

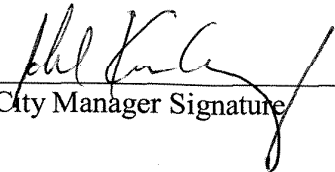
Office of the City Manager

TO BE DELIVERED AGENDA MATERIAL

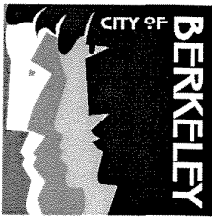
Meeting Date: June 28, 2005

Item Number: 21a

Item Description: FY 2006 & FY 2007 Budget Adoption



City Manager Signature



Office of the City Manager

ACTION CALENDAR

June 28, 2005

To: Honorable Mayor and
Members of the City Council
From: PK Phil Kamlarz, City Manager
Subject: FY 2006 & FY 2007 Budget Adoption

RECOMMENDATION

That the City Council adopt a resolution approving the FY 2006 & FY 2007 Budget through the following actions:

1. Adopt the FY 2006 & FY 2007 Budget as contained in the City Manager's FY 2006 & FY 2007 Proposed Budget, presented on May 10, 2005, and as amended by subsequent Council action.
2. Authorize a one-year Save Pay component for affected employees that are subject to being placed in a lower-paid position due to employee layoffs and resultant bumping - upon ratification of union side-letter agreements regarding cost savings measures. Save pay will equate to approximately \$49,000 (\$25,000 General Fund, \$4,000 Refuse and Sewer Funds, and \$20,000 Marina Fund) and will be absorbed within the proposed appropriations levels.
3. Authorize the City Manager to provide applicable advances to selected community agencies receiving City funds in FY 2006, as reflected in Attachment B, and as amended by Council.
4. Authorize the Workers' Compensation bonus scheduled for Executive Management staff (sum total of around \$10,000) be allocated instead to community organizations: \$6,000 to the St. Paul Food Project in South Berkeley, and \$4,000 to the South Berkeley YMCA Learning Academy as recommended by Executive Management.

CURRENT SITUATION AND ITS EFFECTS

FY 2006 & FY 2007 Proposed Budget as Presented on May 10, 2005 & Proposed Revisions

On May 10, 2005, staff presented Council with the City Manager's FY 2006 & FY 2007 Proposed Budget, a balanced approach to closing the City's projected two-year General Fund deficit of \$10.5 million, and deficits in other key operating funds. The proposed budget covers both fiscal years 2006 and 2007 – a two-year approach that is part of a four year plan to erase the City's structural deficit.

The current plan balances the General Fund over two years through options that include \$6.9 million in recurring balancing measures and \$2.0 in one-time measures in FY 2006; and \$1.6 million in recurring balancing measures in FY 2007. Along with recurring reductions and/or increasing revenue, several one-time balancing options are proposed for FY 2006 to help lessen program reductions. I will present Council with a budget update report in six months to best assess revenue and expenditure performance and review any necessary mid-year adjustments.

State Impacts

Losses in State and Federal funding contribute heavily to the erosion of the City's funding and continue to be a dynamic part of our budget story. The proposed budget reflects that the City will continue to lose \$1.8 million in local revenue in FY 2006; in FY 2007 the City will no longer be required to transfer this \$1.8 million in local revenues to the State. The FY 2006 State budget also includes the re-authorization of Proposition 42 transportation funding in the amount of \$444,112. This is a one-time allocation until otherwise indicated by the State.

Employee Savings

As part of the FY 2006 & FY 2007 Proposed Budget, most employees have again agreed on a method of labor cost control that involves using rather than paying out vacation balances. Combined with savings from Voluntary Time Off days, this action will result in \$3 million in savings across all funds and \$750,000 in General Fund savings over the next three years.

At this writing, PEU Local 1 has not agreed to this plan.

In addition, the City has successfully reduced Workers' Compensation costs – so much so that a negotiated one-time bonus to City employees (sworn employees excluded) will be paid in FY 2006 in recognition of this achievement. Management staff has unanimously agreed to waive receipt of this one-time bonus and contribute the sum (\$10,000) toward a local community agency. Staff has recommended allocating the \$10,000 as follows:

- \$6,000: St. Paul Food Project in South Berkeley
- \$4,000: South Berkeley YMCA Learning Academy

In the next several years, we look to prudent fiscal decisions with the re-negotiation of the City's labor contracts. Council policy is to pay at the median of Berkeley's comparable cities. It appears that by the time contracts expire, the City will be above median for most positions. Therefore, I recommend there should be no increase in labor costs for the first two years following the conclusion of the labor contracts.

New Revenues

Changes to revenue projections since the issuance of the Proposed Budget on May 10 include the following:

- One-time reinstatement of State Proposition 42 Transportation Funding (\$444,112).
- Increased revenues generated from the Property Transfer Tax and the receipt of one-time revenues from unused Seismic Rebate escrow accounts total \$300,000 over projections included in the Proposed Budget.
- Revenue from the University of California settlement agreement will be received in FY 2007.

- Potential revenue from the implementation of a “use tax” program with the University of California could generate additional sales tax revenue of around \$200,000 - \$500,000 in FY 2006 & FY 2007.

Council Budget Amendments & Community Agencies

The amendments presented by individual Council members mitigate the impacts of selected reductions proposed in the City Manager’s Proposed Budget. I also recommend the increased allocation of \$135,000 for homeless services that primarily represents funding for agencies that are consolidating their administrative functions for cost savings and improved service delivery. Funding allocations above the levels of funding included in the Proposed Budget should be regarded as one-time funding and subject to mid-year review.

The City has typically provided advances to select community agencies to allow partial funding pending completion of formal contracts. The list of recommended agency advances is included as Attachment A to this report, and may need to be modified to reflect possible amendments to be voted on by the City Council at the time of budget adoption.

Impact of Proposed Reductions: Staffing

The budget reductions proposed for FY 2006 result in the net elimination of 50.24 full-time equivalent (FTE) positions, of which 45.63 are currently vacant (see Attachment A). All employees impacted by the reduction of filled positions will be placed in existing vacancies within classifications, or flexibly placed in appropriate classifications. We are able to do this – with such a large number of reductions – because of the hard hiring freeze we implemented in early FY 2005.

Conclusion

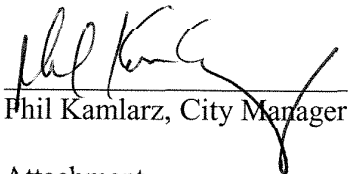
The two-year framework outlined in the Proposed Budget and the specific recommendations to balance the FY 2006 & FY 2007 biennial budget represent a significant step in erasing the City’s structural deficit. I will present a report to Council in December 2005 that provides a mid-year review of revenues, expenditures and staffing.

I look forward to continuing to work collaboratively with the City Council, boards and commissions, City departments, labor, community agencies, and the community at large to ensure the City of Berkeley continues to provide quality and improved services despite the fiscal challenges that we face.

CONTACT PERSON

Tracy A. Vesely, Budget Office, 981-7000

Approved:



Phil Kamlarz, City Manager

Attachment

Attachment A: Community Agency Contract Advances

COMMUNITY AGENCY ADVANCES

Attachment A

AGENCY NAME	PROJECT NAME	DEPT	FY 2006 Allocation	FY 2006 Advance
A Better Way	Building Imprv and Safety Upgrades	Housing	99,218	-
Affordable Housing Associates	CHDO General Operating Support	Housing	34,186	8,547
Affordable Housing Associates	Expanded Housing Acquisition & Renovation of Family Housing	Housing	45,000	11,250
Ala Costa Center	Berkeley Community Integration & Life Skills Project	Housing	31,132	15,566
Alameda Co Network of Mental Health Clients	Berkeley Daytime Drop-In	Housing	79,704	19,926
Alameda Co Network of Mental Health Clients	S + C Administration	Housing	3,000	750
Alameda County Homeless Action Center	S + C Administration	Housing	10,048	2,512
Alameda County Homeless Action Center	SSI Advocacy Project	Housing	55,202	13,801
Alzheimer's Services of the East Bay	Facility Improvements	Housing	45,200	-
Asians for Job Opportunities in Bay Area	Employment, Training & Bilingual Social Services	Housing	141,050	35,263
Athletes United for Peace	Latenight Basketball Program	Parks	\$ 63,000	15,750
Bay Area Community Resources	Malcolm X School Counseling	Housing	14,676	7,338
Bay Area Hispano Institute for Advancement	Child Development Services	Housing	110,718	27,680
Bay Area Outreach and Rec Program	Fitness access to people with disab.	Parks	\$ 27,138	13,569
Berk-Alb Licensed Day Care Operators	Subsidized Child Care Services	Housing	255,906	63,977
Berkeley Boosters	Police Activities League Youth Development	Police	\$ 101,368	33,451
Berkeley Ecumenical Ministries Fdn	Home Plate & Hope Prep	Housing	38,250	6,625
Berkeley Food & Housing Project	Case Management Center	Housing	10,000	2,500
Berkeley Food & Housing Project	Men's Overnight Assistance Center	Housing	100,212	40,053
Berkeley Food & Housing Project	Multi-Service Center	Housing	194,903	48,726
Berkeley Food & Housing Project	Quarter Meal	Housing	45,698	11,425
Berkeley Food & Housing Project	S + C Administration	Housing	16,000	4,000
Berkeley Food & Housing Project	Women's Shelter	Housing	115,057	28,764
Berkeley Place	Deaf/Disability Project	Housing	21,432	10,716
Berkeley Youth Alternatives	Girl's Twilight Basketball	Parks	\$ 45,033	22,516
Berkeley Youth Alternatives	Extended Childcare	Parks	\$ 27,500	13,750
Berkeley Youth Alternatives	Afterschool Program	Parks	\$ 28,500	14,250
Berkeley Youth Alternatives	Counseling	Parks	\$ 18,220	9,110
Bonita House	Creative Living Center	Housing	9,676	4,838
Bonita House	S + C Administration	Housing	3,000	1,500
Bonita House	Supported Living	Housing	14,533	7,267
Bread Project	Bread Project	Housing	26,000	13,000
Building Opportunities for Self Sufficiency	Harrison House Improvements	Housing	43,077	-
Building Opportunities for Self Sufficiency	Harrison House Shelter & Services	Housing	126,550	31,638
Building Opportunities for Self Sufficiency	Multi-Agency Srv Center & Locker Prog	Housing	197,456	49,364
Building Opportunities for Self Sufficiency	S + C Administration	Housing	16,000	4,000
Center of Independent Living	Blind Services	Housing	23,305	5,826
Center of Independent Living	Employment	Housing	26,219	6,555
Center of Independent Living	Residential Access Project for Disabled	Housing	142,675	35,669
City of Oakland	Winter Shelter Program	Housing	56,000	-
Community Energy Services Corporation	Home Safety and Repair	Housing	338,097	84,524
Community Gardening Collaborative	Urban Agriculture and Healthy Food	Parks	\$ 10,000	5,000
Dorothy Day	Berkeley Emergency Storm Shelter	Housing	15,000	-
Dorothy Day	Trinity Church Breakfast	Housing	30,888	15,444
East Bay Asian Youth Center	RISE	Housing	250,817	62,704
East Bay Community Law Center	Housing Advocacy	Housing	20,126	10,063
East Bay Community Law Center	Suitcase Legal Clinic	Housing	4,000	2,000
East Bay Community Mediation	Community Mediation & Conflict Resolution	Housing	75,000	18,750
Easy Does It	Disabled Services	Housing	741,866	185,467
Eden Council for Hope and Opportunity	Homelessness Prevention Op & Grants	Housing	161,284	40,321
Eden Council for Hope and Opportunity	Senior Home Equity Conversion	Housing	5,000	1,250

COMMUNITY AGENCY ADVANCES

Attachment A

AGENCY NAME	PROJECT NAME	DEPT	FY 2006 Allocation	FY 2006 Advance
Ephesians Children's Center	Childcare Program	Housing	91,097	22,774
Ephesians' Children's Center	Children's Center	Parks	\$ 19,400	9,700
Family Violence Law Center	Domestic Violence & Homeless Prev	Housing	54,010	13,503
Family Violence Law Center	Domestic Violence Advocacy Project	Housing	31,017	8,512
Fred Finch Youth Center	HYC, Housing Resources Counselor	Housing	30,000	15,000
Housing Rights	Fair Housing	Housing	34,509	17,255
Inter-City Services	Employment/Training	Housing	128,950	32,238
Japanese American Svcs of the East Bay	Senior Services	Housing	13,950	6,975
Lifelong Medical Care	Acupuncture Detox Clinic	Housing	79,510	19,878
Lifelong Medical Care	Berkeley Primary Care Access Clinic	Housing	40,464	10,116
Lifelong Medical Care	Elder Care/Over 60 Clinic	Housing	42,629	10,657
Lifelong Medical Care	S + C Administration	Housing	5,000	1,250
Lifelong Medical Care	Shelter Plus Care Social Worker	Housing	40,000	10,000
Lifelong Medical Care	Supportive Hsg Program UA Homes	Housing	27,102	6,776
Lifelong Medical Care	Uninsured Medical Care	Housing	54,563	13,641
Lifelong Medical Care	WBFP Improvements	Housing	37,200	-
Lifelong Medical Care	West Berkeley Family Practice	Housing	41,750	10,438
Lutheran Church of the Cross	Youth Emergency Assistance Hostel	Housing	50,000	25,000
McGee Avenue Baptist Church	Food Program	Housing	18,867	9,434
Multicultural Institute	Employment and Training	Housing	74,300	18,575
Multicultural Institute	Youth Mentoring	Housing	36,000	9,000
New Bridge Foundation	Residential Substance Abuse Treatment for Homeless	Housing	100,000	25,000
New Light Senior Citizens, Inc.	Senior Nutrition	Housing	71,784	17,946
Nia House Learning Center	Child Care	Housing	34,571	17,286
Options Recovery Services	Dual Diagnosis Program and Detox	Housing	53,147	13,287
Pacific Center for Human Growth	LOUD Youth Program	Housing	23,309	11,655
Rebuilding Together	Community Facilities	Housing	21,967	3,659
Rebuilding Together	Safe Home Project	Housing	88,393	12,218
Regents of UCB	Break the Cycle	Parks	\$ 96,030	24,008
Resources for Community Development	Acquisition for New Construction - Oxford	Housing	45,000	11,250
Resources for Community Development	CHDO Operating for Asset Mgmt	Housing	34,187	8,547
Resources for Community Development	Social Svcs & Special Needs Hsg	Housing	21,054	5,264
Rosa Parks Collaborative	Lifelong Medical Care	Parks	\$ 48,000	24,000
Rubicon	S + C Administration	Housing	3,000	1,500
Rubicon	Workforce Services	Housing	35,000	17,500
Sick Child Care Program	Sick Child Care Program	Housing	30,247	15,124
South Berkeley Community Church	Nutrition Program	Housing	10,360	5,180
South Berkeley Community Church	Youth Program	Housing	37,539	18,770
St. John's Child Care	Subsidized Infant Childcare for Low-Income Berkeley Residents	Housing	25,441	12,721
Stiles Hall/Rosa Parks	Rosa Parks	Parks	\$ 27,680	13,840
Through the Looking Glass	Berkeley Parenting & Disability Project	Housing	30,555	15,278
Tinker's Workshop	Community bike clinic, artist/inventor, consulting, sewing workshop	Parks	\$ 20,000	10,000
Toolworks, Inc.	Supportive Housing	Housing	24,000	12,000
United for Health	Youth Suitcase Clinic	Housing	12,974	6,487
Veteran's Building	Utilities Set Aside	Housing	15,151	-
Women's Daytime Drop-In Center	Homeless Case Management	Housing	71,060	17,765
Women's Daytime Drop-In Center	S + C Administration	Housing	3,000	750
Women's Daytime Drop-In Center	Safety New Services	Housing	11,469	2,867
Women's Daytime Drop-In Center	Transitional House Case Management	Housing	25,000	6,250
Women's Employment Resources Corp	CM Merge/Achieve Efficiency Program	Housing	21,000	-
Total			6,168,186	1,667,858