



FY 2015 Proposed Budget Update

May 6, 2014

Tonight's Overview

- General Fund
- Special Funds
- CalPERS
- GASB 68
- Voluntary Time Off (VTO)
- Other
 - Capital Improvements
 - General Fund Balance
 - Fees
- Budget Referrals

Council's Budget Development Policies

1. Focusing on the long-term fiscal health of the City by adopting a two-year budget and conducting multi-year planning;
2. Building a prudent reserve;
3. Developing long-term strategies to reduce unfunded liabilities;
4. Controlling labor costs while minimizing layoffs;
5. Allocating one-time revenue for one-time expenses;
6. Requiring enterprise and grant funds to balance, and new programs to pay for themselves;
7. Any new expenditure requires new revenue or expenditure reduction;
8. Property Transfer Tax revenue in excess of \$10.5 million will be treated as one-time revenue to be used for the City's capital infrastructure needs; and
9. As the General Fund subsidy to the Safety Members Pension Fund declines over the next several years, the amount of the annual decrease will be used to help fund the new Police Employee Retiree Health Plan.

General Fund Revenues

➤ **FY 2014: \$2.3M increase**

Adopted		Projected
\$150.8M	➔	\$153.1M

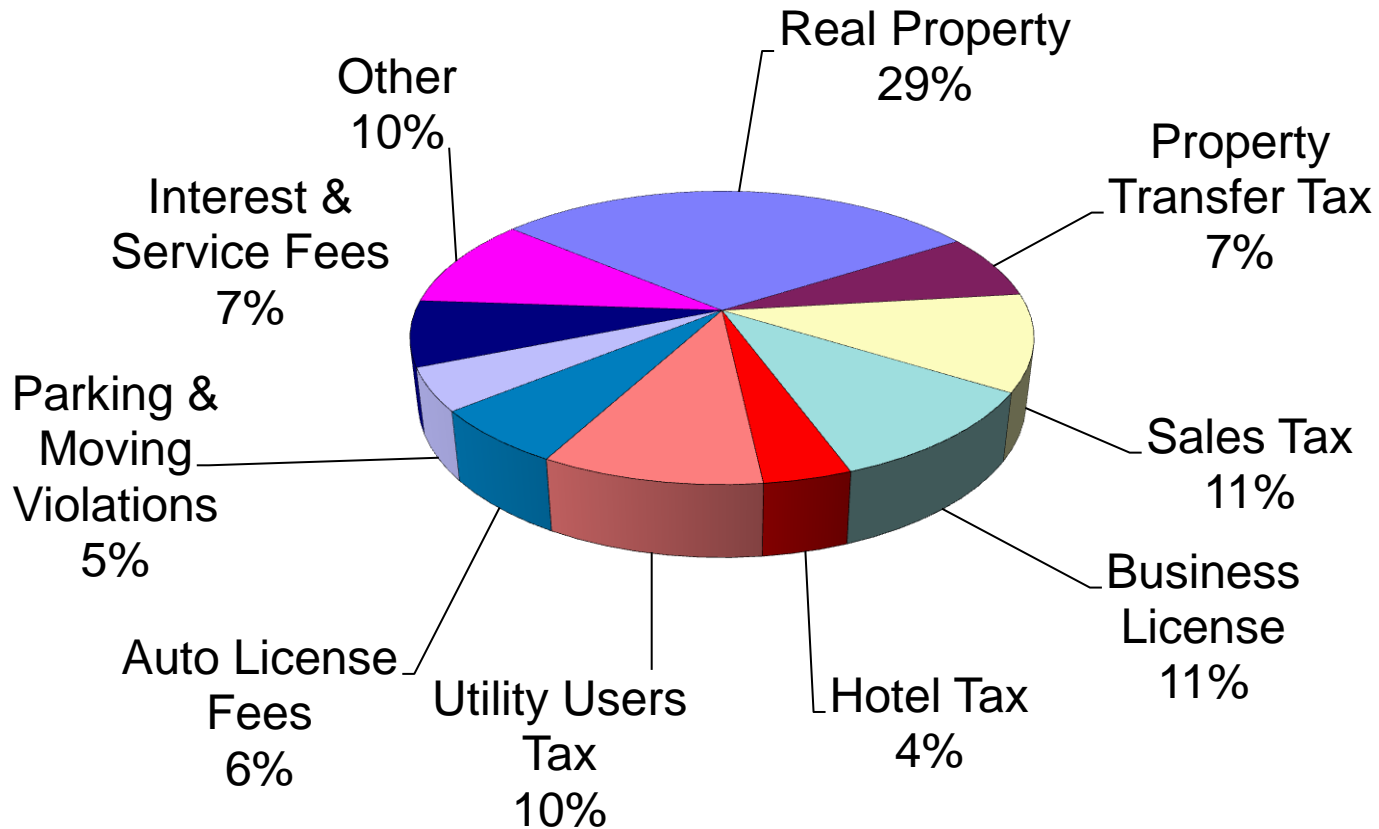
➤ **FY 2015: \$800,000 increase**

Adopted		Updated
\$153.1M	➔	\$153.9M

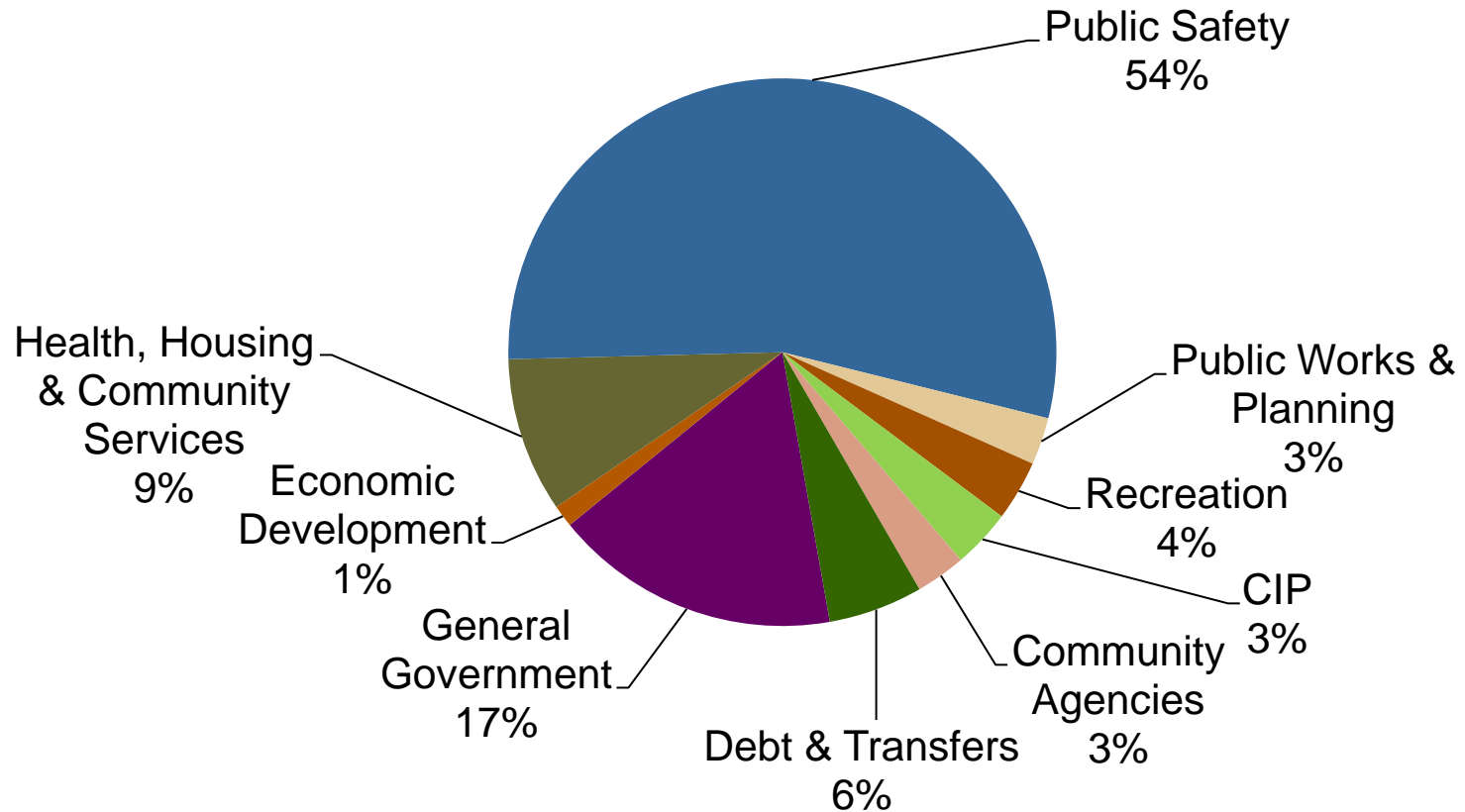
General Fund Revenues

	Adopted Revenue FY 2014	Projected Revenue FY 2014	Adopted Revenue FY 2015	Proposed Update Revenues FY 2015
Real Property Tax	\$41,180,566	\$42,220,854	\$42,621,886	\$43,698,584
Property Transfer Tax	10,000,000	13,000,000	10,000,000	11,000,000
Unsecured Property	2,447,266	2,298,523	2,447,266	2,298,523
Sales Tax	15,972,075	16,022,873	16,291,517	16,415,826
Business License	15,852,545	15,449,787	16,140,126	16,240,126
Hotel Tax	5,234,447	5,840,276	5,339,136	5,957,082
Utility Users Tax	15,011,223	14,637,002	15,311,447	14,929,742
Auto. In-Lieu	9,259,210	9,228,609	9,574,532	9,551,610
Parking Fines	8,285,000	7,000,000	8,285,000	7,000,000
Moving Violations	300,000	230,000	300,000	250,000
Interest	3,200,000	2,800,000	2,800,000	2,800,000
Service Fees	7,804,619	8,348,882	7,962,092	8,327,323
SUB-TOTAL	\$134,546,951	\$137,076,806	\$137,073,002	\$138,468,816
Other Revenues	16,253,599	15,979,025	16,011,901	15,412,861
TOTAL	\$150,800,550	\$153,055,831	\$153,084,903	\$153,881,677

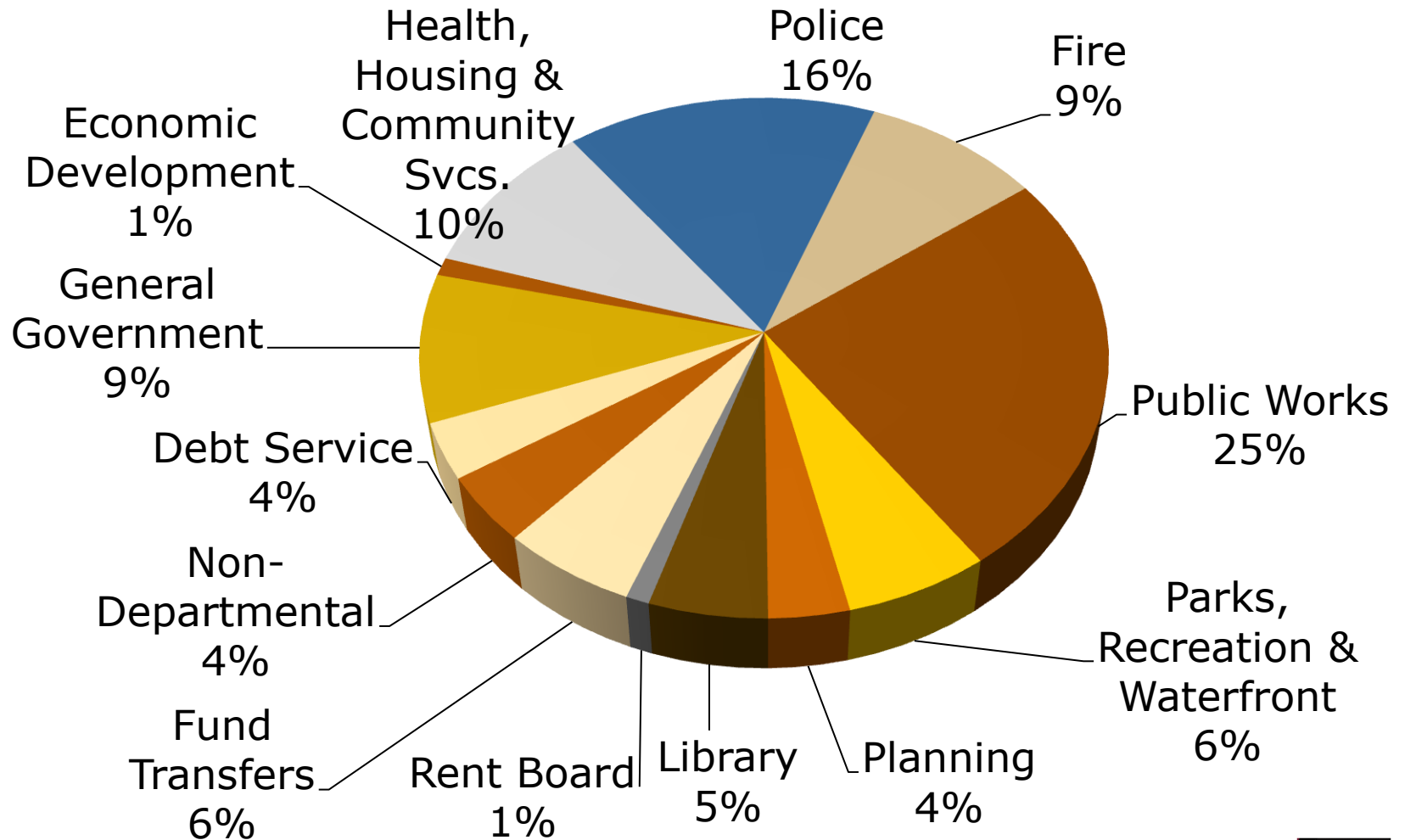
FY 2015 General Fund Revenues by Type



FY 2015 General Fund Expenditure Allocation



FY 2015 All Funds Expenditure Allocation



General Fund Forecast (*dollars in millions*)

	FY 2015 Adopted	FY 2015 Updated	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Revenues	153.1	153.9	156.3	159.7	162.8
Expenditures	153.2	153.9	158.3	162.5	166.4
Operating Surplus/Shortfall	(0.1)	0	(2.0)	(2.8)	(3.6)

Special Fund: Camps

<i>(dollars in millions)</i>	FY 2015 Updated Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Beginning Fund Balance	\$0.6	\$0	(\$0.3)	(\$0.7)
Total Revenues	1.0	0.8	0.8	0.8
Total Expenditures	1.6	1.1	1.2	1.2
Surplus / (Shortfall)	(0.6)	(0.3)	(0.4)	(0.4)
Ending Fund Balance	\$0	(\$0.3)	(\$0.7)	(\$1.1)

Special Fund: Parks Tax

<i>(dollars in millions)</i>	FY 2015 Updated Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Beginning Fund Balance	\$1.2	\$0.9	\$0.4	(\$0.2)
Total Revenues	9.8	10.0	10.1	10.2
Total Expenditures	10.1	10.5	10.7	10.9
Surplus / (Shortfall)	(0.3)	(0.5)	(0.6)	(0.7)
Ending Fund Balance	\$0.9	\$0.4	(\$0.2)	(\$0.9)

Special Fund: Marina

Marina Fund (dollars in millions)	FY 2015 Updated Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Beginning Fund Balance	\$0.9	\$0.4	\$0.1	(\$0.3)
Total Revenues	5.3	5.5	5.5	5.7
Total Expenditures	5.8	5.8	5.9	5.9
Surplus / (Shortfall)	(0.5)	(0.3)	(0.4)	(0.2)
Ending Fund Balance	\$0.4	\$0.1	(\$0.3)	(\$0.5)

California Public Employees' Retirement System (CalPERS)

California Public Employees' Retirement System (CalPERS)

- 100% funded in fixed 30-year period
- "Smoothing period" reduced from 15 years to 5 years
- 5 Year ramp-up
- Impact beginning FY 2016
- New mortality assumptions
- Impact beginning FY 2017
- FY 2016 to FY 2017= \$4M increase

CalPERS

Percent (%) of Employer Contribution Rates

	FY 2015 PERS Actual	FY 2016 PERS Projected	FY 2017 Projected**	FY 2018 Projected**	FY 2019 Projected**	FY 2020 Projected**
Miscellaneous	21.9%	23.3%	26.0%	28.2%	30.3%	32.4%
Police	46.6%	48.7%	52.8%	56.0%	59.0%	62.0%
Fire	33.2%	35.6%	39.6%	42.9%	46.3%	49.4%

*Rates do not reflect any employee cost sharing and assumes a 7.5% rate of return

**Estimates from Bartel Associates LLC. After PEPRA

Dollar (\$) Contribution Based on Projected Rate Increases (All Funds)

(dollars in millions)	FY 2015 Budgeted	FY 2016 Projected	FY2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Miscellaneous*	\$ 27.1	\$ 28.6	\$ 31.1	\$ 33.1	\$ 35.1	\$ 37.0
Police	\$ 10.5	\$ 10.8	\$ 11.7	\$ 12.4	\$ 13.1	\$ 13.7
Fire	\$ 5.2	\$ 5.6	\$ 6.2	\$ 6.6	\$ 7.2	\$ 7.6
Total	\$ 42.8	\$ 45.0	\$ 49.0	\$ 52.1	\$ 55.4	\$ 58.4

* Includes annual \$7.3 million 8% employee contribution which is paid by the City on the employee's behalf

GASB 68

- **GASB changed its focus from budgeting to accounting,**
- **The pension liability will be reported on the financial statements, instead of only being reflected in the notes to the financial statements,**
- **Plan assets will be calculated on a market value basis, and**
- **The discount rate may be lower than the expected rate of return on investments increasing the unfunded liability.**

Voluntary Time Off

Fiscal Year	Number of VTO Days	Base Salary Savings	Savings Per VTO Day
2009	14	\$316,823	\$22,630
2010	19	\$536,660	\$28,245
2011	29	\$1,450,126	\$50,000
2012	28	\$731,723	\$26,133
2013	28	\$578,044	\$23,122
2014	16	\$401,737*	\$25,109

* Annualized projection

FY 2015 Budget Update

- **Capital Improvements**
- **General Fund Balance**
- **Changes to Fees**

Budget Referrals

Title and Item #	Council Date	Description (Purpose)	Amount	Referred by: Council Member Name
Recurring Funding for Alcohol Tobacco and Other Drugs (ATOD) Counselors at Berkeley High School, Longfellow, and King Middle School	March 25, 2014	Half funding for two full-time Counselors. Other half to be paid by BUSD	\$70,000 annually	Capitelli, Maio, and Moore
Funding for an Expanded Pre-K Power Play Program	February 25, 2014	Funding for an expansion of the Pre-K Power Play Program from 300 to 500 families	\$237,000 annually	Children, Youth, and Recreation Commission
Comprehensive 311	December 3, 2013	311 Mobile and web application upgrades	\$40,000 - \$50,000 and minimal annual fee.	Worthington and Wozniak
Berkeley Art Center	September 10, 2013	Requesting an annual increase to subsidize the Berkeley Art Center.	\$30,000 annually	Capitelli
Support for the 2014 Elmwood Street Festival	April 29, 2014	Request from Elmwood merchants for a contribution toward the 2 nd annual Elmwood Street Fair	\$5,000 annually	Wozniak

Budget Council Meetings

Date	Council Meetings
May 6	City Manager's Proposed FY 2015 Mid-biennial Budget Update
May 20	Public Hearing
June 3	Public Hearing and Council Feedback on Budget
June 10	Council Feedback on Budget
June 24	Adopt FY 2015 Mid-biennial Budget Update/FY 2015 Annual Appropriation Ordinance



Discussion