Mayor's Proposal for FY19-20 Mid-Year Allocation	Kesarwani Proposal for FY19-20 Mid-Year Allocation
Excess Property Transfer Tax	\$3,081,102	\$3,081,102
Measure P Allocation	-\$2,900,000	-2,932,313
Council Allocation - capital	-\$275,000	0
	-\$93,898	\$148,789

	Mayor's Proposal for FY19-20 Mid-Year Allocation	Kesarwani Proposal for FY19-20 Mid-Year Allocation
Unassigned Excess Equity	\$2,100,000	\$2,100,000
Council Allocation - noncapital	-\$1,630,923	-\$750,341
	\$469,077	\$1,349,659
<b>TOTAL SAVINGS</b>	<b>\$375,179</b>	<b>\$1,498,448</b>

In order to make difficult budgetary decisions, Councilmember Kesarwani’s Budget Proposal applies criteria to determine which Council budget referrals to fund. The funded items listed below fall into two criteria: (1) funding to support Council adopted ordinances and policies, and (2) funding of items that leverage outside sources of funding. In order to arrive at \$1,498,448 of total savings, there are invariably items of importance that remain unfunded because they did not meet the criteria of supporting a Council adopted ordinance or policy or they do not leverage outside funding. It is advised that the list of referrals are retained for consideration in June 2020 for the FY20-21/FY21-22 budget.

**Exhibit 2: Detail for \$750,341 Mid-Year Proposal from Councilmember Kesarwani**

Item	Council Date	Amount	Ongoing or One-Time	Co-Sponsors
<b>Funding of Council adopted ordinances and policies</b>				
Adopt an ordinance adding a new Chapter 12.80 to the Berkeley Municipal Code Prohibiting Natural Gas Infrastructure in New Buildings	July 9, 2019	\$273,341	Ongoing	Harrison, Davila, Bartlett and Hahn
Funding illegal dumping component of "Clean & Livable Commons Initiative"	October 29, 2019	\$200,000	One-Time	Kesarwani, Harrison, Arreguin
<b>Funding of items that leverage outside sources of funding</b>				
Allocate \$27,000 from the General Fund to secure potential matching state certified local government landmarks preservation grants	October 29, 2019	\$27,000	One-Time	Harrison and Hahn
BART Station Environmental Planning	November 12, 2019	\$250,000	One-Time	Arreguin
	<b>TOTAL</b>	<b>\$750,341</b>		
<b>Item to be funded by Measure P</b>				
Referral to City Manager to authorize additional inclement weather shelter at Old City Hall from October 15, 2019 - April 30, 2020	October 15, 2019	\$60,000	One-Time	Davila, Harrison, Bartlett, Kesarwani

If the Council wishes to approve this budget proposal, then the City Manager would be tasked with developing a reduction plan up to \$1.5 million from mid-year allocations.

### BACKGROUND

The City is facing a number of serious fiscal challenges, including unfunded pension liabilities, costly litigation, upcoming labor negotiations, and decades of deferred maintenance of critical infrastructure. Some of these liabilities are known—such as the unfunded pension and infrastructure costs—and some are unknown, such as costs associated with litigation and labor negotiations.

For instance, this spring, the City will encounter significant fiscal uncertainties when all seven collective bargaining units will enter labor contract negotiations with the City, representing approximately 1,406 employees as displayed in Exhibit 3.

### **Exhibit 3: City of Berkeley Positions by Collective Bargaining Unit**

<b>Union / Association</b>	<b>Full-Time</b>	<b>Part-Time</b>	<b>Total</b>
Berkeley Chief Fire Officers Association	6	0	6
Berkeley Fire Fighter's Association	125	0	125
International Brotherhood of Electrical Workers	11	0	11
Berkeley Police Association	156	0	156
SEIU Local 1021 (Comm. Services/Part-time Rec. Activity Leaders)	377	123	500
SEIU Local 1021 (Maintenance and Clerical)	437	7	444
Public Employees Union – Local 1	158	6	164
Unrepresented	336	333	669
<b>TOTAL</b>	<b>1,606</b>	<b>469</b>	<b>2,075</b>

Source: City of Berkeley Human Resources Department as of August 14, 2019.

Collective bargaining negotiations are an important part of ensuring that the vital resource of the City's staff—from firefighters and police officers to our gardeners and maintenance workers—receive a fair and competitive compensation package that allows the City to deliver on its strategic priorities.

This Alternative Budget Proposal requires making difficult decisions. This is done out of a concern that possible sources of General Fund savings in FY19-20 may prove insufficient for upcoming fiscal uncertainties. Possible sources of General Fund savings in FY19-20 include:

- Personnel underspending as a result of vacancies (i.e., salary savings);
- Non-personnel underspending; and
- Contract underspending.

Current-year General Fund expenditures for the first quarter as displayed in Exhibit 4 give some indication that year-end savings will materialize, given that 25% is expended with the inclusion of FY18-19 encumbrance rollovers. However, at this point in the year,

it is difficult to project how much savings will accrue at year-end. This is a significant unknown. In terms of revenues, the City Council is awaiting the preparation of a five-year fiscal forecast that would provide greater insight into anticipated revenue growth. Due to the lack of information at this time, it would be prudent to set aside funds in light of the significant fiscal unknowns the City is facing.

**Exhibit 4: FY19-20 First Quarter Expenditures**

**FY 2020 First Quarter Expenditures (7/1/19 – 9/30/19)**

**General Fund**

Department	FY 2020 Adopted	FY 2020 Adjusted*	Year-To-Date Actuals + Encumbrances	Balance	Percent Expended
Mayor & Council	2,398,876	2,572,196	448,696	2,123,500	17%
Auditor	2,625,103	2,642,278	445,867	2,196,411	17%
Rent Board	0	602,015	52,015	550,000	9%
City Manager	11,037,283	12,192,216	2,956,817	9,235,399	24%
City Attorney	2,516,581	2,621,658	428,621	2,193,037	16%
City Clerk	3,004,901	3,069,440	499,784	2,569,656	16%
Finance	6,797,353	8,349,912	2,496,390	5,853,522	30%
Human Resources	2,329,292	2,631,604	468,167	2,163,437	18%
Information Technology	213,210	1,670,395	1,317,014	353,380	79%
Health, Housing & Community Services	17,553,283	27,697,978	10,581,818	17,116,160	38%
Parks, Recreation and Waterfront	7,105,343	7,712,188	2,403,297	5,308,890	31%
Planning	2,426,051	2,774,115	601,099	2,173,016	22%
Public Works	4,404,030	4,917,425	1,375,983	3,541,443	28%
Police	70,622,557	71,110,036	14,041,819	57,068,217	20%
Fire	36,019,089	39,281,584	8,757,570	30,524,014	22%
Non-Departmental	27,860,897	16,544,178	5,341,570	11,202,608	32%
<b>Total</b>	<b>196,913,849</b>	<b>206,389,218</b>	<b>52,216,527</b>	<b>154,172,691</b>	<b>25%</b>

\*FY 2020 Adjusted includes FY 2019 Encumbrance Rollover

We can look to FY18-19 year-end expenditures to gain a better understanding of how the current year may play out. The FY18-19 year-end General Fund balance is \$8,404,818, as shown in Exhibit 5. This balance is incorporated into the FY19-20 beginning balance of \$42.75 million that forms the basis of the calculation in Exhibit 7 for the \$2.16 million in unassigned excess equity. If FY18-19 is any guide, we may expect a couple million of unassigned excess equity in FY19-20.

**Exhibit 5: FY18-19 General Fund Year-End Balance**

**FY 2019 Year End Expenditures**

**General Fund**

<b>Department</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Adjusted</b>	<b>Year-End Actuals</b>	<b>Balance</b>	<b>Percent Expended</b>
Mayor & Council	2,020,693	2,062,715	2,081,536	(18,821)	101%
Auditor	2,322,174	2,359,452	2,266,839	92,613	96%
Rent Board		265,419	265,419	-	100%
City Manager	10,109,574	11,162,229	10,633,155	529,074	95%
City Attorney	2,186,657	2,180,010	2,181,489	(1,479)	100%
City Clerk	2,534,266	2,756,322	2,643,486	112,836	96%
Finance	6,080,806	5,877,392	5,474,314	403,078	93%
Human Resources	2,016,349	2,267,835	2,045,393	222,442	90%
Information Technology	7,711,017	2,787,859	1,525,916	1,261,943	55%
Health, Housing & Community Services	14,766,894	19,679,660	19,169,534	510,126	97%
Parks, Recreation and Waterfront	5,747,738	6,127,211	5,943,167	184,044	97%
Planning	1,975,461	2,486,571	1,885,755	600,816	76%
Public Works	3,307,978	5,082,298	4,691,231	391,067	92%
Police	62,219,080	62,339,098	65,493,664	(3,154,566)	105%
Fire	31,800,695	32,842,409	34,172,733	(1,330,324)	104%
Non-Departmental	29,450,664	60,574,051	51,972,083	8,601,968	86%
<b>Total</b>	<b>184,250,046</b>	<b>220,850,531</b>	<b>212,445,713</b>	<b>8,404,818</b>	<b>96%</b>

There is a significant amount of FY18-19 year-end savings resulting from special funds, as shown in Exhibit 6. However, unlike the General Fund available for any use, these special funds are required to be spent on specific uses and are not available to re-program for other needs.

**Exhibit 6: FY18-19 All Funds Year-End Balance**  
**All Funds (including General Fund)**

<b>Department</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Adjusted</b>	<b>Year-End Actuals</b>	<b>Year-End Balance</b>	<b>Percent Expended</b>
Mayor & Council	2,020,693	2,062,715	2,081,536	(18,821)	101%
Auditor	2,419,749	2,457,027	2,416,689	40,338	98%
Rent Board	5,231,605	5,378,423	5,109,453	268,970	95%
City Manager	13,767,449	16,530,109	14,685,013	1,845,096	89%
Library	23,333,610	23,576,923	18,720,976	4,855,947	79%
City Attorney	4,224,401	5,926,452	5,333,550	592,902	90%
City Clerk	2,534,266	2,756,322	2,643,486	112,836	96%
Finance	7,924,435	7,759,818	7,226,820	532,998	93%
Human Resources	3,888,726	4,387,083	3,939,247	447,836	90%
Information Technology	17,537,825	24,858,762	13,239,636	11,619,126	53%
Health, Housing & Community Services	49,197,874	63,207,185	50,027,411	13,179,774	79%
Parks, Recreation and Waterfront	28,150,223	44,591,944	31,621,644	12,970,300	71%
Planning	21,372,934	22,447,576	18,325,495	4,122,081	82%
Public Works	115,819,678	144,053,865	111,984,358	32,069,507	78%
Police	67,277,591	67,626,360	69,567,103	(1,940,743)	103%
Fire	40,008,265	41,407,170	42,992,558	(1,585,388)	104%
Non-Departmental	56,940,782	92,475,521	84,752,912	7,722,609	92%
<b>Total</b>	<b>461,650,106</b>	<b>571,503,255</b>	<b>484,667,887</b>	<b>86,835,368</b>	<b>85%</b>

**Exhibit 7: FY19-20 Unassigned Excess General Fund Equity**

GENERAL FUND EXCESS EQUITY	
FY 2019 Beginning Balance	\$ 42.75
FY 2019 Revenues	\$ 208.46
FY 2019 Expenditures	\$ (212.45)
<b>Available Balance</b>	<b>\$ 38.77</b>
<b>Less:</b>	
<i>Committed</i>	
Excess Property Transfer Tax	\$ (7.45)
Excess Business License Tax U1*	\$ (8.99)
Encumbered Rollovers (AAO#1)	\$ (5.51)
<i>Assigned</i>	
General Fund Carryover & Adjustments (AAO#1 - Excludes U1**)	\$ (13.50)
<b>Total Committed &amp; Assigned</b>	<b>\$ (35.45)</b>
<b>Excess Equity</b>	<b>\$ 3.32</b>
<b>Allocation to Reserves</b>	<b>\$ 1.16</b>
<b>Unassigned Excess Equity</b>	<b>\$ 2.16</b>
*U1 revenues were \$4.16M (FY18) and \$4.83M (FY19)	
** U1 allocations are discussed later in this report	

This analysis reveals the importance of the Council and the public being fully apprised of sources of savings, particularly personnel savings which can be difficult to understand. The Budget and Finance Policy Committee should determine the best approach for Council and the public to receive a detailed personnel savings report and establish a regular schedule for development of a five-year financial projection of revenues and expenditures.

FISCAL IMPACTS OF RECOMMENDATION

The Alternative Budget proposed by Councilmember Kesarwani would enable the city to set aside funds for fiscal uncertainties.

ENVIRONMENTAL SUSTAINABILITY

Not applicable.

CONTACT PERSON

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